



# Corporate Governance Report

2015



CTT - Correios de Portugal, S.A. - Public Company  
CTT Building, Av. D. João II, 13, 1999-001 LISBON - PORTUGAL  
Lisbon commercial registry and fiscal number 500 077 568  
Share capital 75,000,000.00 €



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## INTRODUCTION

The year of 2015 was a hallmark year for CTT as far as corporate governance is concerned. On the one hand, the Company witnessed the consolidation of its position in the market as a recently privatised Company, with a free float of 100% of its capital placed among institutional and private Shareholders. On the other hand, the procedures inherent to its recent status as issuer of shares traded in the regulated market ("Issuer") have stabilised.

In this regard, the Company has not only fully executed the governance model and practices adopted in previous financial years, it has fine-tuned some of the relevant instruments in this financial year, namely given the developments that took place in 2015.

Namely, CTT has enhanced those governance practices in the context of the creation of Banco CTT (under its special registration with the Bank of Portugal and the launch of operations, on 8 October and 27 November 2015, respectively). Special note is made to CTT's and its Subsidiaries' Code of Conduct, wherein their respective Mission, Vision and Values are reiterated and best conduct practices are adopted in line with the benchmark of the financial sector.

The Regulation for the Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interest was also improved, in order to fine-tune the concepts and procedures set out therein.

In turn, due to regulatory developments concerning audits and statutory audits, CTT made amendments to the Regulations of the Audit Committee and the Regulation for the Provision of Services by the Statutory Auditor.

In this regard, in 2015 CTT continues to comply with a significant part of recommendations contained in the Corporate Governance Code of the Securities and Exchange Commission ("CMVM"), in the version published in July 2013 ("CMVM Recommendations" or "CMVM Code").

In this report, the Company carries out an assessment of its compliance with the CMVM Recommendations (comply or explain included in Part II), by reference to the report's model provided in Regulation no. 4/2013 of CMVM (corresponding especially to Part I).



## PART I – INFORMATION ON THE SHAREHOLDER STRUCTURE, ORGANISATION AND GOVERNANCE OF THE COMPANY

### A. SHAREHOLDER STRUCTURE

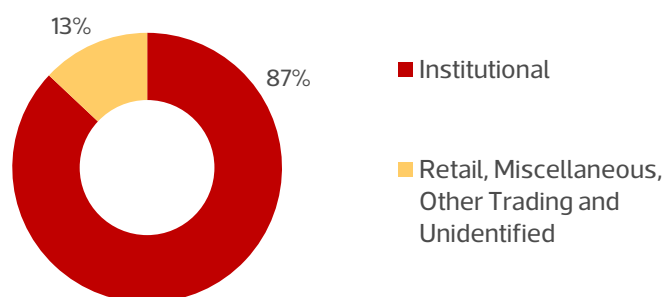
#### I. CAPITAL STRUCTURE

##### 1. Capital structure

CTT's share capital is €75,000,000, fully subscribed and paid-up, and represented by 150,000,000 ordinary shares (with no different categories) registered, book entry, with a nominal value of €0.50 each, admitted to trading on the regulated market Euronext Lisbon.

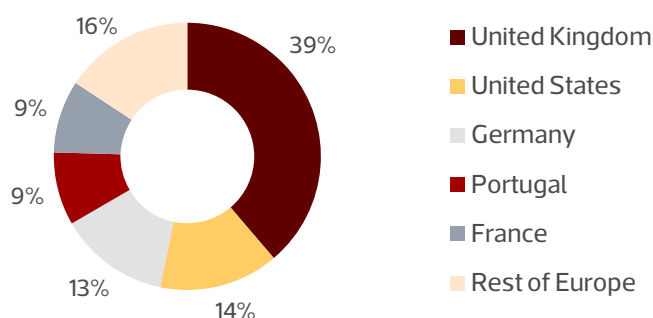
At the end of 2015, CTT conducted a study to profile its share capital structure. This study identified 181 institutional shareholders with a stake of approximately 87% of the Company's share capital.

**CAPITAL STRUCTURE BY INVESTOR PROFILE**



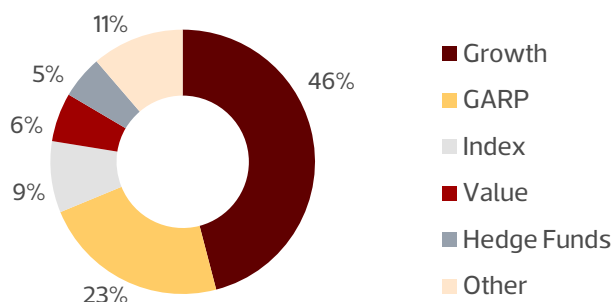
According to this study, investors based in the United Kingdom represented 39% of CTT shares held by identified institutional investors (47% in 2014), while institutional investors based in the United States and Germany held 14% and 13%, respectively (15% and 7% in 2014, respectively). The study also identified institutional investors based in Portugal that held 9% (6% in 2014) and in France, which held 9% (8% in 2014).

**GEOGRAPHICAL DISTRIBUTION**



The investors with a growth strategy represented 46% of the shares held by the identified institutional investors (vs. 42% in 2014), followed by 23% of investors with a GARP - Growth at a Reasonable Price (vs. 18% in 2014) type of strategy. Hedge Funds, Value and Index Fund investors' type of strategy together represented less than 20% (that compares to less than 1/3 in 2014) of the total identified institutional investors.

### INSTITUTIONAL SHARES BY INVESTMENT STRATEGY



This study also demonstrated that the top 10 shareholders of CTT held 43% of the Company's share capital (vs. 34% in 2014), while the top 25 held a total of 64% (vs. 57% in 2014).

## 2. Restrictions on the transfer of shares

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

Although CTT shares are freely transferable, the acquisition thereof entails, following the commercial registration date of Banco CTT (a credit institution fully owned by CTT), compliance with the legal requirements on direct or indirect qualifying shareholdings, set out in the Legal Framework of Credit Institutions and Financial Companies, established in Decree-Law No. 298/92, of 31 December, in its updated version.

In particular and pursuant to article 102 of that Legal Framework, anyone intending to hold a qualified holding in CTT and indirectly in Banco CTT (i.e. a direct or indirect holding equal to or higher than 10% of the share capital or voting rights or which, for any reason, allows the exercise of significant influence in the management) should previously inform the Bank of Portugal of their project for the purpose of the respective non-opposition. In turn, the Bank of Portugal shall also be informed of any of the acts or facts triggering the acquisition of a shareholding which reaches at least 5% of the share capital or voting rights of CTT, and indirectly of Banco CTT, within a period of 15 days as of its occurrence, pursuant to article 104 of the said Legal Framework.

## 3. Own shares

In 2015, the Company purchased own shares in the regulated market of Euronext Lisbon, as detailed below, to satisfy the obligations undertaken in the share award plan to Executive Directors of the Company, approved at the Annual General Meeting held on 5 May 2015 (as further detailed in sections 85 and 86 of Part I below). This was performed in light of the Remuneration Committee's recommendation thereof and based on the authorisation to purchase own shares granted to the Board of Directors in that same General Meeting:

Date of Transaction	Amount	% of share capital	Average price	Disbursements by the Company	% of the sessions total volume
01-06-2015	60,437	0.040%	9.280 €	560,842 €	11.16%
02-06-2015	113,000	0.075%	9.402 €	1,062,400 €	15.85%
03-06-2015	26,740	0.018%	9.345 €	249,883 €	6.89%
<b>Total</b>	<b>200,177</b>	<b>0.133%</b>	<b>9.357 €</b>	<b>1,873,125 €</b>	<b>n.a.</b>

Note: For further detail on the transactions mentioned above, please see the respective press release on the CTT website at: <http://www.ctt.pt/ctt-e-investidores/index.html>.

Following these transactions and with reference to 31 December 2015, CTT holds 200,177 own shares, with the nominal value of €100,088.50, representing 0.133% of the respective share capital and voting rights. All rights inherent thereto (save for the right to receive new shares in the event of a share capital increase through the incorporation of reserves) have been suspended as prescribed in article 324(1)(a) of the Companies Code.

#### **4. Significant agreements with change of control clauses**

Some of the real estate lease agreements concluded over the years which expressly stipulated that if the Portuguese State ceased to hold at least 50% of the share capital of the Company, the latter would be required to provide a revolving bank guarantee on first demand in favour of the respective leaseholder of the amount equivalent to 6 or 24 months of rent, continue to be in force. As at 31 December 2015, all the requested guarantees had been provided and no contractual provision was in force (nor is in force on this date) for a change of control in the lease agreements with CTT.

The contract for the sale and marketing of Cetelem credit products at CTT's Retail Network and on its website, concluded on 23 June 2014 with BNP Paribas Personal Finance, S.A. also remains in force. This contract was not amended as regards either party's power to unilaterally terminate the contract, under certain circumstances, should a change of shareholder control occur. The contracts concluded on 16 July 2013 and 8 October 2007, respectively, with Fidelidade – Companhia de Seguros, S.A., for the mediation of insurance of this entity, and with Western Union Payment Services Network EU/EEA Limited, for the provision of funds transfer services, also remain in force without amendment. These establish that any of the parties can terminate these contracts in the case of a change of control in the shareholder structure of the counterparty.

Also as regards the creation of Banco CTT (a fully-owned CTT subsidiary, which will imminently carry out its face-to-face business throughout CTT Retail Network), 3 contracts were entered into on 18 November 2015 between CTT and Banco CTT. These contracts govern the use of resources inherent to the Retail Network and the CTT / Bank partnership in regard to the CTT Channel, the multiple employer regime adopted for labour contracts with Retail Network employees and the rendering of services between the parties. These contracts provide the possibility of renegotiating their respective business / financial equilibrium, on the initiative of either party, in good faith and at arm's length, in the event the respective controlling or group relationship ceases to exist or an event occurs that results in CTT being controlled by a competitor of the Bank.

Although these contracts are strategically relevant for CTT's Financial Services segment, these change of control clauses constitute normal market conditions for this type of financial product marketing / distribution contracts, as well as for partnerships (especially for protection of the parties in the case of acquisition of control of the counterparty by competitors) and neither seek nor are capable of hindering the free transfer of CTT shares.

The Company is not a party to any other significant agreements which enter into force, are altered or cease (including the respective effects) in the case of CTT's change of control following a take-over offer.

Furthermore and in line with CMVM Recommendation I.5., no measures were adopted, nor is CTT a party to significant agreements that trigger any payments or the bearing of costs by the Company in the case of change of control or change of composition of the corporate body and which appear capable of hindering the free transferability of CTT shares and the free assessment by the Shareholders of the performance of the members of the management body of CTT.

## 5. Regime applicable to the renewal or revocation of defensive measures in particular limitations on votes held or exercised by a single shareholder individually or acting in concert with other shareholders

There are no limits established in the Articles of Association to the number of votes that may be held or exercised by a single Shareholder, individually or acting in concert with other Shareholders, pursuant to which the Company considers that CMVM Recommendation I.4. is not applicable to it.

## 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 relative to CTT, namely on matters of transfer of securities or voting rights.

# II. SHAREHOLDINGS AND BONDS HELD

## 7. Qualified holders, percentage of share capital and votes attributable, source and causes of the attribution

As at 31 December 2015, based on the communications to the Company made up to such date, the structure of the qualified holdings in CTT, calculated under article 20 of the Securities Code, is as follows (without prejudice to the changes disclosed to the market up to the date hereof and identified in the table below):

Shareholders <sup>(10)</sup>	No. of shares	% Share capital	% Voting rights
Standard Life Investments Limited <sup>(1)</sup>	9,910,580	6.607%	6.607%
Ignis Investment Services Limited <sup>(1)</sup>	97,073	0.065%	0.065%
<b>Standard Life Investments (Holdings) Limited</b>	<b>Total</b>	<b>10,007,653</b>	<b>6.672%</b>
Manuel Carlos de Mello Champalimaud	33,785	0.023%	0.023%
Gestmin SGPS, S.A. <sup>(2)</sup>	7,766,215	5.177%	5.177%
<b>Manuel Carlos de Mello Champalimaud</b>	<b>Total</b>	<b>7,800,000</b>	<b>5.200%</b>
Artemis Fund Managers Limited <sup>(3)</sup>	7,433,817	4.956%	4.956%
Artemis Investment Management LLP	276,892	0.185%	0.185%
<b>Artemis Investment Management LLP <sup>(3)</sup></b>	<b>Total</b>	<b>7,710,709</b>	<b>5.140%</b>
<b>Allianz Global Investors GmbH <sup>(4)</sup></b>	<b>Total</b>	<b>7,552,637</b>	<b>5.035%</b>
A.A.-FORTIS-ACTIONS PETITE CAP. EUROPE <sup>(5)</sup>	226,096	0.151%	0.151%
BNP PARIBAS A FUND European Multi-Asset Income <sup>(5)</sup>	241,969	0.161%	0.161%
BNP PARIBAS B PENSION BALANCED <sup>(5)</sup>	675,151	0.450%	0.450%
BNP PARIBAS B PENSION GROWTH <sup>(5)</sup>	89,950	0.060%	0.060%
BNP PARIBAS B PENSION STABILITY <sup>(5)</sup>	42,617	0.028%	0.028%
BNP PARIBAS L1 MULTI-ASSET INCOME <sup>(5)</sup>	287,384	0.192%	0.192%
BNP PARIBAS SMALLCAP EUROLAND <sup>(5)</sup>	1,569,016	1.046%	1.046%
Merck BNP Paribas European Small Cap <sup>(5)</sup>	97,607	0.065%	0.065%
METROPOLITAN-RENTASTRO GROWTH <sup>(5)</sup>	159,111	0.106%	0.106%
PARVEST EQUITY EUROPE SMALL CAP <sup>(5)</sup>	3,863,880	2.576%	2.576%
PARWORLD TRACK EUROPE SMALL CAP <sup>(5)</sup>	5,004	0.003%	0.003%

Stichting Bewaar ANWB – Eur Small Cap <sup>(5)</sup>		149,732	0.100%	0.100%
Stichting Pensioenfond Openbare Bibliotheken <sup>(5)</sup>		130,657	0.087%	0.087%
<b>BNP Paribas Investment Partners, Limited Company <sup>(5)</sup></b>	<b>Total</b>	<b>7,538,174</b>	<b>5.025%</b>	<b>5.025%</b>
Kames Capital plc <sup>(6)</sup>		2,045,003	1.363%	1.363%
Kames Capital Management Limited <sup>(6)</sup>		3,096,134	2.064%	2.064%
<b>Aegon NV <sup>(6)</sup></b>	<b>Total</b>	<b>5,141,137</b>	<b>3.427%</b>	<b>3.427%</b>
<b>Norges Bank</b>	<b>Total</b>	<b>3,143,496</b>	<b>2.096%</b>	<b>2.096%</b>
F&C Asset Management plc <sup>(7)</sup>		3,124,801	2.083%	2.083%
<b>Bank of Montreal <sup>(7)</sup></b>	<b>Total</b>	<b>3,124,801</b>	<b>2.083%</b>	<b>2.083%</b>
Henderson Global Investors Limited <sup>(8)</sup>		3,037,609	2.025%	2.025%
<b>Henderson Group plc <sup>(8)</sup></b>	<b>Total</b>	<b>3,037,609</b>	<b>2.025%</b>	<b>2.025%</b>
<b>CTT (own shares)</b>	<b>Total</b>	<b>200,177</b>	<b>0.133%</b>	<b>0.133%</b> <sup>(9)</sup>
<b>Other shareholders</b>	<b>Total</b>	<b>94,743,607</b>	<b>63.162%</b>	<b>63.162%</b>
<b>TOTAL</b>		<b>150,000,000</b>	<b>100.000%</b>	<b>100.000%</b>

(1) Company held by Standard Life Investments (Holdings) Limited.

(2) Qualified holding directly and indirectly attributable to Mr. Manuel Carlos de Mello Champalimaud.

(3) Company held by Artemis Investment Management LLP. According to a communication of 25 February 2016, Artemis Investment Management LLP reduced its qualifying holding in CTT, hence its shareholding is comprised of: Artemis Fund Managers Limited – 4.8851%; Artemis Investment Management LLP – 0.1%, totalling 4.9851% held on that date.

(4) Previously, Allianz Global Investors Europe GmbH.

(5) According to BNP Paribas Investment Partners, Limited Company's communication its stake in CTT correspond to "5.03% of the share capital (4.77% of the voting rights)" – see CTT press release of 18 December 2015. Shareholding held through the following funds managed by BNP Paribas Investment Partners: A.A.-FORTIS-ACTIONS PETITE CAP EUROPE; BNP PARIBAS A FUND European Multi-Asset Income; BNP PARIBAS B PENSION BALANCED; BNP PARIBAS B PENSION GROWTH; BNP PARIBAS B PENSION STABILITY; BNP PARIBAS L1 MULTI-ASSET INCOME; BNP PARIBAS SMALLCAP EUROLAND; Merck BNP Paribas European Small Cap; METROPOLITAN-RENTASTRO GROWTH; PARVEST EQUITY EUROPE SMALL CAP; PARWORLD TRACK EUROPE SMALL CAP; Stichting Bewaar ANWB – Eur Small Cap; Stichting Pensioenfond Openbare Bibliotheken. According to a communication of 4 February 2016, the structure of the voting rights held in CTT changed and as at that date it was as follows: BNP Paribas Investment Partners Belgium SA – 0.833%; BNP Paribas Investment Partners Luxembourg – 2.972%; BNP Paribas Asset Management – 1.197%, totalling 5.002% held on that date.

(6) As of 1 January 2015, as a result of a group corporate restructuring the client portfolios managed by Kames Capital Management Limited (a subsidiary of Kames Capital plc) have been transferred and are currently managed by Kames Capital plc. This qualified shareholding is attributable to the following chain of entities: (i) Kames Capital Holdings Limited, which holds 100% of Kames Capital plc; (ii) Aegon Asset Management Holding BV, which holds 100% of Kames Capital Holdings Limited; and (iii) Aegon NV, which holds 100% of Aegon Asset Management Holding BV.

(7) This shareholding is attributable to F&C Asset Management plc, as the entity with whom each of F&C Management Limited, F&C Investment Business Limited and F&C Managers Limited are in a control relationship. F&C Asset Management plc is under the control of BMO Global Asset Management (Europe) Limited which in turn is under the control of the Bank of Montreal.

(8) Henderson Group plc is the parent company of Henderson Global Investors Limited. All voting rights are attributable to Henderson Global Investors Limited. According to a communication of 8 January 2016, the Henderson Group plc ceased to own a qualifying holding in CTT, as it then held less than 2% of the share capital and voting rights of CTT.

(9) The voting rights inherent to own shares held by the Company are suspended pursuant to article 324 of the Companies Code.

(10) According to a communication of 13 January 2016, BlackRock, Inc. became the holder 2.01% of the share capital and voting rights of CTT, corresponding to 2,748,939 shares and 269,835 CFD, attributable to the following chain of BlackRock, Inc. controlled undertakings: BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc.; BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Group Limited, BlackRock Advisors (UK) Limited; BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock (Singapore) Holdco Pte. Ltd., BlackRock Asia-Pac Holdco, LLC, BlackRock HK Holdco Limited, BlackRock Cayco Limited, BlackRock Trident Holding Company Limited, BlackRock Japan Holdings GK, BlackRock Japan Co., Ltd.; BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Australia Holdco Pty. Ltd., BlackRock Investment Management (Australia) Limited; BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Holdco 3, LLC, BlackRock Canada Holdings LP, BlackRock Canada Holdings ULC, BlackRock Asset Management Canada Limited; BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Capital Holdings, Inc., BlackRock Advisors, LLC; BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4, LLC, BlackRock Holdco 6, LLC, BlackRock Delaware Holdings Inc., BlackRock Fund Advisors; BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4, LLC, BlackRock Holdco 6, LLC, BlackRock Delaware Holdings Inc., BlackRock Fund Advisors, BlackRock Institutional Trust Company, National Association; BlackRock, Inc., Trident Merger, LLC, BlackRock Investment Management, LLC.

## 8. Number of shares and bonds held by members of the managing and supervisory bodies

Under article 447(5) of the Companies Code and article 14 of CMVM Regulation 5/2008, during the 2015 financial year and pursuant to the communications made to the Company until 31 December, the number of shares held by the members of the managing and supervisory bodies of CTT (which are considered senior officers of CTT under the terms and for the purposes of article 248-B of the Securities Code) and their related parties under said provisions, as well as all their acquisitions, encumbrances or disposals of ownership, are indicated in the following lists:

Board of Directors <sup>(a)</sup>	No. of Shares as at 31.12.2014	Date	Acquisition	Encum- brance	Disposal	Price	No. of Shares as at 31.12.2015
Francisco José Queiroz de Barros de Lacerda	3,110	-	-	-	-	-	3,110
António Sarmiento Gomes Mota	0	-	-	-	-	-	0
Manuel Cabral de Abreu Castelo-Branco	1,550	-	-	-	-	-	1,550
André Manuel Pereira Gorjão de Andrade Costa <sup>(b)</sup>	3,110	14.05.2015	780	-	-	€10.05	3,890
Dionízia Maria Ribeiro Farinha Ferreira	0	-	-	-	-	-	0
Ana M <sup>ª</sup> Carvalho Jordão Ribeiro Monteiro de Macedo	0	-	-	-	-	-	0
António Manuel de Carvalho Ferreira Vitorino	0	-	-	-	-	-	0
Nuno Fernandes Thomaz	0	-	-	-	-	-	0
Diogo José Paredes Leite de Campos	0	-	-	-	-	-	0
Rui Miguel de Oliveira Horta e Costa	0	-	-	-	-	-	0
José Manuel Baptista Fino	0	-	-	-	-	-	0

<sup>(a)</sup> Includes the members of the Executive Committee and the Audit Committee.

<sup>(b)</sup> Transaction performed in the regulated market.

Closely related Parties	No. of Shares as at 31.12.2014	Date	Acquisition	Encum- brance	Disposal	Price	No. of Shares as at 31.12.2015
Alice Monjardino de Campos de Azevedo Soares <sup>(c)</sup>	120	-	-	-	-	-	120
Manuel M <sup>ª</sup> Azevedo Soares de Abreu Castelo-Branco <sup>(c)</sup>	1,550	-	-	-	-	-	1,550
Susana Gorjão Costa <sup>(d)</sup>	3,110	-	-	-	-	-	3,110

<sup>(c)</sup> Person closely related to Manuel Cabral de Abreu Castelo-Branco.

<sup>(d)</sup> Person closely related to André Manuel Pereira Gorjão de Andrade Costa.

Statutory Auditor and External Auditor	No. of Shares as at 31.12.2014	Date	Acquisition	Encum- brance	Disposal	Price	No. of Shares as at 31.12.2015
KPMG & Associados, SROC, S.A.	0	-	-	-	-	-	0
Maria Cristina Santos Ferreira	0	-	-	-	-	-	0
Vitor Manuel da Cunha Ribeirinho	0	-	-	-	-	-	0

As at 31 December 2015, none of the members of the managing and supervisory bodies of CTT held any bonds issued by the Company nor 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 in 2015, under the terms and for the purposes of article 447 of the Companies Code.

## 9. Special powers of the Board of Directors, namely resolutions on capital increase

The powers attributed to the Board of Directors of CTT are described in section 21 of Part I below. According to the Articles of Association, there are no provisions conferring special powers to the

Board of Directors as regards capital increases, being such matter within the exclusive powers of the Shareholders General Meeting.

## 10. Information on the existence of significant business relations between the qualified holders and the Company

The significant business relations maintained between the Company and its qualified holders during the financial year of 2015 correspond to the transactions with related parties identified in section 92 of Part I below.

## B. CORPORATE BODIES AND COMMITTEES

### I. SHAREHOLDERS GENERAL MEETING

#### a) Composition of the Board of the Shareholders General Meeting

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

Under article 10 of CTT Articles of Association, the Board of the Shareholders General Meeting is composed of a Chairman and Vice-Chairman, elected every 3 years at the Shareholders General Meeting. In 2015 and at present, the composition of the Board of the General Meeting is as follows:

Members	Office	Term of Office <sup>(1)</sup>
Júlio de Lemos de Castro Caldas	Chairman	2014/2016
Francisco Maria Freitas de Moraes Sarmiento Ramalho	Vice-Chairman	2014/2016

<sup>(1)</sup> Members initially elected on 12 November 2013 to complete the term of office 2012/2014, with the General Meeting of 24 March 2014 having resolved to extend their term of office to 2014/2016.

Pursuant to the same provision, the members of the Board of the Shareholders General Meeting are assisted by the Secretary of the Company, functions discharged in 2015 and currently by Maria da Graça Farinha de Carvalho e Sousa Góis.

#### b) Exercise of the voting rights

##### 12. Possible restrictions on voting rights

CTT Articles of Association do not set out any limitations to voting rights or to the detachment of financial rights.

Pursuant to articles 7 and 8 of the Articles of Association, Shareholders who, on the record date, corresponding to 0 hours (GMT) of the 5<sup>th</sup> trading day prior to the General Meeting, hold at least 1 share have the right to vote at the General Meeting.

Under the same provisions, the right to vote can be exercised by proxy, correspondence or electronic means and can cover all the matters included in the notice to convene. The exercise of the



right to vote by any of these methods should be carried out under the terms, within the stipulated periods and through the mechanisms established in detail in the notice to convene in order to encourage shareholder participation (the participation and the exercise of the right to vote was permitted by all of these methods at the Annual General Meeting held in 2015). In view of the above, CTT fully complies with CMVM Recommendation I.1.

CTT's Articles of Association do not establish any mechanisms causing a mismatch between the right to receive dividends or to subscribe new securities and the right to vote attached to each share, pursuant to which the Company adopts CMVM Recommendation I.3.

### **13. Maximum percentage of voting rights that may be exercised by a single shareholder or by shareholders who are in any of the relations under article 20(1) of the Securities Code**

CTT's Articles of Association do not establish any percentage limitation to the voting rights that may be exercised by a single shareholder or by shareholders who are in any of the relations under article 20 (1) of the Securities Code, thus CMVM Recommendation I.4. is not considered applicable to CTT.

### **14. Shareholder resolutions which may only be adopted by qualified majority under the Articles of Association other than those legally established**

CTT's Articles of Association do not provide for qualified majorities for the adoption of resolutions beyond those legally established, thus complying with CMVM Recommendation I.2.

## **II. MANAGEMENT AND SUPERVISION**

### **c) Composition**

#### **15. Identification of the adopted governance model**

The Company adopts the Anglo-Saxon one-tier governance model, according to which the Board of Directors is responsible for the Company's management and the Audit Committee (corporate body comprising Non-Executive and independent Directors) and the Statutory Auditor are responsible for its oversight.

This model has enabled the consolidation of the governance structure and practices of CTT, in line with national and international best practices, thus promoting the effective performance of duties and coordination of the corporate bodies, the regular operation of a system of checks and balances and the accountability of its management to its Shareholders and remaining stakeholders.

In this context, the General Meeting is competent 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 elected following a proposal by the Audit Committee), (ii) appraise the annual report of the Board of Directors and the opinion of the Audit Committee, (iii) decide on the allocation of profits and (iv) resolve on amendments to the Articles of Association.



In turn, in the context of its management duties, the Board of Directors delegated day to day management powers to the Executive Committee (described in section 21 of Part I below), whose action is supervised by the Non-Executive Directors, in particular by the Corporate Governance, Evaluation and Nominating Committee, currently composed of a majority of independent Directors (in the performance of the duties referred to in the same section).

The Audit Committee (currently exclusively composed of independent members), together with the Statutory Auditor, perform the oversight duties resulting from applicable statutory and regulatory provisions, with the Audit Committee in particular being responsible for promoting and monitoring the independence of the Statutory Auditor / External Auditor and of the internal audit of the Company, with a view to contributing to the quality of the financial information and effectiveness of the systems of internal control, risk management and internal audit (described in section 38 of Part I below).

Furthermore, the Remuneration Committee (composed of independent members with no relation to the management and elected at the Shareholders General Meeting) is responsible for establishing the remunerations of the members of the corporate bodies (described in section 66 of Part I below).

#### **16. Articles of Association's provisions 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, (i) the Shareholders General Meeting is entrusted with the election of the members of the Board of Directors, including its Chairman and Vice-Chairmen, by majority of the votes cast by Shareholders present or represented (or by the most voted proposal in case of several proposals being submitted), and (ii) one of the members of the Board of Directors can be elected 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.

The rules contained in the Companies Code are applicable with respect to the replacement of members of the Board of Directors, in the absence of applicable provisions of the Articles of Association. Article 16 of the Articles of Association only provides that the absence of a Director at more than 2 meetings each year, consecutive or interpolated, without justification accepted by the Board of Directors, leads to a definitive absence, in which case measures should be taken for the replacement of this Director pursuant to Companies Code.

No other procedural and substantive requirements are defined 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 the 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 term of office which is renewable.

The Company's Board of Directors in office as at 31 December 2015 and on the present date, is composed of the following 11 Directors, appointed for the term of office 2014/2016:

Members	Board of Directors	Executive Committee	Audit Committee	Independence <sup>(1)</sup>	Date of 1 <sup>st</sup> Appointment <sup>(2)</sup>
Francisco José Queiroz de Barros de Lacerda	Chairman	Chairman			24/08/2012
António Sarmento Gomes Mota <sup>(3)</sup>	Vice-Chairman		Chairman	Yes	12/11/2013
Manuel Cabral de Abreu Castelo-Branco	Vice-Chairman	Member			24/08/2012
André Manuel Pereira Gorjão de Andrade Costa	Member	Member			24/08/2012
Dionizia Maria Ribeiro Farinha Ferreira	Member	Member			24/08/2012
Ana Maria de Carvalho Jordão Ribeiro Monteiro de Macedo	Member	Member			24/08/2012
António Manuel de Carvalho Ferreira Vitorino	Member			Yes	24/03/2014
Nuno de Carvalho Fernandes Thomaz	Member		Member	Yes	24/03/2014
Diogo José Paredes Leite de Campos <sup>(4)</sup>	Member		Member	Yes	12/11/2013
Rui Miguel de Oliveira Horta e Costa	Member			Yes	29/07/2014
José Manuel Baptista Fino	Member			Yes	19/12/2014

(1) The assessment of independence was conducted in accordance with the criteria defined in CMVM Recommendation II.1.7. and CMVM Regulation 4/2013, as well as in article 414(5) of the Companies Code for non-executive members there are part of the Audit Committee.

(2) In this regard, the date provided is the first date of appointment to a governing body in CTT, as specified below.

(3) Between 12 November 2013 and 24 March 2014, António Sarmento Gomes Mota was Chairman of CTT's Fiscal Board. On 24 March 2014, when the Company adopted the current Anglo-Saxon governance model, he was appointed Vice-Chairman of the Board of Directors and Chairman of the Audit Committee.

(4) Between 12 November 2013 and 24 March 2014, Diogo José Paredes Leite de Campos was a Member of CTT's Fiscal Board. On 24 March 2014, when the Company adopted the current Anglo-Saxon governance model, he was appointed Member of the Board of Directors and Audit Committee.

## 18. Distinction between executive and non-executive members of the Board of Directors and, with respect to non-executive members, identification of members who may be deemed independent

The Board of Directors is composed of the executive and non-executive members indicated in section 17 of Part I above, with all the non-executive members in office, as of their appointment to the current term of office, being independent pursuant to the criteria defined in CMVM Recommendation II.1.7. and CMVM Regulation 4/2013 and, regarding the members of the Audit Committee, pursuant to article 414(5) of the Companies Code.

Thus, the Company adopts CMVM Recommendations II.1.6. and II.1.7., since the number of non-executive and independent members assures an effective capacity to monitor, supervise and assess the activity of the remaining members of the managing body, in particular taking into account the adopted governance model, the Company's size and its shareholder structure and free float.

The Company also complies with CMVM Recommendation II.1.10., since it has adopted the following mechanisms aimed at assuring the coordination and effectiveness in the performance of duties by the Non-Executive Directors, considering the accumulation of Chief Executive Officer ("CEO") duties by the Chairman of the Board of Directors of CTT:

- The Non-Executive and independent Vice-Chairman of the Board of Directors, António Sarmento Gomes Mota (also Chairman of the Audit Committee and of the Corporate Governance, Evaluation and Nominating Committee), performs the following duties of lead independent director as follows: (i) monitors and consults the Executive Committee on the performance of the duties delegated thereto; (ii) contributes to the effective performance of duties and powers by the Non-Executive Directors and internal committees of the Board of Directors, assuring the appropriate coordination of their work and the necessary mechanisms for the Non-Executive Directors to receive in due time the information they deem suitable for an independent and informed decision making; and (iii) takes part, together with the Chairman of the Board of Directors (and CEO), in the draft and approval of

the Board meeting agendas;

- The Non-Executive Directors may obtain the information that they deem necessary for the performance of their respective functions and duties;
- The supporting documentation of the meetings of the Board of Directors is timely made available to all Executive and Non-Executive Directors. The agendas and minutes of the meetings of the Executive Committee are distributed to the Non-Executive Directors, including to the Non-Executive Vice-Chairman of the Board of Directors, Chairman of the Audit Committee and Chairman of the Corporate Governance, Evaluation and Nominating Committee.

## 19. Professional qualifications and other curricular data of each of the members of the Board of Directors

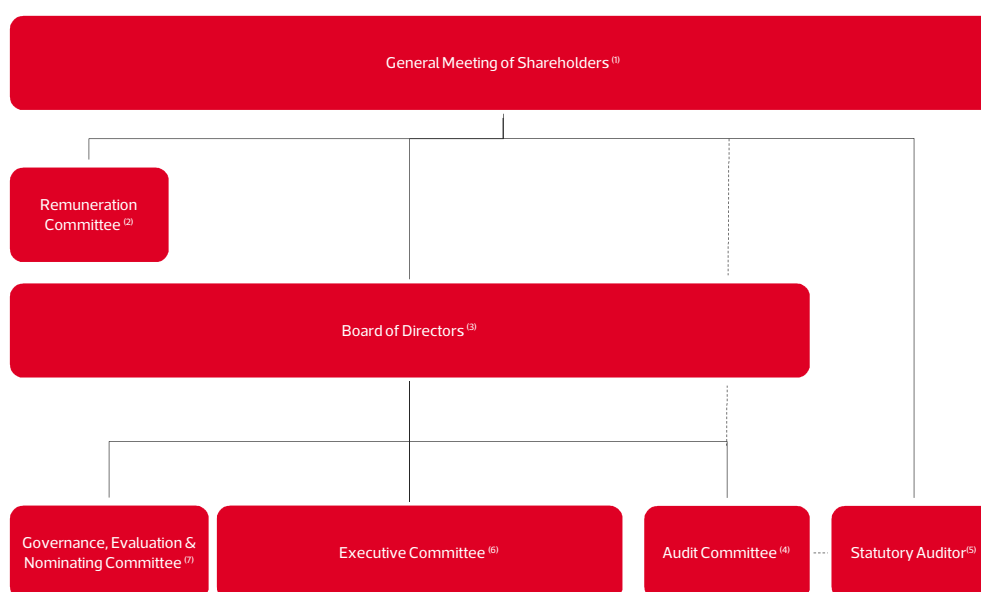
Please refer to Annex I including the curricula of the members of the Board of Directors of CTT.

## 20. Family, professional or commercial, frequent and significant relations of members of the Board of Directors with qualified Shareholders with more than 2% of voting rights

None of the members of the Board of Directors maintained, throughout 2015, any family, professional or commercial relations with qualified shareholders with more than 2% of voting rights in the Company. Likewise, no such relations are maintained with the shareholders mentioned in the table included in section 8 of Part I above, either as at 31 December 2015 or as at the present date.

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

As at 31 December 2015 and at the present date, the powers of CTT's governing bodies and committees are distributed as follows and as detailed in the sections of Part I indicated below:



- (1) See, in particular, the powers of the Shareholders General Meeting described in section 15 above.
- (2) See, in particular, the powers of the Remuneration Committee and its coordination with the Corporate Governance, Evaluation and Nominating Committee described in sections 15, 21.4 and 66 herein.
- (3) See, in particular, the powers of the Board of Directors described in sections 15 and 21.1 herein. See also sections 21.4 and 21.5 on powers of the Ethics Committee, as a support committee to the Audit Committee and the Board of Directors insofar as the respective powers of these bodies.
- (4) See, in particular, the powers of the Audit Committee described in sections 15, 37 and 38 herein. See also sections 21.4 and 21.5 on powers of the Ethics Committee, as a support committee to the Audit Committee and the Board of Directors insofar as the respective powers of these bodies.
- (5) See, in particular, the powers of the Statutory Auditor described in sections 15 and 38 herein.
- (6) See, in particular, the powers delegated by the Board of Directors to the Executive Committee, as well as the support committees and departments to the Executive Committee, in the terms described in sections 15, 21.2 and 21.3 herein.
- (7) See, in particular, the powers of the Corporate Governance, Evaluation and Nominating Committee of the Board of Directors and its coordination with the Remuneration Committee described in sections 15, 21.4 and 66 herein.

### 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, being entrusted to practice all acts and operations relative to the corporate purpose not falling within the powers of the remaining corporate bodies of the Company.

Under article 13 of the Articles of Association and article 5 of its Regulations, the Board of Directors is responsible, namely, for:

- ✓ Approving the management goals and policies, and establishing the strategy and risk profile of the Group, as well as ensuring the effectiveness of the Group's internal control, risk management and internal audit systems;
- ✓ Approving the annual and multi-annual activity, strategic, investment and/or financial plans and the annual budgets of the Group, as well as their respective changes;
- ✓ Resolving on changes of registered offices and projects to increase or reduce capital, mergers, demergers and transformations and amendments to the Articles of Association to be submitted to the Shareholders General Meeting of the Company;
- ✓ Approving annual, half-year and quarter reports and accounts;
- ✓ Resolving on the provision of bonds and personal or asset guarantees under the legal terms;
- ✓ Establishing the general aspects of the Group's corporate structure and the general standards of conduct;
- ✓ Presenting notices to convene the Shareholders General Meetings of the Company;
- ✓ Proceeding with the co-optation of Directors of the Company;
- ✓ Appointing the Company Secretary and its alternate.

The Chairman of the Board of Directors (in his absence or impediment, to be replaced by the Vice-Chairmen) is especially responsible for:

- ✓ Representing the Board of Directors in and out of court;
- ✓ Coordinating its activity, proceeding with the allocation of matters among Directors, when advisable for management purposes, and calling and chairing the respective meetings;
- ✓ Exercising the casting vote in the taking of resolutions by the Board of Directors;
- ✓ Ensuring the correct implementation of the resolutions of the Board of Directors;
- ✓ Promoting communication between the Company and all its stakeholders.

## 21.2. Executive Committee

The Board of Directors delegated day-to-day management of the Company to the Executive Committee, as set out under article 13 of the Articles of Association and articles 5 and 6 of the Regulations of the Board and in line with CMVM Recommendation II.1.1.

In compliance with CMVM Recommendation II.1.2., the matters referred to in section 21.1. above and the following matters are excluded from the aforesaid delegation of powers, being relevant matters for the strategy, general policies and structure of the Group:

- ✓ Acquisitions of shareholdings (i) in countries where the Group is not present, (ii) in new business areas for the Group, or (iii) of value per operation above €20m;
- ✓ Investments by the Group not included in the annual budget whose value per operation exceeds €10m and divestments of the Group of value per operation above €10m;
- ✓ Disposals or encumbrances of shareholdings (i) that determine the Group's step out of a certain country or business areas, or (ii) whose value per operation exceeds €20m;
- ✓ Contracting of debt, in the form of financing or issuance of securities, of value per operation above €150m or a maturity period above 5 years;
- ✓ Any other business or operation that implies liabilities or obligations above €50m, per transaction or act, for the Group.

The Chairman of the Executive Committee has the casting vote and should:

- ✓ Ensure that all information is provided to the other members of the Board of Directors relative to the activity and resolutions of the Executive Committee;
- ✓ Ensure compliance with the limits of delegation and strategy of the Company, and propose to the Board of Directors the list of management matters which should be entrusted especially to each of the members of the Executive Committee;
- ✓ Coordinate the activities of the Executive Committee, chairing its meetings, ensuring the implementation of the resolutions and distributing among its members the preparation or monitoring of the issues to be analysed or decided by the Executive Committee.

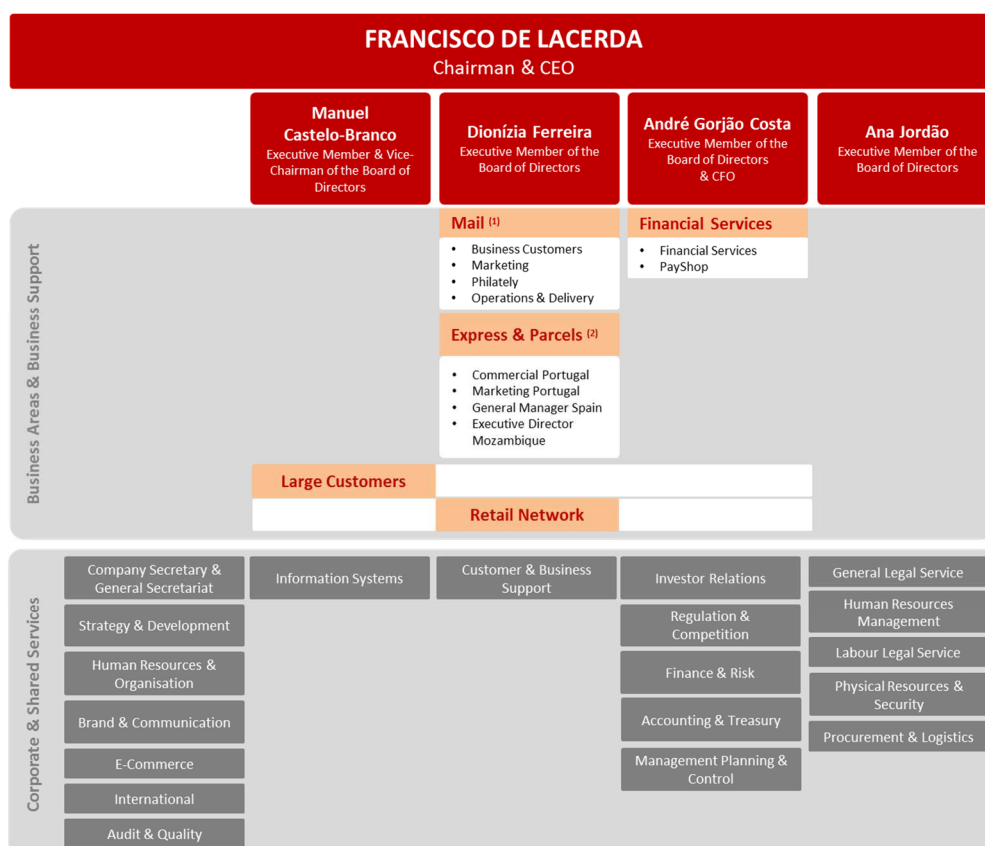
Under the Regulations of the Board of Directors and the Executive Committee, and in compliance

with CMVM Recommendations II.1.8. and II.1.9, the Company adopts the following mechanisms:

- In order to assure that all the members of the Board of Directors and other corporate bodies are informed of the status of the Company's management, the agendas and minutes of the meetings of the Executive Committee are distributed to the Non-Executive Directors, including the Non-Executive Vice-Chairman of the Board of Directors, Chairman of the Audit Committee and Chairman of the Corporate Governance, Evaluation and Nominating Committee;
- At the meetings of the Board of Directors, the Executive Committee presents a summary of the aspects that are considered relevant of the activity developed since the last meeting;
- The Executive Committee is also obliged to timely and adequately provide the members of the Board of Directors and all other members of the corporate bodies with any additional or supplementary clarifications and information requested.

Under its delegated competences, the Executive Committee can entrust one or more of its members to deal with certain matters and sub-delegate in one or more of its members the exercise of some of its delegated powers.

As at 31 December 2015 and on the date thereof, the powers of the Executive Committee are allocated to its members as follows:



<sup>(1)</sup> Includes Mailtec Comunicação and CTT Contacto; <sup>(2)</sup> Includes CTT Expresso, Tourline and CORRE.

Note: Banco CTT has its own management structure, autonomous from CTT's Executive Committee.

### 21.3. Committees and departments supporting the Executive Committee

Given the Company's size and its many areas of action, committees have been created to support the management whose objective is to monitor the Company's activity, both as regards the implementation of the strategy defined by the Board of Directors and compliance with the standards that are in force.

As at 31 December 2015 and on the present date, the following committees were operational:

MANAGEMENT SUPPORT COMMITTEES AND THEIR OBJECTIVES	
<b>Risk Management Committee</b> Composed of the Chief Financial Officer and by the heads of the Finance and Risk, Strategy and Development, Operations and Distribution, Retail Network, Human Resources and Organisation, Information Technologies, Accounting and Treasury, and Physical Resources and Security Departments.	Promotion of the Corporate Risk Management function, operating as an instrument to leverage the process of operationalisation of the risk management system at CTT, under the terms described in further detail in section 52 of Part I below.
<b>Credit Committee</b> Composed of the Chief Financial Officer, who chairs it, by the Board Members with business responsibilities, and by the heads of the following departments: Finance and Risk, Large Clients, Retail Network, Corporate Clients, Advertising Mail, Express & Parcels. The follow-up and monitoring meetings should be attended by the persons responsible for Accounting and Treasury, Litigation, Customer and Business Support, Marketing and the Payshop Network.	Definition and submission to the Board of Directors of customer credit policies. Assessment and review of risk levels and credit limits. Decision on granting/revision/suspension of credit prior to the formalisation of contracts. Evaluation of proposals for conclusion of payment agreements. Monitoring and evaluation of the results of the implementation of customer credit policy and identification of measures to achieve the defined objectives.
<b>Treasury Committee</b> Composed of the Chief Financial Officer, who chairs it, and by the heads of the Accounting and Treasury, as well as Finance and Risk departments, and by the heads of the Finance departments of the subsidiaries.	Measurement and analysis of CTT's funds management process with a view to its continuous management and ongoing adaptation to needs.
<b>Investment Committee</b> Composed of the heads of the corporate departments of Strategy and Development (which it coordinates), Management Planning and Control and Finance and Risk.	Non-binding opinion in relation to investment projects amounting to more than €50,000.00, prior to the assessment/final approval of the Executive Committee.
<b>Real Estate Management Committee</b> Composed of 2 Executive Directors of CTT – the responsible for Physical Resources and Security and the Chief Financial Officer – and by the heads of the following departments: Physical Resources and Security (accompanied by 2 employees), Retail Network, Operations and Distribution, Management Planning and Control, and a member of the Board of Directors of CTT Expresso. Depending on the issues on the agenda, the following are also members: the Executive Director responsible for the Retail Network and other senior managers.	Strategic planning and management of real estate, real estate investment programming and promotion of optimisation and enhanced economic returns of real estate.

As at 31 December 2015 and currently, the organisational structure of CTT was as follows:

<b>Large Customers</b> Filipe Flores Ribeiro	To ensure the integrated management of large customers, managing the key accounts segment in terms of maximising sales and profitability of the various business areas of CTT.
<b>Business Customers</b> Carla Cruz	To assure the loyalty of business customers, along with capitalising on the turnover and profitability of sales of the entire portfolio of products and services made available by the Mail Business Unit.
<b>Marketing</b> Graça Oliveira	To manage the portfolio of transactional and advertising mail products and services and value added solutions upstream and downstream of its value chain for individuals and companies, integrating the available technological capacities and new trends, in order to offer clients innovative solutions adapted to market needs.
<b>Philately</b> Raul Moreira	To develop the business of philately and collecting in a comprehensive, sustained and profitable manner, maintaining the integrity and quality levels of Portuguese philately.
<b>Operations &amp; Delivery</b> Hernâni Santos	To manage the operations of collection, printing and finishing and transport, handling and delivery in an efficient manner, ensuring excellence in quality of service and respect for the nationwide obligations of the universal service all over the national territory, promoting synergies with all business areas of the Company towards increasing efficiency and value creation for the Company.



<b>Commercial – Express &amp; Parcels (Portugal)</b> João Pedro Gonçalves	To ensure customer loyalty and revitalisation of existing customers and acquisition of new customers, aiming at business profitability through a commercial response suited to the needs and opportunities within each sales department.
<b>Marketing – Express &amp; Parcels (Portugal)</b> Pedro Faraústo	To create, communicate, capture and manage the business in the organisation through the understanding of customer needs, providing innovation to the offer; To conceive and develop plans/projects and implement marketing campaigns, providing the Company with a customer-focused vision and performance, as well as satisfaction and loyalty of the customer base.
<b>General Manager Spain</b> Javier Muelas	To manage the commercial, operational, control and financial areas of the subsidiary Tourline.
<b>Executive Director Mozambique</b> Luís Rodrigues	To support the executive business management of the subsidiary Correio Expresso Moçambique (CORRE).
<b>Retail Network</b> António Pedro Silva	To manage the Retail Network, ensuring increasing revenue resulting from acts of sale and their profitability; To maximise resource productivity and rationalisation of supply versus demand, in terms of the defined offer, price levels and obligations of the universal service; To rationalise the Retail Network and points of access to the postal network in a privatisation context; To ensure the quality of customer service at all points of access to the postal network; To maximise the value of the network's offer by assuring more efficient and competitive management.
<b>Financial Services</b>	To manage an innovative offer of competitive financial products and services, creating value for the Shareholder, strategically oriented towards customers, margins and efficiency, based on the Retail Network and Payshop agents.
<b>PayShop</b> Sílvia Correia	To develop the activity related to the provision of payment services.
<b>Company Secretary and General Secretariat</b> Graça Carvalho	To ensure the institutional relations of the Company between the sovereign bodies, ombudsmanship and other entities; To provide technical and administrative support to the Board of Directors, the Executive Committee and other governing bodies; To ensure formal communication between the Board of Directors, the Executive Committee, CTT's structure, its subsidiaries and external entities.
<b>Strategy &amp; Development</b> Francisco Simão	To support the Executive Committee in the definition, implementation and management of the development strategy of the CTT business areas, proposing and promoting initiatives for strategic development and management of its business portfolio, in a perspective of sustained value creation.
<b>Human Resources &amp; Organisation</b> António Marques	To develop and implement human resources policies aligned with the strategy defined for the Group, while promoting a culture of merit and continuous professional development.
<b>Brand &amp; Communication</b> Miguel Salema Garção	To define and implement strategies for CTT's internal and external communication; To ensure the management of sponsorships and patronage of the CTT universe that contribute to the improvement of reputation and creation of value of the institutional image and CTT brand; To ensure, coordinate and implement the institutional image management of CTT and its brands, values and its related strategic value, the management of the public and institutional relations; To identify the stakeholders' needs and expectations, ensuring the compliance with the sustainability, environment, social responsibility and corporate citizenship policy.
<b>E-Commerce</b> Alberto Pimenta	To ensure that CTT is an agent and beneficiary of the development of e-commerce in the Iberian Peninsula, especially in the last mile, and specifically: (i) in studying the market's reality and evolution; (ii) boosting the evolution of the product offer as to keep it permanently in line with market preferences, (iii) promoting the development of the proximity of CTT to the principal international and domestic players; and (iv) accompanying the alignment of the e-commerce solutions with international postal operators, namely the e-CIP project.
<b>International</b> João Caboz Santana	To propose and implement CTT's international policy in the context of international organisations and groups and cooperation for development.
<b>Audit &amp; Quality</b> Julieta Cainço	To examine and evaluate, in an independent manner, the activities and business of CTT, in order to mitigate risks associated with processes and transactions, recommending corrective measures to the audited areas and providing necessary information; To contribute to the management and mitigation of compliance risks in the provision of financial services; To investigate unlawful and/or fraudulent practices; To define and promote quality policies and processes at CTT.
<b>Information Systems</b> Pedro Gomes	To develop CTT's strategy for information systems and technologies so as to maximize its competitiveness and efficiency; To ensure proper planning and control of the information systems and technologies; To promote innovation and implementation of new solutions for business development.
<b>Customer &amp; Business Support</b> Laura Costa	To develop CTT's policy on customer relations in terms of after-sales, information and customer support, contributing to customer loyalty; To ensure support to business in all-encompassing function, aimed at the optimisation of resource use, proposing measures to optimise processes and/or improvement actions.



<b>Investor Relations</b> Peter Tsvetkov	To act as CTT's representative with the Shareholders, investors, financial analysts, rating agencies, the capital markets and the financial community in general, being responsible for providing information that allows knowledge on the economic, financial and governance reality and evolution of CTT.
<b>Regulation &amp; Competition</b> Antónia Rato	To advise the Executive Committee on matters regarding regulation and competition and relations with regulatory and supervisory entities of the sector; To manage regulatory risk and relations with competitors.
<b>Finance &amp; Risk</b> Rui Pedro Silva	To provide and implement strategies for the suitable use of resources by optimising the cost and return of capital and appropriate risk management, in alignment with the strategic objectives defined for CTT.
<b>Accounting &amp; Treasury</b> Ana Rita Matos	To ensure accounting management, economic and financial management, and the management of the evaluation of business processes with an impact on revenue generation.
<b>Management Planning &amp; Control</b> Helena Camacho	To advise the Executive Committee in terms of CTT's management planning and control, ensuring coordination with all the organisational units of CTT and subsidiaries, with a view to value creation.
<b>General Legal Services</b> Graça Carvalho	To ensure legal advice to the Board of Directors, the Executive Committee, different departments of the Company and the subsidiaries, except for labour and disciplinary matters; To ensure the legal advising and representation of the Company and workers who need it, in the context of their duties, and to its subsidiaries when they require them.
<b>Human Resources Management</b> António Marques	To provide human resources administration services to CTT and its subsidiaries; To promote health and safety at work, as well as the availability of health care and social protection.
<b>Labour Legal Services</b> Luísa Teixeira Alves	To assure labour-related legal and disciplinary services to the Board of Directors, Executive Committee, the different Departments of the Company and its subsidiaries; To assure and coordinate the legal advice and representation of the Company and its subsidiaries when required, on matters concerning labour issues.
<b>Physical Resources &amp; Security</b> Luís Soares Rodrigues	To define a coordinated strategy for the fleet and real estate resources; To ensure the provision of services by suppliers under the contractual conditions; To ensure the integrated management of documentation and archiving processes; To define, coordinate and control policies on security and surveillance of facilities, equipment and people.
<b>Procurement &amp; Logistics</b> Fernando Afonso	To define CTT's strategy in terms of procurements, centralisation and planning of needs in terms of leasing and acquisition of movable assets, services and execution of contract work, the coordination, preparation and monitoring of procurement procedures, the centralisation of the administrative management of contracts, quality control and evaluation of suppliers and the effective management of warehouses and stocks.

#### 21.4. Corporate Governance, Evaluation and Nominating Committee

The Corporate Governance, Evaluation and Nominating Committee, created in line with CMVM Recommendation II.1.4, is entrusted with the following competences pursuant to the Regulations of the Board of Directors and its Internal Regulations:

- On matters of governance structure and practices as well as ethics:
  - ✓ To assist the Board in the definition and assessment of CTT's governance model, principles and practices;
  - ✓ To collaborate in the preparation of the annual corporate governance report of the Company;
  - ✓ To supervise the definition and monitoring of the standards on ethics and conduct within the Group;
  - ✓ To formulate recommendations to the Board concerning corporate governance requirements and good practices, conflicts of interest, incompatibilities, independence and expertise;
  - ✓ To prepare a report on the operation and effectiveness of the model, principles and practices of governance of the Company, as well as on the Company's degree of compliance with the applicable requirements;
  - ✓ To assess the corporate image of CTT among the Shareholders, investors, financial analysts,

market in general and supervisory authorities, and monitor the inspection actions of the CMVM;

- ✓ To support and monitor the Board's definition of policies and strategies of social responsibility and sustainability of the Company.
- On matters of performance assessment and remunerations:
  - ✓ To propose or issue an opinion, on an annual basis, to the Remuneration Committee on the remuneration policy of the Board of Directors and the annual statement to be submitted to the General Meeting for this purpose;
  - ✓ To monitor and support the process of annual assessment of the overall performance of the Board and respective internal committees as well as the members of the Executive Committee;
  - ✓ To propose to the Remuneration Committee the result of the qualitative assessment of the Executive Directors in the context of the overall assessment model for the purpose of establishing of the variable remuneration to be defined by that Committee;
  - ✓ To 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 share price variations.
- On matters of appointments:
  - ✓ To formulate recommendations about qualifications, knowledge and experience for the performance of corporate functions and in the context of selection of the members of the managing and supervisory bodies of CTT, after hearing the Chairman and, in the case of Executive Directors, the CEO;
  - ✓ To monitor the processes of selection of the group's senior officers and of members of the corporate bodies of companies that CTT is entitled to appoint;
  - ✓ To monitor the preparation, in coordination with the Executive Committee, of succession plans;
  - ✓ To propose to the Board of Directors the termination of office by members of the Executive Committee, following an assessment and consultation of the CEO;
  - ✓ To 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

This Committee's role is to monitor matters related to the application of the Group's Code of Conduct and the handling of irregularities, pursuant to the respective Internal Regulation and the Regulation for Procedures for Reporting Irregularities, always in coordination with the Group's governing bodies, committees and structures, namely, by supporting the Audit Committee, the Board of

Directors, the Executive Committee and the Corporate Governance, Evaluation and Nominating Committee as they carry out their respective duties.

The main duties of the Ethics Committee are as follows:

- ✓ To promote the disclosure, application and compliance with the Group's Code of Conduct, to this end defining plans and channels of communication for all hierarchical levels, as well as to carry out preventive training measures for its disclosure and compliance;
- ✓ To participate in handling communications of irregularities received within the Group in coordination with the Audit Committee and the Audit and Quality Department, pursuant to the mentioned Regulations.

#### d) Functioning

### 22. Existence and location where the Regulations of the Board of Directors and Executive Committee are available

The full text of the Regulations of the Board of Directors and Executive Committee are available at "CTT & Investors", "The Company", "Corporate Governance", and "Articles of Association & Regulations" on CTT's website ([www.ctt.pt](http://www.ctt.pt)).

### 23. Number of meetings of the Board of Directors and attendance of each member

The Board of Directors held 13 meetings in 2015, with the following attendance by its members:

Board of Directors			
Member	Attendance	Representation	Attendance Percentage*
Francisco José Queiroz de Barros de Lacerda	13	0	100%
António Sarmiento Gomes Mota	12	1	92%
Manuel Cabral de Abreu Castelo-Branco	13	0	100%
André Manuel Pereira Gorjão de Andrade Costa	13	0	100%
Dionizia Maria Ribeiro Farinha Ferreira	13	0	100%
Ana Maria de Carvalho Jordão Ribeiro Monteiro de Macedo	13	0	100%
António Manuel de Carvalho Ferreira Vitorino	12	1	92%
Nuno de Carvalho Fernandes Thomaz	13	0	100%
Diogo José Paredes Leite de Campos	12	1	92%
Rui Miguel de Oliveira Horta e Costa	12	1	92%
José Manuel Baptista Fino	13	0	100%

\* Percentage with reference to attendance.

### 24. Indication of corporate bodies with powers to perform the evaluation of the Executive Directors

Pursuant to article 9 of CTT's Articles of Association, the Remuneration Committee is responsible for establishing the remunerations of the members of the corporate bodies and, consequently, the definition of the remuneration policy and principles of the Board of Directors and the overall assessment model for purposes of the variable remuneration of the Executive Directors, under the terms described in sections 66 and following of Part I below.

In turn, under the terms of its Regulations, the Corporate Governance, Evaluation and Nominating Committee is responsible for supporting the Remuneration Committee and Board of Directors in the process of assessment of the members of the managing body, as described in section 21 of Part I above and in sections 70 and 71 of Part I below.

## 25. Predetermined criteria for evaluating the performance of the Executive Directors

On this issue, sections 66 and following of Part I below present details on the remuneration policy and principles for the managing body, including a description of the criteria, objectives and limits of the variable remuneration of the Executive Directors, in particular in section 71 of Part I below which details the applicable performance evaluation criteria.

## 26. Availability of each member of the Board of Directors, with indication of offices held simultaneously in other companies, within and outside the Group, and other relevant activities performed by members of the Board of Directors

The offices held simultaneously in other companies, within and outside the Group, by the Company's Directors are detailed in Annex I.

As supplementary information, it is considered important to note:

- The Executive Directors have evidenced their total availability for the performance of their duties, which can be confirmed by their attendance of the meetings of the Board of Directors and Executive Committee and by their exercise of executive duties exclusively within the Group;
- The Non-Executive Directors have also demonstrated their total availability, as shown by their attendance of the meetings of the Board of Directors, the Corporate Governance, Evaluation and Nominating Committee and the Audit Committee.

### e) Committees within the managing body

## 27. Committees created within the Board of Directors and location where the Regulations are available

See sections 21 and 22 of Part I above regarding committees created within the Board of Directors. Concerning the Audit Committee, also see section 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](http://www.ctt.pt)).

## 28. Composition of the Executive Committee

The Executive Committee is composed of the following 5 members in office as at 31 December 2015 and also on the present date (for the term of office 2014/2016):

Members	Office
Francisco José Queiroz de Barros de Lacerda	Chairman
Manuel Cabral de Abreu Castelo-Branco	Member
André Manuel Pereira Gorjão de Andrade Costa	Member
Dionizia Maria Ribeiro Farinha Ferreira	Member

Ana Maria de Carvalho Jordão Ribeiro Monteiro de Macedo

Member

## 29. Powers of each committee created and overview of the activities developed during the exercise of those powers

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

### 29.1. Executive Committee

During 2015, the Executive Committee held 48 meetings, having resolved on various matters within its powers, in particular including the following:

January	<ul style="list-style-type: none"> <li>Signing of the Protocol between the Government and CTT for Citizen's Bureau Areas opening in CTT's Retail Network.</li> </ul>
February	<ul style="list-style-type: none"> <li>Creation of the company CTT Services, SA, for the provision of advisory services and support in the acquisition, development, assembly and preparation of the constitution of Banco CTT.</li> <li>Signing of the new Collective Agreement and reviewing the Social Work Regulations (Health Plan) - the internal health system and social protection of CTT -, with 11 trade unions represented in the Company.</li> <li>Universal postal service prices update of letter mail and parcels effective from 1 March 2015 onwards.</li> </ul>
March	<ul style="list-style-type: none"> <li>Signing of the Commitment Agreement for Gender Equality between CTT and the Portuguese Government.</li> </ul>
April	<ul style="list-style-type: none"> <li>Approval of the Investor's Day to take place in November.</li> </ul>
August	<ul style="list-style-type: none"> <li>Merger by incorporation by the global transfer of the "POSTCONTACTO - Correio Publicitário, Lda." and "MAILTEC PROCESSOS, Unipessoal, Lda." to "CTT GEST - Gestão de Serviços e Equipamentos Postais, S.A." with effect on 1 January 2015 and definitive registration on 10 August 2015 and, consequently, the extinction of the merged companies and the transmission of all the respective rights and obligations to the merging company (which came to be known as "CTT CONTACTO, S.A.").</li> <li>Approval of the relevant acts to the constitution of Banco CTT (with a capital of €34m) and designation of its governing bodies.</li> </ul>
November	<ul style="list-style-type: none"> <li>Approval of the relevant acts to the beginning of the Bank's activity on 27 November 2015, following the procedure of special registration with the Bank of Portugal on 8 October 2015.</li> </ul>

### 29.2. Corporate Governance, Evaluation and Nominating Committee

Under the terms of the respective regulation, the Corporate Governance, Evaluation and Nominating Committee is composed of 3 to 5 members, including inherently the Chairman of the Executive Committee <sup>(1)</sup> and Non-Executive Directors (at least, 1 of them being independent). This committee is composed of the following 5 members in office as at 31 December 2015 and on the present date, 4 of which are independent Non-Executive Directors (for the term of office 2014/2016):

Members	Office
António Sarmiento Gomes Mota	Chairman
Francisco José Queiroz de Barros de Lacerda	Member <sup>(1)</sup>
António Manuel de Carvalho Ferreira Vitorino	Member
Rui Miguel de Oliveira Horta e Costa	Member
José Manuel Baptista Fino	Member

<sup>(1)</sup> It should be noted that the presence of the CEO in this Committee does not hinder compliance with CMVM Recommendation II.1.4, since under the terms of the Internal Regulations of this Committee, such member is prevented from participating and

voting in resolutions where there is a conflict of interest, namely with respect to his individual assessment.

This Committee held 8 meetings in 2015 with member attendance as follows:

Member	Attendance	Representation	Attendance Percentage (1)
António Sarmiento Gomes Mota	7	1	88%
Francisco José Queiroz de Barros de Lacerda	8	0	100%
António Manuel de Carvalho Ferreira Vitorino	7	1	88%
Rui Miguel de Oliveira Horta e Costa	8	0	100%
José Manuel Baptista Fino	7	1	88%

(1) Percentage with reference to attendance.

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

- Monitoring the development of corporate governance rules applicable to CTT;
- Monitoring the review of the Code of Conduct of CTT and its Subsidiaries, together with the Board of Directors, the Executive Committee and the Ethics Committee;
- Assessing the adopted remuneration policy instruments (namely as regards the variable component that depends on performance assessment) and the implementation of the adopted performance assessment models, including the self-assessment of the Board of Directors and the qualitative assessment of the Executive Directors;
- Issuing an opinion on amendments to the Regulations for Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interests;
- Establishing the diversity policy of the Board of Directors and the development programme for Non-Executive Directors;
- Assessment of initiatives carried out by CTT under its sustainability and social responsibility policies;
- Analysis on the contracting of senior officers by the Executive Committee.

### 29.3. Ethics Committee

The Ethics Committee is composed of 3 to 5 members, appointed by the Board of Directors. As at 31 December 2015 and on the present date (for the term of office 2014/2016), this committee is chaired by the independent Non-Executive Director and member of the Audit Committee Nuno de Carvalho Fernandes Thomaz, and also includes the Director of Audit and Quality and the Director of Human Resources and Organisation of CTT.

During 2015, this Committee held 7 meetings and carried out the following main activities:

- Providing training on the Group's Code of Conduct and contributing towards the reinforcement of the Group's standards of conduct, in line with financial sector benchmark, in the context of the creation of Banco CTT;
- Assessment of communications of potential breaches of the Group's standards of conduct. Under the Regulation for Procedures for Reporting Irregularities, the Audit Committee identified no instance requiring the intervention of the Ethics Committee.

## III. OVERSIGHT

### f) Composition

### 30. Identification of the supervisory body corresponding to the model adopted

During the current term of office the Company's activities are being supervised by the Audit Committee and the Statutory Auditor. For more details on this issue see section 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 of each member

In accordance with article 19 of CTT's Articles of Association, the Audit Committee consists of 3 board members, including its Chairman, all elected at the Shareholders General Meeting (for a term of office of 3 years renewable) together with the other Board Members. The lists of candidates for the Board of Directors must indicate which members will serve on the Audit Committee and who shall be its Chairman.

The Company's Audit Committee at 31 December 2015, and at the date hereof, consists of the following 3 members for the 2014/2016 term of office:

Members	Office	Date of first appointment <sup>(1)</sup>	Independence <sup>(2)</sup>
António Sarmiento Gomes Mota <sup>(3)</sup>	Chairman	12/11/2013	Yes
Diogo José Paredes Leite de Campos <sup>(4)</sup>	Member	12/11/2013	Yes
Nuno de Carvalho Fernandes Thomaz	Member	19/12/2014	Yes

<sup>(1)</sup> In this regard, the date provided is the first date of appointment to an oversight body in CTT, as specified below.

<sup>(2)</sup> The members' independence was evaluated in accordance with article 414(5) of the Companies Code.

<sup>(3)</sup> Between 12 November 2013 and 24 March 2014 he was Chairman of the Fiscal Board, and was elected Chairman of the Audit Committee on 24 March 2014.

<sup>(4)</sup> Between 12 November 2013 and 24 March 2014 he was Member of the Fiscal Board, and was elected Member of the Audit Committee on 24 March 2014.

In accordance with article 423-B of the Companies Code and article 19 of the Articles of Association, the Audit Committee, on 31 December 2015 and as at the present date, consists exclusively of Non-Executive Directors, who meet the applicable independence requirements and have higher education adequate for the exercise of these functions, with at least 1 of the members having accounting knowledge.

In compliance with CMVM Recommendation II.2.1., the Chairman of the Audit Committee is independent, in accordance with the applicable legal criteria, and has adequate skills for discharging his functions.

In December 2015, the Audit Committee approved an amendment to the respective Internal Regulation, effective as of 1 January 2016, thereby adapting it to the provisions set out in Law 148/2015, of 9 September.

### 32. Identification of the members of the Audit Committee deemed independent, under the terms of article 414(5) of the Companies Code

See section 31 of Part I above.

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

For this section please refer to Annex I including the *curricula* of the members of CTT's supervisory body.

## g) Functioning

### 34. Existence and location where Regulations applicable to the supervisory body are available

The full text of the Regulations of the Audit Committee, in the version in force as of 1 January 2016, is available for consultation at "CTT & Investors", "The Company", "Corporate Governance", "Articles of Association & Regulations" on CTT's website ([www.ctt.pt](http://www.ctt.pt)).

### 35. Number of meetings of the Audit Committee and attendance of each member

The Audit Committee held 14 meetings in 2015, with member attendance as follows:

Member	Attendance	Representation	Attendance Percentage <sup>(1)</sup>
António Sarmento Gomes Mota	14	0	100%
Nuno Fernandes Thomaz	14	0	100%
Diogo Leite de Campos	14	0	100%

<sup>(1)</sup> Percentage with reference to attendance.

During 2015, the Audit Committee carried out the following main activities:

- Supervision of the quality and integrity of the financial information in CTT's interim financial statements;
- Supervision of the internal audit, internal control and risk management systems, namely:
  - ✓ Monitoring the activities of the Audit and Quality Department with respect to internal audit and compliance (e.g. prevention of money-laundering and financing terrorism) and assessing the Auditing and Compliance Activities Plan and the resources allocated for 2016;
  - ✓ Approving amendments to the Regulation for the Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interest.
- Supervision of the performance of the Statutory Auditor / External Auditor:
  - ✓ Approval of the proposal to engage statutory audit and audit services and of the requests for prior approval related to audit related services and additional services;
  - ✓ Annual assessment of the Statutory Auditor / External Auditor, namely as regards its independence, and approval of its respective assessment Regulation;
  - ✓ Approval of amendments to the Regulation for the Provision of Services by the Statutory Auditor.



**36. Availability of each of the members of the Audit Committee, indicating the functions discharged simultaneously by them in other companies, inside and outside the Group, and other relevant activities carried out by the respective members**

The functions exercised in other companies by members of the Company's Audit Committee are described in their *curricula* included in Annex I. On this matter, please refer to section 26 of Part I above.

**h) Duties and responsibilities**

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

The rules to be followed in engaging additional services from the Statutory Auditor are set out in the Regulation on the Provision of Services by the Statutory Auditor, adopted by CTT in 2014.

An amendment to this Regulation was approved in December 2015, effective 1 January 2016, thereby adapting it to the provisions of Law 140/2015, of 7 September, and of Law 148/2015, of 9 September, that reviewed the Legal Framework for Audit Oversight and the Statutes of the Portuguese Institute of Statutory Auditors.

Under this Regulation, both in the version in force until 2015 and the amended version, the Audit Committee is responsible for analysing and assessing engagements of additional services to the Statutory Auditor / External Auditor by CTT or companies within a control or group relationship (in the version in force since 1 January 2016 "by CTT, by its parent company or by the entities under its control (as applicable)", being their engagement subject to the prior authorisation of said corporate body. In its assessment the Audit Committee shall consider the following aspects:

- ✓ Whether the services are prohibited or not and whether the provision of the services will affect or not the independence of the Statutory Auditor / External Auditor;
- ✓ Whether the engagement of said services exceeds or not the recommended annual value for additional services engaged by CTT to the Statutory Auditor / External Auditor in each financial year;
- ✓ The experience and knowledge of the Statutory Auditor / External Auditor in relation to the Company.

According to the version of this Regulation in force since 1 January 2016, the Audit Committee shall also take into consideration the new legal limits to fees.

**38. Other functions of the supervisory body**

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

- Relating to the quality of financial information:
  - ✓ To assess whether the accounting policies and procedures and the valuation criteria adopted are consistent with Generally Accepted Accounting Principles and appropriate for a correct

- presentation and valuation of the Company's assets, liabilities and results;
- ✓ To supervise compliance with and correct application of accounting principles and rules;
  - ✓ To issue an opinion on the annual management report, the financial statements for the year and the proposals presented by the Company's Board of Directors;
  - ✓ To monitor the preparation and disclosure of financial information;
  - ✓ To certify whether the Company's Annual Corporate Governance Report includes all required matters.
- Relating to the supervision of the internal audit, internal control and risk management systems and in compliance with Recommendations CMVM II.2.4. and II.2.5.:
    - ✓ To monitor and supervise the internal procedures for accounting and auditing matters, as well as the effectiveness and correctness of the risk management, internal control and internal audit systems;
    - ✓ To issue an opinion on the work plans and resources allocated to the Company's Internal Audit and Quality Department and compliance services and assess their independence;
    - ✓ To monitor internal audit matters, in coordination with the Executive Committee, analysing the reports of the Internal Audit and Quality Department and compliance services;
    - ✓ To supervise the Company's risk management policy and system, in coordination with the Board of Directors and the Executive Committee, monitoring the risk control policies and the integrated risk assessment methodologies;
    - ✓ To propose to the Executive Committee measures to improve the functioning of the financial information internal control systems, the risk management system and the internal audit;
    - ✓ To discuss the contents of the internal control report with the Executive Committee and the Statutory Auditor / External Auditor;
    - ✓ To define, implement and supervise the procedures for handling irregularities;
    - ✓ To issue an opinion on transactions involving members of the Board of Directors, under the terms provided by law, and establish and implement procedures for the issue of an opinion on significant transactions involving qualified Shareholders.
  - Relating to the statutory audit and external audit, and in compliance with Recommendations CMVM II.2.2. and II.2.3.:
    - ✓ To propose to the Shareholders General Meeting the appointment and replacement of the Statutory Auditor and to the Board of Directors the engagement and the termination of the External Auditor services agreement, if different from the Statutory Auditor, as well as to carry out an annual evaluation of the Statutory Auditor and External Auditor;
    - ✓ To analyse the expertise and independence of the Statutory Auditor / External Auditor, in particular the provision of additional services;

- ✓ To propose the remuneration of the Statutory Auditor / External Auditor to the relevant bodies;
- ✓ To monitor the activity and contractual relationship with the Statutory Auditor / External Auditor, in particular regarding financial information and the effectiveness of internal control mechanisms, namely (i) promoting suitable conditions for them to carry out their activities, (ii) acting as their main point of contact with the Company and (iii) receiving and analysing their reports and correspondence regarding CTT and companies within a control or group relationship;
- ✓ To analyse the statutory audit report and audit reports.

The list of duties and powers entrusted to the Audit Committee under the respective Internal Regulation were amended in December 2015, in line with Law 148/2015, of 9 September.

The Statutory Auditor is responsible for the review of the Company's accounts, under the terms established in law and in the Regulation on the Provision of Services by the Statutory Auditor mentioned above.

The statutory audit and external audit carried out by the Statutory Auditor are discharged by the entities referred to in sections 39 and following of Part I of this report below, including, *inter alia*, verifying the application of the remuneration policies and systems for the corporate bodies approved by the Remuneration Committee, the effectiveness and functioning of the internal control mechanisms and reporting of any deficiencies to the Audit Committee, as per CMVM Recommendation IV.1.

#### IV. STATUTORY AUDITOR

##### **39. Identification of the Statutory Auditor and the Audit Partner by whom it is represented**

In 2015 and at present, KPMG & Associados, SROC, S.A. ("KPMG"), Statutory Auditor no. 189, represented by its partner Maria Cristina Santos Ferreira (Statutory Auditor no. 1010), renders statutory audit services to the Company, and the Company's Alternate Statutory Auditor is Vítor Manuel da Cunha Ribeirinho (Statutory Auditor no. 1081).

##### **40. Number of consecutive years during which the Statutory Auditor discharged its office for the Company and/or the Group**

KPMG discharges its office of Statutory Auditor in CTT since 5 May 2014. It was elected on that date to complete the 2012/2014 term of office and was re-elected on 5 May 2015 (for the 2015/2017 term of office).

##### **41. Description of additional services rendered to the Company by the Statutory Auditor**

Please refer to section 47 of Part I below on additional services rendered to the Company by the Statutory Auditor.

## V. EXTERNAL AUDITOR

### **42. Identification of the External Auditor and the Audit Partner who represents it in the compliance of these functions, and his/her registered number in CMVM**

In 2015 and on the present date, the External Auditor is KPMG registered with the CMVM under no. 9093, represented by its partner Maria Cristina Santos Ferreira.

### **43. Number of consecutive years during which the External Auditor and the Audit Partner representing it discharged its office for the Company and/or the Group**

KPMG, represented by Maria Cristina Santos Ferreira, discharges its functions as Statutory Auditor / External Auditor since 2014. In effect, in 2012 and 2013, it was the Company's independent auditor.

### **44. Rotation policy and frequency of the External Auditor and respective Audit Partner representing it in the compliance of these functions**

The Regulation for the Provision of Services by the Statutory Auditor / External Auditor, in the version in effect in CTT in 2014 and 2015, set out the following policy for the rotation of its Statutory Auditor / External Auditor: when the Audit Committee elects to maintain the External Auditor, it is responsible for weighing the advantages and costs of its replacement, in addition to the conditions of independence, and shall issue a reasoned opinion on the matter.

As referenced in section 37 of Part I above, said Regulation was amended in order to reflect Law 148/2015, of 9 September, which contains mandatory provisions on rotation that CTT must follow as a "public interest entity". As concerns the rotation of the respective audit partner, the Company takes into account the maximum period set out in the Statutes of the Portuguese Institute of Statutory Auditors.

In light of this policy and, furthermore, the fact that KPMG was engaged to discharge the functions of independent auditor in 2012 and 2013 and of Statutory Auditor / External Auditor as of 2014, the Company is in compliance with Recommendations IV.3 of CMVM, as well as with the legal rotation period of the respective audit partner.

### **45. Corporate body responsible for assessing the External Auditor and frequency of such assessment**

Please refer to section 38 of Part I above related to the responsibilities of the Audit Committee in the annual assessment of the External Auditor. Within its responsibilities and as per Recommendation II.2.3. of CMVM, the Audit Committee certified the independence of the External Auditor and made a positive assessment of its work during the 2015 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 its engagement**

Non-audit services engaged to the External Auditor by CTT and companies within a control or group relationship, and rendered during 2015, are summarised in the tables included in section 47 of Part I below.

The Regulation for the Provision of Services by the Statutory Auditor / External Auditor, in force since 2014, includes procedures concerning the engagement of those services and requires prior

approval of the Audit Committee.

During 2015, the Audit Committee monitored the provision of those services by the External Auditor under the terms referred to above, in order to ensure that these did not give rise to conflicts of interests or compromise the independence of the Statutory Auditor / External Auditor. The Audit Committee issued the respective reasoned approvals for their engagement. The grounds for their engagement were, for the most part, based on the advantages resulting from the Statutory Auditor / External Auditor's experience from similar engagements, its knowledge of the Company and the complementarity with the audit services.

In 2015, the non-audit services engaged to KPMG and entities within its network / group by CTT and companies within a control or group relationship accounted for 41% of the total value of the services engaged / accounted by them (as per the tables included in section 47 of Part I below). Therefore, CTT and companies within a control or group relationship engaged KPMG in 2015 to render non-audit services surpassing the 30% maximum threshold set out in CMVM Recommendation IV.2.

Thereby, although CTT considers it a good governance practice to limit the engagement of additional services in order to promote the independence of the Statutory Auditor / External Auditor, in the year of 2015, the surpassing of the mentioned 30% threshold was deemed to be in the interest of the Company and did not affect the independence of the Statutory Auditor / External Auditor for the reasons set out in Part II of this report below, especially in relation to the experience and knowledge of the Statutory Auditor / External Auditor (as regards the engaged matters and as regards the Company) and its particular contribution to the quality of the additional services rendered.

#### 47. Annual remuneration paid by the Company and/or legal entities within a control or group relationship to the auditor and other individuals or legal persons, specifying the percentage relating to each type of services

The table below shows the values corresponding to the fees of KPMG in 2015:

		Contracted Services <sup>(1)</sup>		Accounted Services <sup>(2)</sup>		Paid Services <sup>(1)</sup>	
		Amount (€)	%	Amount (€)	%	Amount (€)	%
<b>CTT</b>		<b>2,143,924</b>	<b>88.6%</b>	<b>2,103,394</b>	<b>93.2%</b>	<b>1,014,503</b>	<b>88.0%</b>
1	<b>Statutory audit and audit services</b>	<b>1,225,664</b>	<b>50.6%</b>	<b>1,188,994</b>	<b>52.7%</b>	<b>672,086</b>	<b>58.3%</b>
1.1	Audit and statutory audit	313,650	13.0%	304,266	13.5%	262,637	22.8%
1.2	Quality assurance services <sup>(3)</sup>	419,430	17.3%	406,881	18.0%	277,980	24.1%
1.3	Other audit services <sup>(4)</sup>	492,584	20.4%	477,847	21.2%	131,469	11.4%
2	<b>Additional services</b>	<b>918,260</b>	<b>37.9%</b>	<b>914,400</b>	<b>40.5%</b>	<b>342,417</b>	<b>29.7%</b>
2.1	Tax consultancy services	610,760	25.2%	616,100	27.3%	34,917	3.0%
2.2	Other services <sup>(5)</sup>	307,500	12.7%	298,300	13.2%	307,500	26.7%
<b>Other companies within CTT Group</b>		<b>276,135</b>	<b>11.4%</b>	<b>152,497</b>	<b>6.8%</b>	<b>138,958</b>	<b>12.0%</b>
1	<b>Statutory audit and audit services</b>	<b>242,925</b>	<b>10.0%</b>	<b>141,500</b>	<b>6.3%</b>	<b>126,658</b>	<b>11.0%</b>
1.1	Audit and statutory audit	159,900	6.6%	130,000	5.8%	112,513	9.8%
1.2	Quality assurance services <sup>(3)</sup>	0	0.0%	11,500	0.5%	14,145	1.2%
1.3	Other audit services <sup>(4)</sup>	83,025	3.4%	0	0.0%	0	0.0%
2	<b>Additional services</b>	<b>33,210</b>	<b>1.4%</b>	<b>10,997</b>	<b>0.5%</b>	<b>12,300</b>	<b>1.1%</b>
2.1	Tax consultancy services	33,210	1.4%	10,997	0.5%	12,300	1.1%
2.2	Other services	0	0.0%	0	0.0%	0	0.0%

<b>TOTAL</b>	<b>2,420,059</b>	<b>100.0%</b>	<b>2,255,891</b>	<b>100.0%</b>	<b>1,153,461</b>	<b>100.0%</b>
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- Includes VAT at the applicable legal rate.
- Includes invoiced amounts and specialised amounts of the financial year.
- Includes services relating to the review of Banco CTT's financial model and of CTT's sustainability report and to the recovery of VAT in uncollectible credits.
- Includes services related to audit related services (in matters pertaining to internal control, prevention of money-laundering and financing terrorism and analysis of compliance with accounting and tax rules).
- Includes services related to the review of accounting and tax procedures for the creation of Banco CTT.

## 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 resolving on any amendment to the Articles of Association.

CTT's Articles of Association do not contain special rules applicable to the approval of its amendments. General rules provided for in the Companies Code will apply in this respect, i.e. such resolution must be approved by the General Meeting:

- In which, at 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 majority of two thirds of the votes cast, in either first or second call, unless, in 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 the votes cast.

### II. REPORTING OF IRREGULARITIES (WHISTLEBLOWING)

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

Since 2014, CTT has adopted the Regulation for Reporting Irregularities that sets out the internal procedures for the reception, retention and handling of irregularities communication, in line with best practices in this area.

CTT's Audit Committee is the competent corporate body for the reception of reports of irregularities presented by the Company's shareholders, employees and other, in order to ensure the necessary independence of these procedures.

Reports of irregularities 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 for Procedures for Reporting Irregularities: E-mail: [irregularidades@ctt.pt](mailto:irregularidades@ctt.pt); Address: Remessa Livre 8335, Loja de Cabo Ruivo, 1804-001 Lisbon.

Once any report of an irregularity has been received and registered, the Audit Committee will refer it to the Ethics Committee, which will carry out actions to verify the existence of sufficient grounds for an investigation. On conclusion of the investigation, the Ethics Committee will propose to the Audit Committee the adoption of appropriate measures or the closing of the report.

Given its purview and composition referred to in sections 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 Director of Audit and Quality who functionally reports to CTT's supervisory body), the Ethics Committee is a support Committee relevant to the effective investigation and preparatory decision of the Audit Committee, which is independent of the Board of Directors.

Although the investigation is led by the Ethics Committee, the reception and registration of communications, as well as the final decision as to the closing or adoption of other measures falls on the Audit Committee, under the terms of the referenced Regulation for Reporting Irregularities.

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 pertain to 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 and safeguards are granted to anyone presenting a complaint:

- Confidential handling of reports of irregularities;
- Confidential, secure handling and safeguarding of the records and the information;
- Right to information, access and correction of personal data; and
- Prohibition of CTT from retaliating against anyone reporting irregularities under this mechanism.

During the year 2015 no irregularities were communicated to the Audit Committee.

### III. INTERNAL CONTROL AND RISK MANAGEMENT

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

CTT's management and supervisory bodies have attributed increasing importance to improving the Company's internal control, risk management and internal audit systems, referring to the best practices applicable (such as the COSO II method) and the specific characteristics of the Company.

The Board of Directors ensures 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:

- Internal information and reporting mechanisms, allowing the organisation's performance to be monitored and observed at all levels;
- Processes for identifying and responding to risks in order to pursue the Company's strategic objectives, defined by the Board of Directors; and
- 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 effective oversight of these systems, as described in its Internal Regulation.

Internal audit is carried out by the Audit and Quality Department, which is responsible for an independent assessment of the appropriateness and effectiveness of the internal control systems of CTT and its Subsidiaries, through a continuous monitoring of the major risks.

Thus CTT complies fully with CMVM Recommendations II.1.5. and II.2.4., in that (i) the Board of Directors is responsible for setting the Company's strategic objectives and risk limits and for creating systems for their control, with a view to guaranteeing that the risks actually incurred are consistent with those objectives, and (ii) the Audit Committee shall assess the functioning of the internal control and risk management systems; which was performed in 2015 as described in this section as well as in sections 51 to 55 of Part I below.

## **51. Relations of hierarchical/functional dependence with respect to other corporate bodies of the Company**

The Audit and Quality Department reports by hierarchy to the Executive Committee and functionally to the Audit Committee, in the context of their management and supervisory functions.

Under the Company's Articles of Association and the respective Regulation, the Board of Directors is responsible for ensuring the effectiveness of the internal control, risk management and internal audit systems, establishing mechanisms and structures designed to achieve this objective. The Audit and Quality Department reports by hierarchy to the Executive Committee (through its Chairman), allowing it to act right across CTT and all its subsidiaries.

Also under the Company's Articles of Association and the respective Regulation, the Audit Committee has the following responsibilities in this area, in order to ensure functional reporting by the Internal Audit and Quality Department to the Company's supervisory body, thus complying, throughout 2015, with Recommendation II.2.5. of CMVM:

- To issue an opinion on the work plans and resources allocated to the Internal Audit and Quality Department and compliance services and to assess their objectiveness and independence;
- To monitor internal audit, in coordination with the Executive Committee, evaluating the reports of the Internal Audit and Quality Department and compliance services;
- To propose to the Executive Committee measures intended to improve the functioning of the financial information internal control systems and the risk management and internal audits;
- To discuss the internal control report with the Executive Committee and with the Statutory Auditor / External Auditor;
- To supervise the internal procedures for accounting and auditing matters and the effectiveness and appropriateness of the risk management, internal control and internal audit systems.



## 52. Other functional areas with competence in risk control

The Finance and Risk Department, which reports directly to the Executive Committee (in the person of the Chief Financial Officer ("CFO")), is responsible for the centralised coordination of CTT's risk management model and for planning and implementing risk management programmes supported by the Company's Risk Management Policy and Manual.

Risk management and control are assumed throughout CTT's corporate structure, involving all levels, from top management to more operational levels.

The risk management function requires an integrated view of how the various risks may affect CTT's business strategy, and is also responsible for the communication and coordination with other corporate structures, whose responsibilities are described below:

<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>To appoint the person responsible for the risk management function and ensure that this function possesses both the authority to perform its responsibilities and sufficient resources for a robust management system;</li> <li>To approve effective and appropriate policies for managing the risks to which CTT is exposed, and ensure that they are implemented and complied with.</li> </ul>
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>To supervise the risk management policy and system, in coordination with the Board of Directors and the Executive Committee, specifically monitoring the risk control policies and the integrated risk assessment methodologies, performing an annual assessment of the system and proposing measures necessary to improve it;</li> <li>To supervise internal procedures for accounting and auditing matters, as well as the effectiveness and appropriateness of the risk management, internal control and internal audit systems.</li> </ul>
<b>Finance and Risk Department</b>	<ul style="list-style-type: none"> <li>To develop and promote risk management policies and guidelines in CTT and collaborate in the creation of a risk management culture, defining a common language, promoting awareness actions and supporting other areas of the organisation involved as well as the risk owners;</li> <li>To coordinate the whole of CTT's risk management process in all four phases;</li> <li>To monitor and continuously improve the effectiveness of the risk management process, ensuring that best practices are applied;</li> <li>To carry out periodic reviews of the risk profile and the risk management manual.</li> </ul>
<b>Internal Audit and Quality Department</b>	<ul style="list-style-type: none"> <li>To carry out periodic audits of the risk management system;</li> <li>To provide technical advice in the Regulations reviews, in order to improve internal control systems;</li> <li>To follow up mitigation actions carried out.</li> </ul>
<b>Risk owner</b>	<ul style="list-style-type: none"> <li>To carry out actions associated with the risk management process relating to assessment, response definition and mitigation actions;</li> <li>To monitor and assess the results of mitigation actions;</li> <li>To report to the risk management function any recommendations on control activities.</li> </ul>
<b>Risk Management Committee</b>	<p>To support the Board of Directors and the Executive Committee as necessary, to:</p> <ul style="list-style-type: none"> <li>Strengthen organisational involvement in risk, adding to the different visions and sensitivities of the departments involved and promoting the integration of risk management into business processes, and</li> <li>Stimulate the performance of the risk management function in strict cooperation with it.</li> </ul>

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

Considering CTT's strategic objectives, the following top risks have been identified which could compromise the achievement of the organisation's sustainable growth, thus establishing CTT's risk profile:

<b>Markets and competition</b>	The expansion of digital communications has resulted, and is expected to continue to result, in a decrease in postal traffic this being the main competing market to CTT's core business. Combined with this, the complete opening of the market tends to intensify competition to date focused mainly on other business segments (e.g., express and parcels and financial services). In this competitive environment it is crucial to be prepared to respond promptly to market changes, anticipating the moves of leading competitors. It is the responsibility of the Business Areas and the Regulation and Competition Department to deal with this type of risk management
<b>Innovation and development</b>	Innovation in postal activity is crucial to leverage the development of new solutions, services and products that jointly mitigate the effect of substitution and introduce competitive advantages to strengthen the leadership of the CTT. The absence of an effective and efficient strategy for innovation may result in a loss of competitiveness and therefore revenue. This risk management is the responsibility of the Strategy and Development Department.
<b>Obligation to provide Universal Service</b>	While the universal service provider until 2020, the obligations of CTT – namely to ensure a supply of goods and postal services throughout the country (according to quality standards and prices approved by the regulator) and to provide access to its postal infrastructure to other operators – involve significant costs that cannot be sufficiently reduced or compensated to cover the decrease in operating income resulting from the decline in postal traffic. The management of this risk is allocated to the Regulation and Competition and to the Strategy and Development Departments.
<b>Customer focus and loyalty</b>	Changes in consumer preferences, the customer consumption behaviour or failure in providing products and high quality services may adversely affect CTT. Furthermore, a significant percentage of the operating income derives from the postal business and, in particular, a relatively concentrated customer base. Managing this risk is a concern of the Business Areas and Commercial Networks.
<b>Human Resources Management</b>	The ability to recruit and retain skilled workers and experienced managers, the implementation of management performance and talent plans as well as the managing of the relationship with the representative structures of the workers are critical and essential factors for the success of CTT. Managing this risk is the responsibility of the Human Resources and Organization Department.
<b>Partnerships</b>	CTT's activity depends on partnerships and other similar agreements, either in terms of mail, financial services or business solutions, or in terms of key suppliers and service providers in some areas of operations. Non-compliance with these commitments, termination of agreements or any interruption of the services provided could significantly affect operations and produce an adverse effect on CTT's business. All departments of the organisation are responsible for managing this risk.
<b>Information Management</b>	It is crucial for the implementation and management of the business strategy of CTT that the analysis, the decision making and the communication duties to the shareholders, regulators and the market in general, are based on rigorous, relevant, reliable and consistent information. It is also a legal, ethical and essential duty to ensure the confidentiality, integrity and availability of business information, whether the property of CTT, customers or other parties. This risk management is the responsibility of the Information Technologies the Planning and Management Control and Investor Relations Departments.
<b>Information Technologies (IT)</b>	The everyday management of CTT's operations depends heavily on its IT infrastructure and communications systems. Failures in its functioning could compromise the Company's ability to provide products and services, resulting in a reduction in operational earnings and consequences for its reputation and image with its stakeholders. Management of this risk is in the hands of the Information Technologies Department.
<b>Strategic Alignment</b>	Management of strategic risks involves monitoring the evolution of social, political and macroeconomic vectors, and alignment of the business portfolios of CTT and its subsidiaries with market trends, with a view to innovation and sustained value creation. The Strategy and Development Department is responsible for managing this risk.
<b>Profitability Analysis</b>	CTT is subject to multiple financial risks, particularly credit, interest and exchange rates and liquidity risks. Mitigation of these risks in order to maximise profitability is crucial for the Company's sustained growth. Management of these risks is a responsibility of the Accounting and Treasury and the Finance and Risk Departments. In this context it is also important to note the powers and activities of the Credit Committee and the Investment Committee.

Given external changes, the challenges of the privatisation process and the creation of Banco CTT, a restructuring project began at the end of 2015, concerning the restructuring and reassessment of the risk portfolio to which CTT is exposed in its activities. This will result in an update of the risk profile and the definition of the respective risk management plan made up of concrete mitigation measures to be implemented in the short / medium term.

This process entails holding themed focus groups with the participation of all the Company's business and corporate areas, where, on the one hand, a reflection and discussion of the main risks faced by CTT is to be carried out and, on the other, to develop adequate risk indicators that allow an efficient link to the organisation's decision-making procedures. In addition to these forums, the risk management good practice methodologies are being revisited, namely by benchmarking similar European companies and some national companies that show a high level of maturity in their integrated risk management models. The entire process is expected to be concluded during the first semester of 2016.

#### **54. Description of the process for risk identification, assessment, monitoring, control and management**

Risk management is promoted by the Board of Directors, in coordination with the various senior officers responsible for the organisation's areas, in order to identify, assess and manage the uncertainties and threats, which could influence the execution of the business plan and strategic objectives, in line with the Company's risk profile.

Risk management is integrated in the strategic planning process and operational management of CTT and its Subsidiaries and the adoption of risk management requires the commitment of all employees, as an integral part of their duties.

The Audit and Quality Department and the Finance and Risk Departments support the implementation of the risk management system and the continuous evaluation of the procedures established, in order to ensure the following:

- The maintenance of a risk management model in line with strategic objectives of CTT and its Subsidiaries, including information and communication channels;
- The identification and assessment of risk events to which CTT and its Subsidiaries are exposed to within the activities pursued;
- The permanent monitoring of the principal risks so as to verify possible shifts in its risk level that result in a need to change the internal control system.

Thus being, CTT has implemented a risk management system designed to manage systematically the risks and opportunities which might have an impact on the Company's strategic objectives, through structures, processes, methodologies and information.



<sup>(1)</sup> The strategic vision comprises the Company's strategic mission (risk sensitivity) and strategic objectives (risk tolerance).

<sup>(2)</sup> The corporate culture consists of 6 layers: information and communication, information management, human resources, corporate structure, knowledge management and assurance.

Therefore, this risk management process involves the following 4 phases:

<b>Phase I - Identification</b>	<ul style="list-style-type: none"> <li>The risk management system is supported by a set of standards and procedures for the capture, recording, classification and communication of the risks inherent in its daily activities (e.g. financial, operational, commercial, other), as well as environmental risks.</li> </ul>
<b>Phase II - Assessment</b>	<ul style="list-style-type: none"> <li>The probability and impact of all important risks are assessed, using approved classification levels set out in the risk management manual, which is reviewed periodically.</li> </ul>
<b>Phase III - Mitigation</b>	<ul style="list-style-type: none"> <li>Mitigation strategies are defined by reference to the risk assessment, in order to avoid, reduce, share and/or accept a particular level of risk.</li> </ul>
<b>Phase IV - Monitoring and reporting</b>	<ul style="list-style-type: none"> <li>This phase is supported by the execution of periodic activities, assessments and reports intended to ensure that all risks are monitored and to verify possible alterations in risk level;</li> <li>This monitoring is carried out on the basis of key risk indicators (KRIs) to provide continuous reporting and timely adoption of remedy measures;</li> <li>KRIs address all levels of the Company (strategic, tactical and operational) and are aimed at permanent alignment with the key performance indicators, and thus with CTT's business strategy and risk profile defined by the Board of Directors.</li> </ul>

## 55. Main elements of the internal control and risk management systems implemented in the Company relating to the process of disclosure of financial information

The process of disclosure of financial information is monitored by both management and supervisory bodies and by the business units and corporate services. The financial statements and other financial information are prepared by the Management Planning and Control and Investor Relations Departments, based on information provided by the Accounting and Treasury Department and the Business Units.

All the documents for the presentation of financial information are approved by the Board of Directors and reviewed by the Audit Committee and the Statutory Auditor / External Auditor.

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

The Audit Committee is also responsible for checking the independence of the Statutory Auditor / External Auditor and the process for the preparation and disclosure of the Company's financial information. In this context, the Audit Committee:

- Holds meetings to monitor these processes with members of the Executive Committee, the Statutory Auditor / External Auditor, and with the persons responsible for accounting and for management planning and control;
- Evaluates the reports of the Internal Audit and Quality Department (specifically with respect to the procedures for internal audit and internal control of the financial report), in order to make proposals to the Executive Committee if appropriate;
- Monitors internal audit, in coordination with the Executive Committee, specifically with respect to procedures for the financial reporting, the detection of risks, irregularities and conflicts of interest, and the safeguarding of the Company's assets.

The work carried out in this respect by the Audit Committee during 2015 aimed above all at supervising the suitability of the process for the preparation and publication of financial information, and ensuring that the internal and external auditors were able to perform their functions with independence and objectivity, as per CMVM Recommendation II.2.5..

For the purposes of issuing the statutory audit report and audit report, the Statutory Auditor / External Auditor evaluate the internal control mechanisms of the main business processes of the Group companies affecting the financial reporting.

#### IV. INVESTOR RELATIONS

##### **56. Department responsible for investor support, composition, functions, information provided by this department and contacts**

CTT's Investor Relations Department (IR) is responsible for ensuring a solid and long-term relationship between, on one hand, shareholders, investors and analysts, CMVM, Euronext Lisbon and the capital markets in general and, on the other, the Company and its corporate bodies, providing timely, clear and transparent information representing the current evolution of CTT, in economic, financial and governance terms. Thus being, the Company complies with Recommendation VI.2. of CMVM, providing an investor assistance department and a permanent contact with the market.

CTT's IR team consists of 5 people and is managed by Peter Tsvetkov, and its contacts are as follows:

Address: Avenida D. João II, n.º 13, 12.º piso  
1999-001 Lisbon, Portugal

[investors@ctt.pt](mailto:investors@ctt.pt)

Fax: +351210 471 996

Telephone: +351210 471 867

Website: [www.ctt.pt](http://www.ctt.pt)

In 2015, in addition to the standard publication of financial accounts (2014 Annual Report and 1<sup>st</sup> half 2015 Interim Report), the Company issued the following press releases: 21 with privileged information (including press releases and presentations of quarterly results), 61 regarding qualified

holdings in CTT, as well as 1 concerning senior officers' transactions and 1 concerning the acquisition of own shares.

During the year, CTT spent 21.5 days in external meetings with investors, 11.5 of which in 11 conferences (organised by 9 different brokers in 6 different cities) and 10 days in 11 road shows (organised by 8 different brokers in 12 different cities). The number of events was lower than the previous year due to Capital Markets Day held on 19 November, due to which no meetings were held to present the 3<sup>rd</sup> quarter results. In 2015, the Chairman and CEO of the Company spent 6.5 days abroad on activities involving Investor Relations and the CFO spent 15.5 days on similar activities. CTT received 10 visits by investors, 3 independent and 7 organised by 4 different brokers. Over the course of the year, the Company met with 370 investors. Furthermore there were 37 scheduled conference calls with investors and 12 meetings with analysts and 24 scheduled contacts with analysts, besides many unscheduled calls.

On 19 November 2015, CTT organised its inaugural Capital Markets Day, in order to present its 3<sup>rd</sup> quarter results and disclose CTT's strategy, with a focus on Banco CTT. There were close to 80 participants present at the event from 16 investors, 17 brokers and other entities associated with the capital markets. The event included a visit to a CTT post office and to the Lisbon Production and Logistics Centre.

On 31 December 2015 research analyst coverage of the CTT share was performed by 15 research analysts (12 by the end of 2014), 5 Portugal-based brokers (CaixaBI, BPI, Haitong, Intermoney and Banco BIG), 5 in North America (JP Morgan, Morgan Stanley, Goldman Sachs, Jefferies and Royal Bank of Canada), 2 in Spain (BBVA and Fidentiis), 1 in Germany (MainFirst), 1 in the United Kingdom (Barclays) and 1 South African broker (Investec). Berenberg temporarily halted coverage of CTT due to a change in its research team.

On 31 December 2014, the closing market price of CTT shares was €8.017, while the average target price on that date of the 12 analysts who covered the share was €8.554. On 31 December 2015, the closing market price of the CTT shares was €8.854. On that date, the average target price of the 15 analysts who covered the share was €9.847 and ~47% (7) held positive recommendations on the share and ~47% (7) held neutral recommendations. One analyst (~7%) held a negative recommendation.

## **57. Market Relations Representative**

CTT's Market Relations Representative is the Executive Member of the Board and CFO André Manuel Pereira Gorjão de Andrade Costa.

## **58. Information on requests for information received during the year or pending from previous years and response time**

In 2015, IR received and processed 354 e-mails from institutional investors, 1,623 from research analysts, 715 from organisers of investor events and conferences and 568 from other investors and the general public. Given that not all e-mails required a response (such as, for example, the research reports on CTT and its peers that IR receives from brokers) or where a response was given immediately by telephone, IR handled by e-mail the responses indicated in the table below within the mentioned time periods, depending on their nature and complexity and no e-mail was left pending at the end of 2015.

	Number of responses given			Total
	within 1h*	from 1h to 24h*	more than 24h*	
To institutional investors	179	93	13	285
To analysts	189	78	12	279
To other (retail investors, general public, etc.)	94	89	9	192
<b>Total</b>	<b>462</b>	<b>260</b>	<b>34</b>	<b>756</b>
<b>Percentage</b>	<b>61.1%</b>	<b>34.4%</b>	<b>4.5%</b>	<b>100%</b>

**Note:** 95.5% of all requests for information were responded within 24h.

\* measured from the time of receipt of the inquiry.

## V. WEBSITE

### 59. Address

The address of CTT's website is: [www.ctt.pt](http://www.ctt.pt).

As described below, in line with CMVM Recommendation VI.1., the Company website provides access to information on the Company's evolution and current situation in economic, financial and governance terms, in Portuguese and English.

### 60. Website where information may be obtained about the Company, its status as a publicly-traded company, its registered address and other identifying details

This information may be found at "CTT & Investors", "Corporate Governance", "Corporate Identification" on CTT's website ([www.ctt.pt](http://www.ctt.pt)).

### 61. Website where the Company's Articles of Association and the Regulations of the corporate bodies and/or committees may be found

This information may be found at "CTT & Investors", "The Company", "Corporate Governance", "Articles of Association & Regulations" on CTT's website ([www.ctt.pt](http://www.ctt.pt)).

### 62. Website where information is available on the identity of the members of corporate bodies, the market relations representative and the investor office, with their functions and contact details

This information may be found at "CTT & Investors", "The Company" ("Corporate Governance" section) and "Investor Relations" ("Contacts" section) on CTT's website ([www.ctt.pt](http://www.ctt.pt)).

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

This information may be found at "CTT & Investors", "Financial Information" on CTT's website ([www.ctt.pt](http://www.ctt.pt)).

**64. Website where the convening notices to Shareholders General Meetings and all related preparatory and subsequent information are published**

This information may be found at “CTT & Investors”, “Investor Relations”, “Shareholders Meetings” on CTT’s website ([www.ctt.pt](http://www.ctt.pt)).

**65. Website where the records of all resolutions taken in the Company’s General Shareholders Meetings, the share capital represented and the results of the voting process are available**

This information may be found at “CTT & Investors”, “Investor Relations”, “Shareholders Meetings” on CTT’s website ([www.ctt.pt](http://www.ctt.pt)).

**D. REMUNERATIONS****I. COMPETENCES TO SET REMUNERATIONS****66. Indication of the competences to set the remuneration of the corporate bodies, the members of the Executive Committee and the Company’s senior officers**

As per article 9 of the Company’s Articles of Association, the Shareholders General Meeting is competent to set the remunerations of members of the corporate bodies. It may appoint a Remuneration Committee for this purpose.

Considering that CTT’s Board of Directors understands that the Company’s senior officers under article 248-B of the Securities Code correspond solely to the members of its managing and supervisory bodies, the Remuneration Committee is responsible for setting their remuneration.

As further detailed in sections 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 determining remunerations.

The granting of those consultation powers not only complies with CMVM Recommendation II.1.4(a), but is also in line with best practices (namely in the financial sector) insofar as the body that determines remuneration should be supported by a committee within the Board of Directors, that contributes with its independence, knowledge and experience in defining a remuneration policy adjusted to the specificities of the sector and Company, in particular with detailed knowledge of its strategic and risk profile.

**II. REMUNERATION COMMITTEE****67. Composition of the Remuneration Committee, including identification of the natural or legal persons engaged to assist said committee and statement of the independence of each member and consultants**

As at 31 December 2015, the Remuneration Committee was composed of:



Members	Office	Date of 1 <sup>st</sup> appointment
João Luís Ramalho de Carvalho Talone	Chairman	24/03/2014
José Gonalo Ferreira Maury <sup>(1)</sup>	Member	24/03/2014
Rui Manuel Meireles dos Anjos Alpalho	Member	24/03/2014

(1) Resigned from position by letter of 4 January 2016. The notice to convene for the Annual General Meeting to be held on 28 April 2016 will include an item pertaining to the election of a new member of the Remuneration Committee.

In compliance with Recommendation II.3.1. of CMVM, all members of the Remuneration Committee are independent from the CTT Board, 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 (i.e., through his spouse, relatives and/or akin in straight line up to the 3<sup>rd</sup> degree, inclusive) with any Board member.

As referenced in sections 21.4 and 66 of Part I above, the Corporate Governance, Evaluation and Nominating Committee has consultation powers on remuneration matters and supports the Remuneration Committee who is responsible for determining remunerations. As detailed in sections 17 and 29.2 of Part I above, the Corporate Governance, Evaluation and Nominating Committee is composed of a majority of Non-Executive Directors and independent members (4 out of 5 of its members).

In 2015, the Remuneration Committee was supported by Mercer, specialised consultant with expertise in remuneration and human resource matters. Mercer maintained a relationship with the Company as at 31 December 2015, and was providing and had provided services to CTT over the past 3 years. Although the Company did not adopt CMVM Recommendation II.3.2., as explained in Part II below, the Company established the mechanisms necessary to ensure the independence of the consultants assisting the Remuneration Committee.

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

The *curricula* of the members of the Remuneration Committee are included in Annex I. As evidenced therein, and in line with CMVM Recommendation II.3.1., all members of this committee have the appropriate knowledge to analyse and decide on matters within their competence, given their academic degree and extensive professional experience, namely by means of:

- The performance of management duties in various sectors, in Portugal and abroad, and the performance of their duties in remuneration committees, in both cases in companies of a significant size and with shares admitted to trading;
- Consulting activities in the area of specialised human resources, including remuneration policies and those of selection and hiring of executives in the financial, services and industrial sectors.

## III. REMUNERATION STRUCTURE

### 69. Description of the remuneration policy of the managing and supervisory bodies referred to in article 2 of Law no. 28/2009, of 19 June

The remuneration policy for the term of office underway was approved and implemented by CTT's Remuneration Committee in 2015 and was based on: (i) the broad guidelines of the annual statement on the remuneration policy for governing body members, approved by Shareholders in CTT's Annual General Meeting held on 5 May 2014; and (ii) a detailed reflection and benchmark studies

performed with the assistance of specialised consultants, being subsequently subject to the opinion of Corporate Governance, Evaluation and Nominating Committee.

This reflection included developing and adapting the principles laid down in that statement and the best practices applicable to the specificities of the Portuguese market, of CTT's business sector, and of its strategic plan, business plan and annual budgets.

The peer group used in the benchmark analysis underlying the remuneration policy applicable to CTT Executive Directors was selected by reference to 28 July 2014, based on 3 criteria (sector, regulated/unregulated market and stability of cash-flows), and comprised 19 companies, including 7 European companies in the sector (Bpost, Deutsche Post, La Poste, Poste Italiane, PostNL, Post Nord and Royal Mail) and the 12 Portuguese companies with shares admitted to trading on the Euronext Lisbon regulated market deemed relevant.

With regard to Non-Executive Directors and members of the Board of the General Meeting, the reference benchmark corresponded to a peer group of 14 companies in PSI 20.

The remuneration policy approved by the Remuneration Committee sought to align remuneration with the defined business strategy and, thereby, the sustainability of results and the creation of value for Shareholders, based on the following main principles:

- To act as an instrument of the talent management policy;
- To compensate work, stimulate performance, reward results, taking into account performance and individual merit;
- To contribute to attract, develop and retain competent professionals, trying to be competitive with practices in the Portuguese market for companies of identical complexity;
- To promote the alignment of interests with CTT's values and culture, business strategy, Company's Shareholders and, in general, with the remaining stakeholders; and
- To contribute to value-creation not only in the short, but particularly in the medium and long term, following sustained management practices.

Considering these principles, 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 was defined taking into account the market median and competitiveness, the nature and complexity of the duties (reasoning for a differentiated remuneration of the CEO, CFO and the remaining Executive Directors), as well as the required skills and the sustainability of CTT's performance. Additional benefits corresponding to the annual meal allowance and a fixed monthly amount to be allocated to the open pension fund or retirement savings plan are added to the annual base remuneration which is paid 14 times a year. This component can be reviewed annually by the Remuneration Committee.

The variable remuneration of the Executive Directors consists of:

- An annual component ("Annual Variable Remuneration"), subject to the achievement each financial year of predefined quantitative and qualitative objectives and 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"), subject to a positive Total Shareholder Return ("TSR") of CTT shares at the end of the assessment period, equivalent to the term of office (up to 1 January 2017), and resulting in the delivery of CTT's shares on 31 January 2017, of which 50% is subject to a one-year lock-up period.

Both the Annual Variable Remuneration and the Long-Term Variable Remuneration are subject to limits set by the Remuneration Committee, namely by reference to the fixed remuneration as explained below.

Non-Executive Directors only receive an annual fixed remuneration, paid 14 times a year, the amount being determined by the degree of time commitment and estimated number of meetings of the corporate bodies and their internal committees, according to CMVM Recommendation III.2.

Thus, a differentiated remuneration increase is attributed to (i) Non-Executive Directors who chair or are part of one or more committees, particularly in the case of the Audit Committee, taking into account the competences and duties of this supervisory body, and to (ii) the Non-Executive Vice-Chairman of the Board of Directors who performs the duties of lead independent director as described in section 21 of Part I above.

In summary, the remuneration policy approved by the Remuneration Committee is based on the following pillars aligned with the best national and international practices in this area:

<b>Compensation mix</b>	<ul style="list-style-type: none"> <li>• Appropriate balance between fixed and variable remuneration</li> <li>• Appropriate balance between short and long-term remuneration</li> <li>• Appropriate balance between the component in cash and in shares (without dilution)</li> </ul>
<b>Performance measures</b>	<ul style="list-style-type: none"> <li>• Appropriate balance between individual and collective objectives</li> <li>• Appropriate balance between financial and non-financial objectives</li> <li>• Performance measures that consider risk and set appropriate KPIs and targets vis-à-vis the peer group and the Company's plans</li> </ul>
<b>Alignment of interests</b>	<ul style="list-style-type: none"> <li>• Definition of the minimum level of performance to access the variable remuneration</li> <li>• Definition of the maximum level of performance as of which there is no additional payment of variable remuneration (caps)</li> <li>• Deferral mechanisms through the multiannual variable remuneration and the lock up of CTT shares delivered</li> </ul>
<b>Transparency</b>	<ul style="list-style-type: none"> <li>• Resolutions of an independent Remuneration Committee, assisted by specialised consultants and by a specialised and independent internal committee of the Board of Directors</li> <li>• Information disclosure</li> <li>• Alignment with the peer group and the Company's strategic objectives</li> </ul>

These structural principles and elements of the remuneration policy for the members of the managing and supervisory bodies of CTT are detailed in the following sections of this report and also in the remuneration policy statement to be submitted annually by the Remuneration Committee for approval of the Shareholders General Meeting, as it occurred at the General Meeting held on 5 May 2015 and as it shall occur at the General Meeting to take place on 28 April 2016. Therefore, the Company adopts CMVM Recommendation II.3.3. as follows:

- On the annual statement, the information required under Law 28/2009, of 19 June, the criteria for determining the remuneration and the rules applicable to termination of office are presented by the Remuneration Committee to the General Meeting, in line with paragraphs a) and c) of CMVM Recommendation II.3.3.;

- The Remuneration Committee does not expressly indicate in said statement the potential maximum remuneration amount under paragraph b) of said CMVM Recommendation, although the Company fully complies with the principles of predictability, disclosure and transparency of agency costs incurred by the Company and its Shareholders, by adopting a solution that is materially correspondent to CMVM Recommendation II.3.3(b), as explained in Part II below of this report.

**70. Information on how remuneration is structured in order to enable the alignment of the interests of the members of the managing body with the Company's long term interests, and on how it is based on performance assessment and discourages excessive risk-taking**

**70.1. Setting limits to the annual base remuneration, the Annual Variable Remuneration and the Long-Term Variable Remuneration, as well as discouraging excessive risk-taking**

As mentioned above, the defined amount of fixed remuneration determined under the criteria indicated in section 69 of Part I above, seeks (i) alignment with market practices, by positioning itself close to the market median and striving thereby adequately discourage excessive risk-taking and (ii) differentiation and compensation according to levels of dedication.

The Non-Executive Directors of CTT only receive a fixed remuneration, fulfilling CMVM Recommendation III.2.

Both the Annual Variable Remuneration and the Long-Term Variable Remuneration are subject to maximum limits set by the Remuneration Committee, in particular by reference to the annual base remuneration, in line with CMVM Recommendation III.3., which is also serves to discourage excessive risk-taking.

Thus, the Annual Variable Remuneration's target is 65% of the annual base remuneration, in the case of the CEO, and 55% of the annual base remuneration in the case of the remaining Executive Directors. Therefore, in a scenario of 100% achievement of the objectives applicable to the Annual Variable Remuneration, the CEO will be entitled to an Annual Variable Remuneration, in cash, in the amount of 65% of the annual base remuneration, and the remaining Executive Directors are entitled to an Annual Variable Remuneration, in cash, in the amount of 55% of the annual base remuneration. If the objectives achieved are above these targets, the maximum amount of Annual Variable Remuneration attributable to the CEO is 100% of the annual base remuneration and 85% of the annual base remuneration for the remaining Directors. If the minimum threshold of achievement described in section 71 of Part I below is not reached, there will be no Annual Variable Remuneration.

In turn, the Long-Term Variable Remuneration is paid through the allocation of Company shares, depending on a positive TSR of the Company's shares at the end of the assessment period (until 1 January 2017). The allocation and delivery of shares is deferred to the end of the term of office (being its delivery only due on 31 January 2017), subject to the above criteria and the various limits described below, determined by, inter alia, a maximum percentage of the annual base remuneration, which also serves to discourage excessive risk-taking.

Thus, the Long-Term Variable Remuneration has as target of 135% of the annual base remuneration for all Executive Directors. Therefore, in a scenario of 100% achievement of the objectives applicable to the Long-Term Variable Remuneration, CTT's Executive Directors are each entitled to such component in CTT shares, in the amount of 135% of the annual base remuneration. If the objectives achieved are above this target, the maximum amount of Long-Term Variable Remuneration attributable is 180% of the annual base remuneration. If the minimum threshold of achievement described in section 71 of Part I below is not reached, there will be no Long-Term

## Variable Remuneration.

Additionally, the maximum number of Company shares to be allocated, as Long-Term Variable Remuneration regarding the current 3-year term of office, is doubly limited by the number of shares to be allocated and their value, according to the following limits: (i) maximum cap of 148,142, 117,876 and 111,504 shares, respectively for the CEO, CFO and remaining Executive Directors, and (ii) the value of the shares, at the average of the closing price of CTT shares in December 2016, cannot exceed a maximum of two million five hundred thousand euros and two million euros, respectively for the CEO and the remaining Executive Directors.

Once CTT shares have been allocated and delivered as Long-Term Variable Remuneration in 2017, these will be partially subject to restrictions on its transfer and encumbrance, so as to ensure said alignment and incentive to the maintenance of the Company's positive performance beyond the term of office.

As further regards discouraging excessive risk-taking and as better detailed in section 70.2 below, for all members of CTT's Executive Committee the fixed remuneration component will represent, on average, 40% of the total annual remuneration, the remaining 60% being attributed as a variable component, in the event the Annual Variable Remuneration and Long-Term Variable Remuneration objectives are fully met. Should the target of each of these components be met, its relative weight will be 50% on average.

Lastly and under article 23 of the Articles of Association, the Variable Remuneration of the Executive Directors may consist of a percentage of the consolidated profit, in which case the overall percentage of such profit paid up as variable remuneration may not exceed, each year, 5% of the consolidated profit for the financial year.

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

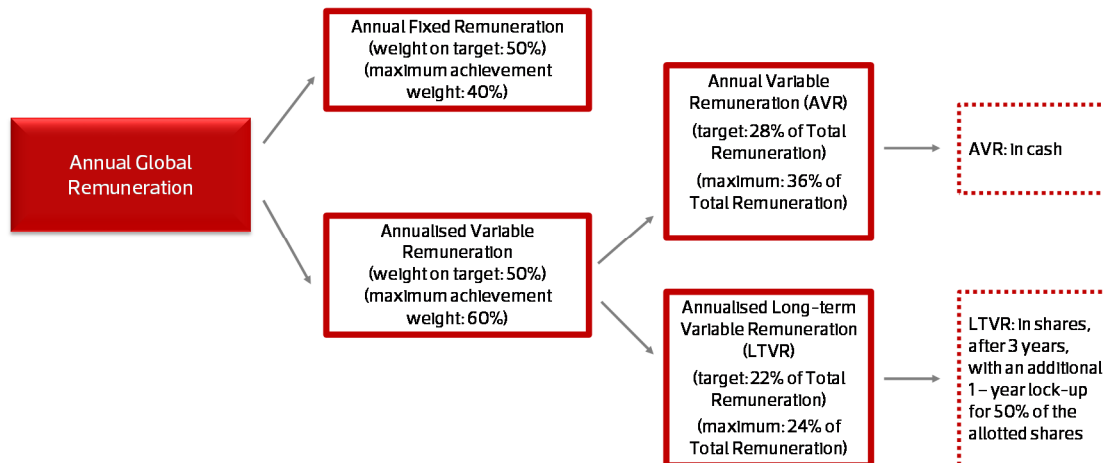
The awarding and value of the variable component depends on the fulfilment of pre-defined goals, measured by the performance assessment criteria described in section 71 of Part I below. This component will fluctuate according to the achievement level of:

- Annual objectives defined by quantitative assessment criteria (based on the benchmark carried out and the business plan and annual budget approved by the Board of Directors and related to EBITDA and TSR) and individual qualitative assessment criteria (defined by the Corporate Governance, Evaluation and Nominating Committee, within the parameters established by the Remuneration Committee and related to the Company's values, sustainability and stakeholder relationships); and
- Multi-annual objectives that correspond to the duration of the term of office (3 years) defined with reference to long-term quantitative assessment criteria (based on the benchmark carried out and related to TSR).

In addition, both Annual Variable Remuneration and Long-Term Variable Remuneration depend on the minimum performance thresholds described in section 70.1 above and gradual objectives described in section 71 of Part I below.

Therefore, the intention of these performance assessment criteria, achievement objectives and attained thresholds is to set a remuneration policy that promotes the alignment of the interests of the members of the Board of Directors with CTT's interests and its long-term performance.

In turn, the following chart shows the weight of fixed and variable remuneration (annualised) compared to the total annual remuneration attributed, on average, to the members of the Executive Committee, in case of compliance with the target and maximum compliance with the objectives established for the Annual Variable Remuneration and the Long-Term Variable Remuneration. Overall, there is a balance between the annual fixed remuneration and the annualised total variable remuneration, which also promotes the mentioned alignment of interests.



The weight of the variable component in relation to the total fixed remuneration is not only in line with the best market practices of a national reference group of companies (including major Portuguese companies and companies listed on PSI 20 index) and European companies (entities of the postal sector), calculated as part of the benchmarking exercise conducted, but also in line with CMVM Recommendations III.1. and III.3.

In summary, the effective allocation of this remuneration mix depends on the performance assessment according to the criteria and objectives described in section 71 of Part I below and contributes to the alignment of Director's interests with those of the Company, as follows:

- The fixed component serves as a reference for the allocation of the variable component, is subject to limitations, can be reviewed annually by the Remuneration Committee and must provide an adequate balance between remuneration components;
- The Annual Variable Remuneration depends on the assessment of quantitative and qualitative performance criteria, predetermined and gradual, the assessment period being the financial year in question;
- The Long-Term Variable Remuneration depends on the assessment of quantitative criteria, predetermined and gradual, the assessment period being the 3-year term of office in progress, on a long-term perspective;
- The Long-Term Variable Remuneration gives rise to the delivery of shares at the end of the term of office, still subject to a lock-up period which is an additional incentive to the maintenance the Company's positive performance and value-creation for Shareholders beyond the term of office.

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

The Annual Variable Remuneration's amount to be received by the Executive Directors results in 70% of the assessment of the following criteria and quantitative objectives set by the Remuneration Committee based on the benchmarking exercise conducted and the business plan and budget:

- The amount of the annual recurring EBITDA margin of each CTT business unit: (i) Mail; (ii) Express & Parcels; and (iii) Financial Services (40%). In 2015, the Remuneration Committee detailed this objective in terms of CTT's business units, taking into account the stage of diversification of its activities in different areas of business, which have different relative weights in their contribution to CTT's revenues;
- The growth percentage of CTT's recurring EBITDA (as defined by CTT's Audit Committee) regarding the previous calendar year (40%);
- A positive annual TSR for the Company's shares and its comparison to the weighted average TSR of a peer group (20%). In 2015, the Remuneration Committee passed a resolution limiting the impact of this performance indicator to the extent of the respective 20% weight, thus promoting the implementation shorter-term management strategies that may create value in the medium and long-term, despite causing short-term pressure on shares. The peer group consists of 2 subgroups: (i) TSR of PSI 20 with a 60% weighting and (ii) TSR (simple average) of a set of relevant sector peers (Austrian Post, Bpost, PostNL and Royal Mail, subject to changes defined by the Remuneration Committee based on relevant corporate restructurings) with a 40% weighting.

The awarding of the Annual Variable Remuneration in relation to these objectives further depends on (i) a weighted-average of these objectives above 80% and (ii) a recurring EBITDA margin that satisfies at least 85% of the set target.

Having satisfied these conditions, the recorded performance regarding the criteria and quantitative objectives is gradually remunerated, according to the level of achievement and the parameters set by the Remuneration Committee, in particular:

- If the recorded performance meets the set goal in less than 80%, there will be no allocation of Annual Variable Remuneration for that quantitative target;
- If the recorded performance is between 80% and 100% of the set goal, that amount will be between 29.25% and 65% of the CEO's annual base remuneration, and between 24.75% and 55% of the remaining Executive Directors' annual base remuneration;
- If the recorded performance is between 100% and 130% of the set goal, that amount will be between 65% and 100% of the CEO's annual base remuneration, and between 55% and 85% of the remaining Executive Directors' annual base remuneration;
- If the recorded performance fulfils the set goal in more than 130%, that amount will correspond to 100% of the CEO's annual base remuneration and to 85% of the remaining Executive Directors' annual base remuneration.

The amount of the Annual Variable Remuneration to be received results in 30% of the assessment of set qualitative individual objectives, defined and subject to assessment by the Corporate Governance, Evaluation and Nominating Committee, according to the parameters set by the Remuneration Committee. According to these parameters, the performance recorded on these objectives is gradually remunerated by reference to a percentage of the annual base remuneration between 10% and 100% for the CEO, and between 5% and 85% for the remaining Executive



Directors, depending on the achievement level. The referenced percentages of 10% and 5% were introduced in 2015 by the Remuneration Committee and are intended to weight, in terms of qualitative objectives, situations where the Executive Director's performance, although below expectations, is slightly aligned with the expected.

In this context, the Corporate Governance, Evaluation and Nominating Committee defined an assessment model that considers as relevant criteria the composition, image and activity of the members of the Executive Committee, as well as their relationship with the various corporate bodies and stakeholders of the Company (including aspects such as sustainability and environment, organisational culture, Company's reputation and relationship with Shareholders, employees, suppliers and customers).

In turn, the awarding of the Executive Directors' Long-Term Variable Remuneration is subject to verification of the following assessment criteria: (i) a positive TSR of the Company's shares at the end of the assessment period, corresponding to the 3-year term of office, (ii) the awarding and delivery of shares is deferred (being the awarding assessed until 1 January 2017 and the delivery made on 31 January 2017) and only occur if at the end of the term of office the Long-Term Variable Remuneration's awarding criteria are fulfilled.

Additionally, the calculation of the number of shares corresponding to the Long-Term Variable Remuneration to be awarded is based on the comparison of the recorded performance of the TSR of the Company shares and the weighted-average TSR of a peer group formed by the subgroups identified above for the Annual Variable Remuneration and the following parameters (in addition to the limits described in section 70.2 above):

- If the TSR of the Company's shares is less than 90% of the weighted TSR of the peer group's shares, no Long-Term Variable Remuneration will be awarded;
- If the TSR of the Company's shares is equal to or greater than 90% and less than or equal to 110% of the weighted TSR of the peer group's shares, each Executive Director is assigned the number of Company's shares corresponding to the quotient of the division of the proportional percentage between 50% and 135% of the annual base remuneration of the corresponding Executive Director by the awarding price of the Company's shares;
- If the TSR of the Company's shares is greater than 110% of the weighted TSR of the peer group's shares, each Executive Director is awarded a number of Company's shares corresponding to the quotient of the division of 180% of the annual base remuneration of the corresponding Executive Director by the awarding price of the Company's shares.

This share award plan and the corresponding Regulation were approved by the Company's Annual General Meeting on 5 May 2015, in line with the remuneration policy approved by the Remuneration Committee. This plan will not lead to any dilutive effect, since it will be implemented through the acquisition and sale of own shares, duly authorised by the General Meeting, and not by means of capital increases.

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

The awarding of the Long-Term Variable Remuneration depends on the verification of a positive TSR of Company's shares at the end of an assessment period, corresponding to the 3-year term of office. Thus being, the awarding and delivery of shares is deferred (being the awarding assessed until 1 January 2017 and the delivery made on 31 January 2017) and only occur if at the end of the term of office the Long-Term Variable Remuneration's awarding criteria are fulfilled.



Therefore, a significant component of the total variable remuneration to be received for the performance in this term of office is deferred to the end of its term and subject to the Company's positive performance, giving full effect to CMVM Recommendation III.4.

The positive performance is measured by CTT share's TSR and by comparing the recorded performance of the TSR of Company's shares and the weighted-average TSR of a peer group (TSR of PSI 20 with a 60% weighting and TSR of a set of relevant sector peers with a 40% weighting, as described in section 71 of Part I above).

In addition to this mechanism that conditions and defers a significant part of the variable remuneration, the Long-Term Variable Remuneration delivered by means of shares is also subject to a lock-up/retention period, since 50% of Company's shares delivered on 31 January 2017 may only be transferred or encumbered 1 year after the Long-Term Variable Remuneration's delivery date, except for the purposes of payment of due taxes and contributions, and in the following cases of termination of office.

The payment of the Annual Variable Remuneration and of the Long-Term Variable Remuneration relating to an assessment period during which there is termination of office will not be due, unless in case of early termination of office for reasons not attributable to the Director, including changes of the Company's control, in which case there will be a proposal for a pro-rata allocation, after a resolution adopted by the Remuneration Committee. If a Director is not elected for another term of office, the lock-up/retention regime of shares described above will cease. In case of termination of office for any cause (with exception of destitution with just cause) after a period of assessment, but prior to the payment of the Annual Variable Remuneration or Long-Term Variable Remuneration, its overall delivery shall be made for such corresponding period.

Since the shares to which the Executive Director has access under this Long-Term Variable Remuneration scheme are only awarded and delivered after the term of office and are still subject to a lock-up period of 50% of the delivered shares, the Company considers that CMVM Recommendation III.6. has been fully complied with.

These rules also aim at an alignment of interests of the executive management team with value-creation for the Shareholder, which, given the specificities of the Company and the sector, should derive from the combination of assessment criteria over the 3-year TSR, as described above, and from a lock-up period for 50% of the acquired shares.

Thus, the Long-Term Variable Remuneration creates a deferral mechanism and retention of a significant part of the variable remuneration, subject to the maintenance of positive performance, in two ways:

- The multi-annual assessment period corresponding to the 3-year term of office determines that, throughout this period, the Director shall not acquire any rights or receive the shares in question, until after the 3-year period and when the positive performance is confirmed at the end of this period. In this model, not only the vesting but also the granting are deferred and conditioned by the positive performance (performance conditions). This multi-annual assessment model eliminates the need for "malus" or "claw-back" provisions, since there is no granting or vesting on an annual basis of Long-Term Variable Remuneration, but only after the end of the term of office (January 2017);
- After the term of office and depending on performance, the Director becomes entitled to the Long-Term Variable Remuneration and receives the shares, but is unable to sell or encumber 50% of those shares for 1 year, i.e. until 31 January 2018 (holding period).

These two mechanisms encourage the Director, on a long-term basis, to pursue the interests of the Company, its Shareholders and stakeholders, and maximise Shareholder value.

**73. Criteria underlying the awarding of variable remuneration in shares, and the maintenance of these shares by the Executive Directors; Potential agreements regarding these shares, namely hedging or risk transfer agreements, their limits and its proportionate value in terms of total annual remuneration**

The Long-Term Variable Remuneration's awarding depends on a positive TSR of Company's shares at the end of the assessment period, in which terms the vesting of the shares is postponed to 31 January 2017 and subject to a positive performance at the end of the term of office (until 1 January 2017).

In addition to this deferral mechanism, the awarded shares will be subject to a lock-up/retention period, according to which 50% of the Company's shares awarded, as Long-Term Variable Remuneration, may only be transferred or encumbered, for whichever purposes, 1 year after such component's payment date, subject to section 72 of Part I above.

Under the remuneration policy approved by the Remuneration Committee, the Executive Directors shall not enter into any contracts, either with the Company or with third parties, which have the effect of mitigating the risk inherent to the variability of their remuneration, in compliance with CMVM Recommendation III.5.

**74. Criteria underlying the allocation of variable remuneration in options and indication of the deferral period and exercise price**

Not applicable. See section 71 of Part I above.

**75. Main parameters and grounds of any annual system of bonuses and any other non-cash benefits**

The Company did not adopt any annual system of bonuses and other non-cash benefits, without prejudice to the following paragraph.

The Executive Directors receive the following non-cash benefits of fixed value: car use (including fuel and tolls), life and personal accident insurances (including travel), liability insurance (D&O) and access to the health benefits system - *IOS – Instituto de Obras Sociais* (Social Works Institute) – under the same terms as the Company's employees.

**76. Main characteristics of supplementary pension schemes or early retirement for the Board members and date on which they were individually approved at the General Meeting**

Without prejudice to the following paragraph, the Company's remuneration policy does not include the allocation of pension supplements or any compensation in the case of early retirement of its Directors, therefore CMVM Recommendation II.3.5. is not applicable to the Company.

The fixed monthly remuneration of the Executive Directors includes an amount set by the Remuneration Committee as a result of benchmarking and is intended to be allocated to an open pension fund or retirement savings plan, specifically selected by each Executive Director.

#### IV. DISCLOSURE OF REMUNERATIONS

##### 77. Indication of the annual remuneration earned, in aggregate and individually, by the members of the managing body of the Company, including fixed and variable remuneration and, regarding the latter, mentioning its different components

The table below shows the gross remunerations paid by the Company in 2015, to the members of the Board of Directors and the Audit Committee:

Member	Office	Amounts		
		Fixed Remuneration <sup>(1)</sup>	Annual Variable Remuneration 2014 <sup>(2)</sup>	Total
Francisco José Queiroz de Barros de Lacerda	Chairman of the Board of Directors and Chief Executive Officer	513,797.47 €	429,927.00 €	943,724.47 €
Manuel Cabral de Abreu Castelo Branco	Vice Chairman of the Board of Directors and Executive Director	387,297.59 €	185,159.00 €	572,456.59 €
André Manuel Pereira Gorjão de Andrade Costa	Executive Director and Chief Financial Officer	409,279.47 €	290,090.00 €	699,369.47 €
Dionizia Maria Ribeiro Farinha Ferreira	Executive Director	387,297.59 €	274,409.00 €	661,706.59 €
Ana Maria de Carvalho Jordão Ribeiro Monteiro de Macedo	Executive Director	387,297.59 €	258,659.00 €	645,956.59 €
Total for the Executive Committee		2,084,969.71 €	1,438,244.00 €	3,523,213.71 €

Member	Office	Amount <sup>(3)</sup>
António Sarmento Gomes Mota	Vice Chairman of the Board of Directors (lead independent director), Chairman of the Audit Committee and Chairman of the Corporate Governance, Evaluation and Nominating Committee	134,999.90 €
Nuno de Carvalho Fernandes Thomaz <sup>(4)</sup>	Member of the Audit Committee and Non-Executive Director	60,428.51 €
Diogo José Paredes Leite de Campos	Member of the Audit Committee and Non-Executive Director	59,999.92 €
Total for the Audit Committee		255,428.35 €
António Manuel de Carvalho Ferreira Vitorino	Non-Executive Director and Member of the Corporate Governance, Evaluation and Nominating Committee	44,999.92 €
Rui Miguel de Oliveira Horta e Costa	Non-Executive Director and Member of the Corporate Governance, Evaluation and Nominating Committee	44,999.92 €
José Manuel Baptista Fino <sup>(5)</sup>	Non-Executive Director and Member of the Corporate Governance, Evaluation and Nominating Committee	46,285.63 €
Total for Non-Executive Directors that are not members of the Audit Committee		136,285.47 €
Total for the Board of Directors and Audit Committee		3,914,927.53 €

<sup>(1)</sup> Fixed remuneration amount of Executive Directors, including the annual base remuneration, amounts regarding annual meal allowance and a fixed amount paid monthly to be allocated to an open pension fund or a retirement savings plan.

<sup>(2)</sup> Annual Variable Remuneration paid to Executive Directors with reference to their respective performance in 2014, determined as described in section 69 *et seq.* of Part I above.

<sup>(3)</sup> Amount of fixed remuneration for Non-Executive Directors, who have no variable remuneration.

<sup>(4)</sup> Includes the amount of €428.57 with reference to December 2014, paid in January 2015.

<sup>(5)</sup> Includes the amount of €1,285.71 with reference to December 2014, paid in January 2015.

Regarding the Annual Variable Remuneration attributable to Executive Directors as described in section 69 *et seq.* above with reference to their performance in 2015, CTT had staff costs in the amount of €1,373,129.00, as at 31 December 2015, as defined by an actuarial study carried out by an independent entity. This remuneration component shall be paid in cash by the Company in the month following the approval of accounts by the Annual General Meeting, if the corresponding awarding assumptions are met.

As for the Long-Term Variable Remuneration attributable to Executive Directors as described in section 69 *et seq.* above with reference to their performance in 2015, CTT had costs in the amount of €1,610,685.00, as at 31 December 2015, corresponding to long-term governing body benefits under the share award plan approved by the General Meeting on 5 May 2015. This amount was calculated based on the fair value of the shares by an independent expert.

The payment of the mentioned Long-Term Variable Remuneration to Executive Directors is made by attributing shares in the Company, although the allocation and delivery thereof is subject to the verification at the end of each assessment period (3-year term of office) of the performance assessment criteria, objectives and limitations referenced in sections 70 and 71 of Part I above, in particular to a positive TSR for Company shares.

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

During the financial year of 2015, companies with a control or group relationship with CTT did not pay any remuneration or any other compensation to the Board of Directors.

**79. Remuneration paid in the form of profit sharing and/or bonus payments and reasons for such bonuses and/or profit sharing to be granted**

The remuneration paid by the Company to Executive Directors as Annual Variable Remuneration, under the terms set out in section 77 of Part I above, corresponds to profit sharing (through the allocation of bonuses), under the terms set out in the profit allocation proposals presented in the Annual General Meeting of 5 May 2015 and to be presented in the Annual General Meeting of 28 April 2016.

During the financial year of 2015, no further amounts were paid in the form of profit sharing or bonuses to the members of the Board of Directors.

**80. Compensations paid or owed to former Executive Directors relating to the termination of their office during the financial year**

During the financial year of 2015, no compensation was paid or became due to former Directors relating to the termination of their office during the financial year.

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

See section 77 of Part I above regarding the members of the Audit Committee.

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

During the financial year 2015, the remuneration received by the Chairman and Vice-Chairman of the General Meeting Board amounted to €3,075.00 and €2,386.40 respectively (excluding VAT and withholding taxes).

**V. AGREEMENTS WITH REMUNERATION IMPLICATIONS**

**83. Contractual limits established for compensation payable for destitution without just cause of a Board member and their connection with the variable component of remuneration**

The members of CTT's corporate bodies did not enter into any contracts with the Company on remuneration or compensation/indemnity matters. The remuneration policy approved and disclosed by CTT's Remuneration Committee for the term of office 2014/2016 does not provide for any compensation regime in a context of termination of office by the members of corporate bodies,

thereby applying the current legal regime in this area.

The principle set out in the previous paragraph was presented by the Remuneration Committee to CTT's Annual General Meeting on 5 May 2015 and approved thereby, in relation to the statement on the remuneration policy in force, according to which: *"In the event members of the Board of Directors terminate office, the compensation rules prescribed by law shall apply, as no compensation clauses were agreed upon or established in the remuneration policy."*

The legally due compensation regarding members of the Board of Directors (including Executive Directors), in case of destitution without just cause, corresponds to a compensation for the damage suffered by them as required by law, which may not exceed the remuneration amount that the Board member would presumably receive until the end of the period for which he/she were elected.

Thus, considering the absence of individual agreements in this area and the terms of the remuneration policy approved by the Remuneration Committee, the Company fully complies with CMVM Recommendation III.8., in which terms, in case of a destitution not resulting from a serious fault of duties or inability to regularly exercise duties, but nonetheless due to inadequate performance, the Company will be obliged to pay a compensation only under the terms legally owed.

See section 72 of Part I above concerning the impact of the termination of office on the Annual Variable Remuneration and Long-Term Variable Remuneration.

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

During the financial year 2015, 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 in the control of the Company, without prejudice to section 72 of Part I above.

It should be noted, in this regard, that CTT's Board of Directors believes that the Company's senior officers as per article 248-B of the Securities Code correspond only to the members of CTT's managing and supervisory bodies.

**VI. PLANS FOR SHARES AWARDING OR STOCK OPTIONS**

**85. Identification of the plan and its recipients**

The allocation of the Long-Term Variable Remuneration to Executive Directors of CTT gives rise to the awarding of Company's shares under the plan for share award and in line with what is described in sections 69 to 73 of Part I above. The relevant share award plan and the corresponding Regulation were approved in the Company's Annual General Meeting, on 5 May 2015, in line with the remuneration policy approved by the Remuneration Committee, thereby complying with CMVM Recommendation II.3.4.

The Company does not currently have any type of share options plan, thus CMVM Recommendation III.7. is not applicable.

**86. Characteristics of the plan (awarding terms, lock-up provisions, criteria on the share price and exercise price of options, period during which options may be exercised; characteristics of shares or options to be granted, existence of incentives for the acquisition of shares and/or exercise of options)**

As referenced in the previous section, taking into account the model of the Long-Term Variable Remuneration approved by the Remuneration Committee, the Board of Directors submitted and the Company's Annual General Meeting approved, on 5 May 2015, a plan for the awarding of ordinary shares representing the share capital of CTT (with all the inherent social and economic rights) to the Company's Executive Directors, in line with the remuneration policy approved by the Remuneration Committee and with the characteristics described in sections 71 and 72 of Part I above.

**87. Stock options plans where the Company's employees are the beneficiaries**

Please refer to section 85 of Part I above.

**88. Control mechanisms stipulated in any system of employee participation in the Company's equity to the extent that the voting rights are not exercised directly by them**

No system of employee participation in equity was in force in 2015 or exists in CTT.

## **E. TRANSACTIONS WITH RELATED PARTIES**

### **I. CONTROL MECHANISMS AND PROCEDURES**

#### **89. Mechanisms implemented by the Company for the purpose of monitoring transactions with related parties**

During the financial year of 2014, the Company approved and implemented procedures to ensure (i) strict compliance with the legal and accounting principles and best practices existing in the context of transactions with related parties and (ii) the pursuance of CTT's interest in this context, in particular by the Regulation on Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interests. This Regulation was fine tuned in December 2015 in light of the then existing shareholder and corporate structures, in order to strengthen the referenced implementation procedures and clarify some of the concepts referenced therein.

For this purpose, "Related Parties" are considered to be:

- Any shareholder with at least 2% of the CTT's share capital directly or indirectly, pursuant to article 20 of the Securities Code;
- Members of the managing and supervisory bodies of CTT and any senior officer who, not being a member of these corporate bodies are so classified under the referenced Regulation (a concept which has been detailed in the amended Regulation), or any third party related to them through any significant commercial or personal interest (concepts also detailed in the recent amendment to the referenced Regulation);
- Subsidiaries, associated companies and jointly controlled entities (joint venture).

According to such Regulation, "Transactions with Related Parties" (i.e., all onerous or gratuitous legal transactions between, on the one hand, CTT and / or Subsidiaries and, on the other hand, a related party) shall respect the following principles:

- Only take place on the basis of grounds clearly falling within CTT's businesses;
- Its implementation must comply with market conditions, according to the legislation in force and fulfil the best corporate governance practices in order to ensure transparency and full consideration for CTT's interests;
- They must always be formalised in writing, specifying the terms and conditions;
- Loans in favour of "Related Parties" are expressly prohibited, except in favour of subsidiaries, associated companies or jointly controlled entities;
- They should be clearly and accurately disclosed in the notes of the Company's financial statements, with sufficient detail to identify the "Related Party" and the main conditions regarding the transactions.

See section 91 of Part I below on the prior and subsequent control mechanisms by the Audit Committee regarding transactions with related parties.

## 90. Transactions subject to control in the year of reference

In 2015, the following transactions with related parties were subject to prior and subsequent control by the Company's supervisory body, under the procedures described in the Regulation for Assessment and Control of Transactions mentioned in sections 89 and 91 of Part I of this report:

- (i) Appointment of the law firm Cuatrecasas to render services and legally represent CTT and CTT Espresso in Spain, for which a favourable prior opinion from the Audit Committee was obtained, having been later authorised by the Board of Directors pursuant to article 397 of the Companies Code.
- (ii) Transactions with subsidiaries within the CTT Group's activities (postal and financial) for which a subsequent opinion from the Audit Committee was obtained. (For postal activities, this corresponded almost entirely to the rendering of services and for financial activities to 3 contracts entered into between CTT and Banco CTT, governing the use of resources inherent to the Retail Network and the CTT / Banco CTT partnership, the multiple employer regime adopted for the Retail Network and the rendering of services between the parties).

For greater detail on transactions with Related Parties, please see Note 42 – Related Parties of the consolidated financial statements and Note 6 – Related Parties of the individual financial statements of the 2015 Annual Report.

## 91. Procedures and criteria applicable to the intervention of the supervisory body for the purposes of pre-assessment of transactions between the Company and qualified holders

According to the Regulation for Assessment and Control of Transactions with Related Parties, the "Significant Transactions with Related Parties" (i.e., of an amount exceeding €1,000,000.00 for a single transaction or a set of transactions conducted in each financial year, with the exception of transactions made between CTT and its Subsidiaries whose capital is 100% owned by CTT) are submitted by the Executive Committee to the prior opinion of the Audit Committee, giving full effect to CMVM Recommendation V.2..

In this context, the Audit Committee shall analyse, namely, the terms, purpose 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 pre-contractual procedures implemented, the mechanisms adopted to solve or prevent potential conflicts of interest and the evidence that the operation will be carried out under normal market conditions. In the case of an unfavourable opinion of the Audit Committee, the conclusion of the transaction depends on the authorisation of the CTT's Board of Directors, a corporate body that should clearly support its approval, evidencing that it conforms to CTT's interests and that the advantages outweigh the disadvantages.

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 Commercial Companies Code and the procedure set out in the Regulation for Assessment and Control of Transactions with Related Parties, as amended in 2015, are also subject to the prior opinion of the Audit Committee.

The remaining "Transactions with related parties" are reported to the Audit Committee for the purpose of subsequent review, particularly in the context of the annual activities report.



## II. TRANSACTIONS INFORMATION

### **92. Place where financial reporting documents containing information on the transactions with related parties can be found, pursuant to IAS 24**

The relevant transactions with related parties are set out in Note 42 – Related Parties of the consolidated financial statements in the 2015 Annual Report, having been carried out in normal market conditions in compliance with CMVM Recommendation V.1..

## PART II – CORPORATE GOVERNANCE ASSESSMENT

### 1. Identification of the adopted Corporate Governance Code

According to the provisions of article 2(1) of CMVM Regulation 4/2013, CTT adopts the CMVM Code of Corporate Governance, as published in July 2013, which is available for consultation at [www.cmvm.pt](http://www.cmvm.pt).

### 2. Compliance analysis with the adopted Corporate Governance Code

CMVM CODE		ADOPTION	SECTIONS
<b>I. VOTING AND CONTROL OF THE COMPANY</b>			
I.1.	Companies should encourage their shareholders to take part and vote in General Meetings, especially by not establishing an excessively high number of shares required to be entitled to one vote and implementing the necessary means to the exercise of the voting right by mail and electronic means.	Adopted	12
I.2.	Companies should not adopt mechanisms that hinder the process of reaching decisions from their shareholders, in particular by establishing a resolution quorum higher than that provided for in the law.	Adopted	14
I.3.	Companies should not establish mechanisms that have the effect of causing a gap between the right to receive dividends or the subscription of new securities and the voting right of each ordinary share, unless they are duly justified by reference to the long-term interests of shareholders.	Adopted	12
I.4.	Companies' Articles of Association providing for the limitation of the number of votes that may be held or exercised by a sole shareholder, individually or jointly with other shareholders, shall also provide that, at least every five years, the changing or maintenance of such by-laws provision will be subject to deliberation by the General Meeting – with no quorum requirements in relation to the law – and that on such resolution any votes cast are counted with no restriction.	n.a.	5 and 13
I.5.	Measures that have the effect of requiring payments or assuming charges by the Company in case of change of control or change in the composition of the managing body and which appear likely to hinder the free transfer of shares and the free assessment of the performance of the members of the managing body by the shareholders shall not be adopted.	Adopted	4
<b>II. OVERSIGHT, MANAGEMENT AND SUPERVISION</b>			
<b>II.1. OVERSIGHT AND MANAGEMENT</b>			
II.1.1.	Within the limits established by law, and unless resulting from the small size of the Company, the Board of Directors must delegate the daily management of the Company, with the delegated competences being identified in the Annual Corporate Governance Report.	Adopted	21
II.1.2.	The Board of Directors must ensure that the Company operates in line with their objectives, and shall not delegate their duties, in particular with regard to: i) defining the strategy and the Company's general policies; ii) defining the corporate structure of the group; iii) decisions that should be considered as strategic due to their amount, risk or particular characteristics.	Adopted	21

CMVM CODE		ADOPTION	SECTIONS
II.1.3.	The Supervisory Board, in addition to the exercise of the supervisory duties for which it is responsible, shall assume full responsibility for the Company's governance, so that, through a by-laws provision or through equivalent means, this Board shall be responsible for deciding on the strategy and the main Company's political policies, the definition of the group's corporate structure and the decisions that shall be considered as strategic regarding their amount and risk included. This corporate body shall also assess compliance with the strategic plan and execution of the main Company policies.	n.a.	15
II.1.4.	Unless resulting from the small size of the Company, the Board of Directors must create the committees necessary to: a) Ensure a competent and independent performance assessment of the Executive Directors and their overall performance, as well as the various existing committees; b) Reflect on the governance system, structure and practices adopted, monitor its effectiveness and propose to the competent corporate bodies the measures to be executed, with a view to their improvement.	Adopted	21, 27 and 29
II.1.5.	The Board of Directors shall establish the objectives on risk-taking and create systems to control them, with a view to ensuring that the risks actually incurred are consistent with these objectives.	Adopted	21, 50 and 51
II.1.6.	The Board of Directors shall include a number of non-executive members who shall ensure an effective oversight, supervision and assessment of the activity of the other members of the managing body.	Adopted	17 and 18
II.1.7.	The Non-Executive Directors shall include an adequate proportion of independent Directors, taking into account the adopted governance model, the size of the Company, its shareholder structure and its free float. Among the members of the Board of Directors, a person who is not associated with any group with specific interests in the Company, nor is in any situation likely to affect its impartiality on the decision making, is considered an independent member, namely in relation to: a. Having been an employee of this Company or of a company that has a control or group relationship with it in the last three years; b. Having, over the last three years, provided services or established a significant commercial relationship with the Company or a company that has a control or group relationship with it, either directly or as a shareholder, director, manager or officer of a legal entity; c. Being a recipient of remuneration paid by the Company or company that has a control or group relationship with it in addition to the remuneration arising from the exercise of duties as director; d. Living as an unmarried couple or being spouse, relative or akin in a straight line up to a 3 <sup>rd</sup> degree, inclusively, in the collateral line, of Directors or natural persons directly or indirectly with a qualified holding; e. Being a holder of a qualified holding or representative of a shareholder with qualified holdings.	Adopted	17 and 18
II.1.8.	When requested by other members of the corporate bodies, the Directors performing executive duties should provide, in due time and in a form appropriate to the request, any information required by them.	Adopted	21
II.1.9.	The Chairman of the Executive Committee should send to the Chairman of the Board of Directors and the Chairman of the Audit Committee the convening calls and minutes of their meetings.	Adopted	21
II.1.10.	If the Chairman of the Board of Directors performs executive duties, the Board shall appoint an independent director, among its members, capable of ensuring the coordination of the work of other non-executive members and the terms so that they can decide on an independent and informed manner or find an equivalent mechanism to ensure such coordination.	Adopted	18

II.2. SUPERVISION			
II.2.1.	The Chairman of the Audit Committee shall be independent, according to the legal applicable standard, and have the necessary skills to carry out their duties.	Adopted	31
II.2.2.	The supervisory body should be the main interlocutor of the external auditor and the first recipient of its reports, being responsible, inter alia, for proposing their remuneration and ensuring, within the Company, that the appropriate conditions for the service contract are provided.	Adopted	38
II.2.3.	The supervisory body shall assess, on an annual basis, the external auditor and suggest, to the competent corporate body, its dismissal or termination of the service contract whenever there is just cause.	Adopted	38 and 45
II.2.4.	The supervisory body shall assess the functioning of internal control and risk management systems and suggest the adjustments as necessary.	Adopted	38 and 50
II.2.5.	The Audit Committee shall decide on the working plan and resources allocated to the services of internal audit and services that ensure the compliance of the rules applicable to the Company (compliance services), and shall receive the reports executed by these services at least when matters related to accountability, the identification or the resolution of conflicts of interest and the detection of potential illegalities are concerned.	Adopted	38 and 51
II.3. ESTABLISHMENT OF REMUNERATIONS			
II.3.1.	Any member of the Remuneration Committee or equivalent should be independent from the executive members of the managing body and include at least one member with knowledge and experience on matters of remuneration policy.	Adopted	67
II.3.2.	No natural or legal person who provides or has provided, over the last three years, services to any structure dependent on the managing body, to the managing body of the Company itself or who has a current relationship with the Company or a consultant of the Company should be engaged to assist the Remuneration Committee in the performance of its duties. This recommendation is also applicable to any natural or legal person related to the above by means of an employment or services contract.	Not adopted	67
II.3.3.	The statement on the remuneration policy of the managing and supervisory bodies referred to in article 2 of Law 28/2009, of 19 June, shall additionally include: a) Identification and explanation on the criteria for determining the remuneration to be attributed to the members of the corporate bodies; b) Information on the maximum potential amount, individually, and the maximum potential amount, in aggregate, payable to the members of the corporate bodies, and identification of the circumstances under which these maximum amounts may be due; c) Information regarding the enforceability or unenforceability of payments for the destitution or termination of office by Directors.	Partially not adopted regarding what is recommended in paragraph b)	69
II.3.4.	A proposal regarding the approval of share award and/or stock options plans or those based on the variations in the prices of shares to members of the corporate bodies must be submitted to the General Meeting. The proposal shall contain all the elements required for a correct assessment of the plan.	Adopted	85
II.3.5.	The proposal regarding the approval of any retirement benefits system established on behalf of the members of the corporate bodies must be submitted to the General Meeting. The proposal shall contain all the elements required for a correct assessment of the system.	n.a.	76

III. REMUNERATIONS			
III.1.	The remuneration of the executive members of the managing body shall be based on effective performance and discourage excessive risk-taking.	Adopted	69, 70 and 71
III.2.	The remuneration of non-executive members of the managing body and remuneration of the members of the supervisory body shall not contain any component whose value depends on the performance of the Company or of its value.	Adopted	69 and 70
III.3.	The variable component of the remuneration should be reasonable, as a whole, in relation to the fixed component of the remuneration and maximum limits should be established for all components.	Adopted	70 and 71
III.4.	A significant portion of the variable remuneration should be deferred for a period of no less than three years, and its payment should be dependent on the continuation of the positive performance of the Company over this period.	Adopted	72
III.5.	The members of the managing body should not sign contracts, either with the Company or with third parties, which have the effect of mitigating the risk inherent to the variability of their remuneration as established by the Company.	Adopted	73
III.6.	Until the end of their term of office, executive board members must keep any Company's shares they had access to by virtue of variable remuneration plans, up to the limit of twice the value of the total annual remuneration, except for those that must be sold with a view to paying taxes arising from the benefit of those shares.	Adopted	72
III.7.	When the variable remuneration includes the awarding of options, the beginning of the exercise period shall be deferred for a period of no less than three years.	n.a.	85
III.8.	If the destitution of a board member does not result from a serious fault of his/her duties nor his/her inability to regularly exercise his/her duties, but is, nonetheless, due to inadequate performance, the Company shall be provided with the suitable and required legal instruments so as to ensure that any compensation/indemnity, in addition to that which is legally due, is not due.	Adopted	83
IV. AUDIT			
IV.1.	The external auditor shall, within its competences, check the application of remuneration policies and systems of the corporate bodies, the effectiveness and operation of the internal control mechanisms and report any failings to the supervisory body of the Company.	Adopted	38
IV.2.	The Company and the entities within a control relationship with it shall not engage the external auditor, or any entities which are in a group relationship with it or are part of the same network, services other than audit services. Where there are motives for the contracting of such services – which should be approved by the supervisory body and explained in its annual Corporate Governance Report – those cannot exceed 30% of the total value of the services provided to the Company.	Not adopted	46 and 47
IV.3.	Companies should promote the rotation of the auditor at the end of two or three terms of office, depending on whether they are of four or three years. Maintaining the auditor beyond this period should be based on the grounds produced in a specific opinion issued by the supervisory body which explicitly weighs up the conditions of independence of the auditor and the advantages and costs of this auditor's replacement.	Adopted	44

V. CONFLICTS OF INTEREST AND TRANSACTIONS WITH RELATED PARTIES			
V.1.	The Company's transactions with shareholders with a qualified holdings or with entities which are in any relationship with them, under the terms of article 20 of the Securities Code, shall be performed under regular market conditions.	Adopted	92
V.2.	The supervisory body should establish the procedures and criteria required for defining the relevant level of materiality of transactions with qualified shareholders – or with entities which are in any of the relationships mentioned in number 1 of article 20 of the Securities Code – being the execution of significant transactions subject to a prior opinion of this corporate body.	Adopted	90 and 91
VI. INFORMATION			
VI.1.	Companies shall provide, through their website, access to information, in Portuguese and English, enabling knowledge about its progress and its current situation in economic, financial and governance terms.	Adopted	59
VI.2.	Companies should ensure the existence of an investors office and permanent contact with the market, which responds in due time to requests from investors, keeping a record of the submitted requests and their subsequent follow-up.	Adopted	56 and 58

### Recommendation II.3.2.

*"No natural or legal person who provides or has provided, over the last three years, services to any structure dependent on the managing body, to the managing body of the Company itself or who has a current relationship with the Company or a consultant of the Company should be engaged to assist the Remuneration Committee in the performance of its duties. This recommendation is also applicable to any natural or legal person related to the above by means of an employment or services contract."*

In 2015 and for the preparation of the remuneration policy for the current term of office, CTT's Remuneration Committee was assisted by consultants specialised in remuneration matters and human resources (Mercer). Mercer maintained a relationship with the Company on that date, and was providing and had provided services to the Company over the past 3 years. In any case, in the context of the engagement process extended to several service providers, the Remuneration Committee assessed such fact and concluded that it was appropriate to engage Mercer, by comparison with the available proposals, due to its experience and expertise and the extent that independence safeguards were guaranteed through team segregation mechanisms and Chinese walls.

Thus, although the Company does not adopt the benchmarks on the independence of external consultants stipulated in CMVM Recommendation II.3.2., CTT considers it adopts mechanisms to ensure the total independence of the consultants assisting the Remuneration Committee, through:

- The free selection of such consultants by this Committee made up exclusively of independent members, being duly informed of the work done in the past by such consultants and having conducted an extended initial consultation of other consultants available on the market (reaching a conclusion as to which were in better condition to assist it);
- The establishment of procedures to ensure the objectivity, neutrality and impartiality of the consultants who work with the Remuneration Committee through team segregation and Chinese walls guaranteed in the context of Mercer's engagement; and

- The provision of information to the Remuneration Committee on the engagement of its consultants by the Company, in order to allow such committee to make a decision.

In summary, CTT considers that the practices followed by the Company ensure that the Remuneration Committee performs its duties with the assistance of specialised consultants who evidence independence and neutrality, thereby ensuring an alternative solution regarding CMVM Recommendation II.3.2., in line with the principles of good corporate governance and being materially equivalent to compliance with this Recommendation.

### **Recommendation II.3.3 (b)**

*“The statement on the remuneration policy of the managing and supervisory bodies referred to in article 2 of Law 28/2009, of 19 June, shall additionally include: (...) b) Information on the maximum potential amount, individually, and the maximum potential amount, in aggregate, payable to the members of the corporate bodies, and identification of the circumstances under which these maximum amounts may be due; (...)”*

The annual statement on the CTT remuneration policy submitted by the Remuneration Committee to the Annual General Meeting held in 2015 did not include the potential maximum amount, in aggregate or individually, of the remuneration payable to the members of the Company's corporate bodies, as recommended in CMVM Recommendation II.3.3(b).

However, this annual statement is approved by CTT's Remuneration Committee as required by Law 28/2009, of 19 June, and CMVM Recommendation II.3.3. (a) and (b) (especially the annual statements on the 2014/2016 term of office, both the one approved in the Annual General Meeting held on 5 May 2015, and the one to be submitted for approval of the General Meeting to be held on 28 April 2016), specifying: (i) the criteria and limits to which the remuneration policy is subject, in particular with regard to the variable component of the Executive Directors' remuneration (which is established by reference to the fixed component and pre-defined metrics); and (ii) the compensation/indemnity policy existing in the Company, as described in this report.

In turn, in each annual governance report prepared in accordance with CMVM Regulation 4/2013, the Company discloses the amount of remuneration received, individually and in aggregate, by the members of the corporate bodies.

Thus, from the combination of these two information materials, the shareholders, the investors and the market in general obtain, with full transparency, information regarding the remuneration mix and the amounts involved, being able to decide on these at the Annual General Meeting and estimate agency costs arising from the remuneration policy approved by the CTT's Remuneration Committee.

In summary, the Company believes that its disclosure practices of the remuneration policy in force enable it to achieve 3 key objectives in this area:

- Predictability, presenting the standards appropriate for a review of agency costs, as opposed to a quantification of potential maximum remuneration amounts depending on performance objectives particularly aimed at motivating the management team;
- Information on actual due and paid remuneration, as opposed to the indication of potential amounts representing an inappropriate image of agency costs, particularly due to the fact that such potential amounts disregard unpredictable factors related to the business, sector,

market and context, and are subject to a performance assessment to be held at each moment;

- Transparency, resulting from the indication of the maximum amounts of fixed remuneration of the corporate bodies, together with an indication of the limits and criteria of the variable component (established by reference to the annual base remuneration of each Executive Director) for which maximum limits were also established – a more appropriate way for the shareholders to become aware of and decide on the remuneration policy, whereby the Remuneration Committee and the Corporate Governance, Evaluation and Nominating Committee are responsible for the analysis of the appropriateness of the individual remuneration of each member of the management team and its assessment.

Thus, the Company ensures an alternative solution regarding CMVM Recommendation II.3.3 (b), in line with the principles of good corporate governance, being materially equivalent to compliance with this recommendation.

### **Recommendation IV.2.**

*“The Company and the entities within a control relationship with it should not engage the external auditor, or any entities which are in a group relationship with it or are part of the same network, services other than audit services. Where there are motives for the contracting of such services – which should be approved by the supervisory body and explained in its annual Corporate Governance Report – those cannot exceed 30% of the total value of the services provided to the Company.”*

In 2015, the non-audit services engaged to KPMG and entities within its network / group by CTT and companies within a control or group relationship accounted for 41% of the total value of the services rendered / accounted by them, thereby surpassing the 30% maximum threshold of the aggregated value of services rendered.

In effect, although CTT considers it a good governance practice to limit the engagement of additional services in order to promote the independence of the Statutory Auditor / External Auditor, in 2015, the surpassing of the threshold was deemed to be in the interest of the Company and did not affect the independence of the Statutory Auditor / External Auditor for the following reasons:

- In most cases, the quality and efficiency of the services rendered by the Statutory Auditor / External Auditor is greatly increased by its knowledge of the issues and its experience and knowledge of the Company's history and activity in 3 business areas (Postal, Express and Parcels and Financial), in particular as regards tax consulting services and the revision of tax and accounting procedures, in relation to the creation of Banco CTT engaged in 2015;
- Such advantages in engaging the Statutory Auditor / External Auditor were particularly relevant in relation to Banco CTT, given the short timeline for its creation and its specifications, as a fully owned CTT entity that will operate its in-store activities in CTT's Retail Network;
- On the other hand, the rendering of services was accompanied by the necessary safeguards for the independence of the Statutory Auditor / External Auditor;
- Lastly, the surpassing of the recommended threshold did not take on an importance deemed to impact the Statutory Auditor / External Auditor's independence.



On the other hand, the engagement of these services and their implementation throughout the financial year was monitored by the Audit Committee, namely by issuing prior reasoned opinions on the engagement of each service, in light of the criteria set out in the Regulation on the Rendering of Services by the Statutory Auditor.

Therefore, the Company believes it has provided an equivalent solution that materially corresponds to Recommendation IV.2. of the CMVM, thereby both promoting the quality of the additional services rendered that were particularly relevant in 2015 and the safeguarding of the Statutory Auditor / External Auditor's independence, in line with good corporate governance principles and compliance with this Recommendation.

## **ANNEX I**

### **CURRICULA OF THE MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE AND REMUNERATION COMMITTEE**

## A. CURRICULA OF THE MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE AND REMUNERATION COMMITTEE

### I. MEMBERS OF THE BOARD OF DIRECTORS AND AUDIT COMMITTEE

#### Francisco de Lacerda

Chairman & CEO

Date of Birth	24 September 1960, Portugal
Date of 1 <sup>st</sup> appointment	24 August 2012
Term of office	2014 / 2016

#### Education

- ✓ 1982: Degree in Business Administration and Management, Universidade Católica Portuguesa

#### Management and supervisory functions held internally

- ✓ Chairman & CEO of CTT - Correios de Portugal, S.A.
- ✓ Chairman of Banco CTT, S.A.
- ✓ Chairman of CTT Expresso - Serviços Postais e Logística, S.A. (Postal Services and Logistics)
- ✓ Chairman of Tourline Express Mensajería, S.L.U.

#### Other internal functions held

- ✓ Member of the Corporate Governance, Evaluation and Nominating Committee of CTT - Correios de Portugal, S.A.
- ✓ Chairman of the Remuneration Committee and Member of the Selection Committee of Banco CTT, S.A.
- ✓ Chairman of the Board of the General Meeting of Correio Expresso de Moçambique, S.A. (Express Mail)

#### Professional experience

For 25 years, until 2008, he held several functions in investment, corporate and retail banking, including CEO of Banco Mello and Member of the Executive Board of Directors of the Portuguese Bank Millennium BCP, listed on the stock exchange and with significant operations in Central and Eastern Europe, for which he was responsible. Afterwards, he held functions in Portuguese institutions, also listed, having been CEO of Cimpor - Cimentos de Portugal SGPS, S.A. - an international cement group operating in 12 countries and one of the 5 largest companies in the NYSE Euronext Lisbon stock market - and Non-Executive Director and Member of the Audit Committee of EDP Renováveis, the 2<sup>nd</sup> global renewable energy company.

#### Management and supervisory functions held in other companies (last 5 years)

- ✓ 2015 - ...: Non-Executive Director of Endesa Energia, S.A.
- ✓ May - October 2014: Non-Executive Director of Norfin - Portuguese Property Group, S.A.
- ✓ 2010 - 2012: CEO of Cimpor - Cimentos de Portugal, SGPS, S.A.
- ✓ 2010 - 2012: Chairman of Cimpor Inversiones, S.A.
- ✓ 2010 - 2012: Chairman of Investment Company Cimpor Macau, S.A.
- ✓ 2008 - 2012: Non-Executive Director of EDP Renováveis, S.A., Member of the Audit Committee in 2008-2011
- ✓ 2008 - 2012: Managing Partner of Deal Winds - Sociedade Unipessoal, Lda.

#### Other external functions held

- ✓ 2015 - ...: Chairman of the Board of Directors of COTEC Portugal - Associação Empresarial para a Inovação
- ✓ 2014 - ...: Member of the Board of Directors of the International Post Corporation
- ✓ 2014 - ...: Member of the Board of AEM - Associação de Empresas Emitentes de Valores Cotados em Mercado (Companies Issuers of Listed Securities Association)
- ✓ 2012 - ...: Member of the Board of Directors of Fundação Portuguesa das Comunicações\*
- ✓ 2011 - ...: Member of the Advisory Board of Nova School of Business and Economics
- ✓ 2009 - ...: Member of the Remuneration Committee of PHAROL, SGPS, S.A. (suspended these functions from August 2012 to March 2014)
- ✓ 2006 - ...: Member of the Advisory Board of the Master's Degree in Finance, Católica Lisbon School of Business & Economics
- ✓ 2006 - ...: Member of the Supervisory Board of Cascais Yacht Club

\*Current naming of the former General Council following the amendment to the Foundations Framework-Law.

## António Gomes Mota

Vice-Chairman, Non-Executive Director, Chairman of the Audit Committee

Date of Birth	10 June 1958, Portugal
Date of 1 <sup>st</sup> appointment	12 November 2013*
Term of office	2014 / 2016

\* Between 12 November 2013 and 24 March 2014, António Sarmento Gomes Mota was Chairman of CTT's Fiscal Board. On 24 March 2014, when the Company adopted the current Anglo-Saxon governance model, he was appointed Vice-Chairman of the Board of Directors and Chairman of the Audit Committee.

### Education

- ✓ 1981: Degree in Business Management and Organization, ISCTE - Instituto Universitário de Lisboa
- ✓ 1984: MBA, Nova School of Business and Economics
- ✓ 2000: PhD in Business Management, ISCTE

### Management and supervisory functions held internally

- ✓ Vice-Chairman and Non-Executive Member of the Board of Directors of CTT - Correios de Portugal, S.A.
- ✓ Chairman of the Audit Committee of CTT - Correios de Portugal, S.A.

### Other internal functions held

- ✓ Chairman of the Corporate Governance, Evaluation and Nominating Committee of CTT - Correios de Portugal, S.A.
- ✓ Chairman of the Selection Committee of Banco CTT, S.A.

### Professional experience

His 20-year corporate journey includes management roles in the sectors of banking, consulting and financial services. He was Director of the ISCTE Business School (from 2003 to 2012) and Chairman of INDEG/ISCTE (from 2005 to 2012). He is a Professor at the ISCTE Business School since 2005 and a Visiting Professor at the Nova/Católica Lisbon MBA since 2013. He has a long experience as a consultant in the areas of strategy, business valuation and risk management for large Portuguese and international companies. He is the author of several reference works in the financial area. He has held leadership roles in several Boards of Directors and Supervisory Boards in large listed companies in Portugal.

### Management and supervisory functions held in other companies (last 5 years)

- ✓ 2013 - ...: Chairman of the Board of Directors (non-executive) of SDC Investimentos, SGPS, S.A.
- ✓ 2009 - ...: Member of the General and Supervisory Board and Chairman of the Audit Committee of EDP - Energias de Portugal, S.A.
- ✓ 2014 - 2015: Vice-Chairman of the Board of Directors (non-executive) of Soares da Costa Construção, SGPS, S.A.
- ✓ 2009 - 2012: Member of the Board of Directors and Chairman of the Nomination and Remuneration Committee of Cimpor - Cimentos de Portugal, SGPS, S.A.

### Other external functions held

- ✓ 2013 - ...: Member of the Remuneration Committee of PHAROL, SGPS, S.A.
- ✓ 2010 - ...: Vice-Chairman of the Portuguese Institute of Corporate Governance

## Manuel Castelo-Branco

Vice-Chairman, Executive Director

Date of Birth	14 September, 1968, Portugal
Date of 1 <sup>st</sup> appointment	24 August 2012
Term of office	2014 / 2016

### Education

- ✓ 1992: Degree in Business Administration and Management, Universidade Católica Portuguesa

### Management and supervisory functions held internally

- ✓ Vice-Chairman of CTT - Correios de Portugal, S.A.
- ✓ Member of the Board of Directors of CTT Expresso - Serviços Postais e Logística, S.A. (Postal Services and Logistics)
- ✓ Member of the Board of Directors of Tourline Express Mensajería, S.L.U.

### Other internal functions held

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### Professional experience

Vice-Chairman of the Board of Directors of CTT, he is responsible for Large Customers and for the Systems & Information Technology departments. He held sales and marketing functions in consumer goods companies, including Unilever, Sara Lee and Reckitt Benckiser. He joined Sonae as Sales Manager for the Group's retail brands, such as Worten and Continente. As General Manager of Media Capital he was responsible for the launching of what would become the 3<sup>rd</sup> largest Internet service provider in Portugal. Subsequently he was Director of Reditus, an information technology company listed on the stock exchange, and was part of the top management after the merger with Tecnidata. He was also a strategic consultant at Saudi Oger - a Lebanon-Saudi Holding Company - for its telecommunications business in Portugal.

### Management and supervisory functions held in other companies (last 5 years)

- ✓ 2015 - ....: Manager of Alpodex, Lda.
- ✓ 2010 - 2012: Member of the Board of Directors of Reditus BS Products, S.A.
- ✓ 2009 - 2012: Member of the Board of Directors of Strong, S.A.
- ✓ 2009 - 2011: Member of the Board of Directors of Reditus Gestão, S.A.
- ✓ 2008 - 2012: Member of the Board of Directors of Partblack, S.A.
- ✓ 2008 - 2012: Member of the Board of Directors of ALL2it Infocomunicações, S.A.
- ✓ 2008 - 2011: Member of the Board of Directors of TD IF, S.A.
- ✓ 2008 - 2011: Member of the Board of Directors of Tecnisuporte, S.A.
- ✓ 2007 - 2012: Member of the Board of Directors of Tecnidata, S.A.
- ✓ 2007 - 2012: Member of the Board of Directors of Reditus, SGPS, S.A.

### Other external functions held

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## André Gorjão Costa

CFO, Executive Director

Date of Birth	1 June 1973, Portugal
Date of 1 <sup>st</sup> appointment	24 August 2012
Term of Office	2014 / 2016

### Education

- ✓ 1996: Degree in Economics, Nova School of Business and Economics

### Management and supervisory functions held internally

- ✓ Executive Director and Chief Financial Officer of CTT - Correios de Portugal, S.A.
- ✓ Member of the Board of Directors of Banco CTT, S.A.
- ✓ Member of the Board of Directors of CTT Expresso - Serviços Postais e Logística, S.A. (Postal Services and Logistics)
- ✓ Member of the Board of Directors of Tourline Express Mensajería, S.L.U.
- ✓ Chairman of the Board of Directors of Payshop (Portugal), S.A.

### Other internal functions held

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### Professional experience

Mr. Gorjão Costa holds functions as Chief Financial Officer (CFO) and Member of the Board of Directors of CTT, being responsible for the Financial Services Business Unit, and also for the Regulation and Competition and Investor Relations departments, outside the direct competences of CFO. With a 16-year professional career in commercial and investment banking at Grupo Santander, he held several roles in Portugal and abroad. He joined the Corporate Finance team of Banco Santander de Negócios in 1996 and subsequently led the cross border team in the Area of Mergers and Acquisitions where he was responsible for several acquisitions in Latin American countries. In 2000, he was appointed Director of Corporate Banking, being responsible for creating the Department of Global Customers of Santander and for the connections with the key Portuguese corporate customers of the bank. He provided advisory services to Sonae on the acquisition of a participation in Modelo Continente from Carrefour, and to Américo Amorim Group on the acquisition of 33.34% of Galp Energia, among many other significant transactions in Portugal, Spain and Brazil. In 2007, he was appointed Coordinating Director of Credit Markets in Portugal at a time when Santander was Bookrunner in many issuances of Eurobonds and Mandated Lead Arranger in some of the major financing operations of projects in the renewable and infrastructure sectors in Portugal, as well as the financing of several acquisitions.

### Management and supervisory functions held in other companies (last 5 years)

- ✓ 2015 - ...: Vice Chairman of the Board of Directors of Eurogiro, A/S.
- ✓ 2012 - 2015: Member of the Board of Directors of Eurogiro, A/S.
- ✓ 2006 - 2012: Partner and Manager of Pleximyng, Lda.

### Other external functions held

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## Dionizia Ferreira

### Executive Director

Date of Birth	3 January 1966, Portugal
Date of 1 <sup>st</sup> appointment	24 August 2012
Term of Office	2014 / 2016

#### Education

- ✓ 1988: Degree in Business Administration and Management, Instituto Superior de Economia e Gestão

#### Management and supervisory functions held internally

- ✓ Executive Director of CTT - Correios de Portugal, S.A.
- ✓ Member of the Board of Directors of CTT Expresso - Serviços Postais e Logística, S.A. (Postal Services and Logistics)
- ✓ Member of the Board of Directors of Tourline Express Mensajería, S.L.U.
- ✓ Chairwoman of the Board of Directors of Mailtec Comunicação, S.A.
- ✓ Chairwoman of the Board of Directors of CTT Contacto, S.A.
- ✓ Member of the Board of Directors of Correio Expresso de Moçambique, S.A. (Express Mail)

#### Other internal functions held

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#### Professional experience

The Executive Director of CTT is responsible for the Business Units of Mail and Express & Parcels (CTT Expresso, Tourline (Spain) and CORRE (Mozambique)) and for the Retail Network. With 18-year professional career in commercial and retail banking at Barclays Bank, Banco Mello, Millennium BCP and BP. From 2003 to 2007 she was Commercial and Marketing Director at CTT, having been responsible for the operational and strategic marketing of the retail network, SME and Large Accounts. For two years, she held the role of Chief Executive Officer of Payup (Portugal and Spain).

#### Management and supervisory functions held in other companies (last 5 years)

- ✓ 2013 - 2014: Chairwoman of the Board of Directors of EAD - Empresa de Arquivo de Documentação, S.A. (Data Archives and Data Entry)

#### Other external functions held

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**Ana Maria Jordão**  
Executive Director

<b>Date of Birth</b>	14 December 1955, Portugal
<b>Date of 1<sup>st</sup> appointment</b>	24 August 2012
<b>Term of office</b>	2014 / 2016

**Education**

- ✓ 1977: Law Degree, Universidade Clássica de Lisboa

**Management and supervisory functions held internally**

- ✓ Executive Director of CTT - Correios de Portugal, S.A.
- ✓ Member of the Board of Directors of CTT Expresso - Serviços Postais e Logística, S.A. (Postal Services and Logistics)
- ✓ Member of the Board of Directors of Tourline Express Mensajería, S.L.U.

**Other internal functions held**

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**Professional experience**

As Member of the Board of Directors of CTT she is responsible for the Legal and Labor Services, the Human Resources Management as well as for the Physical Resources and Purchasing and Logistics departments. With a long career in Public Administration, dating back to 1978, she held functions of high responsibility including those of Deputy to the Secretary of State for National Defense, Deputy to the Secretary of State for Budget, Deputy Secretary General of the Ministry of Planning and Territory Administration, Chief of staff to the Secretary of State for Fiscal Affairs, Member of the Commission for the Supervision of the Portuguese Securities Market Commission and Director General of Customs and Taxes on Consumption. From 2006 to 2011 she held roles as Administrative and Financial Services Director and as Deputy Secretary General of Parliament in 2012.

**Management and supervisory functions held in other companies (last 5 years)**

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**Other external functions held**

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## António Vitorino

### Non-Executive Director

Date of Birth	12 January 1957, Portugal
Date of 1 <sup>st</sup> appointment	24 March 2014
Term of Office	2014 / 2016

#### Education

- ✓ 1981: Law Degree, Universidade Clássica de Lisboa
- ✓ 1986: Master's Degree in Legal and Political Sciences, Universidade Clássica de Lisboa

#### Management and supervisory functions held internally

- ✓ Non-Executive Member of the Board of Directors of CTT - Correios de Portugal, S.A.

#### Other internal functions held

- ✓ Member of the Corporate Governance, Evaluation and Nominating Committee

#### Professional experience

He is a member of the Bar Association and Assistant Professor at the Faculty of Law of Universidade de Lisboa since 1982 and was also a Visiting Professor at the Faculty of Law of Universidade Nova de Lisboa from 2008 to 2010. He served in top governmental, legislative and political roles in Portugal and abroad, was a Member of Parliament (1980 to 2006), Secretary of State for Parliamentary Affairs (1983 to 1985), Secretary of State of the Government of Macau (1986 to 1987), Judge of the Constitutional Court (1989 to 1994), Member of the European Parliament (1994 to 1995), Minister of the Presidency and National Defence (1995 to 1997) and European Commissioner for Justice and Domestic Affairs (1999 to 2004). In the field of corporate management he has also served in several supervisory and non-executive management roles in Portuguese and international companies.

#### Management and supervisory functions held in other companies (last 5 years)

- ✓ 2014 - ....: Chairman of the Audit Board of Tabaqueira, S.A.
- ✓ 2014 - ....: Chairman of the Audit Board of Siemens Portugal
- ✓ 2007 - ....: Non-Executive Director of Áreas Portugal

#### Other external functions held

- ✓ 2011 - ....: President of Notre Europe - Jacques Delors Institute, Paris
- ✓ 2010 - ....: Chairman of the Board of the General Meeting of Finpro SGPS, S.A.
- ✓ 2008 - ....: Chairman of the Board of the General Meeting of Novabase SGPS, S.A.
- ✓ 2007 - ....: Chairman of the Board of the General Meeting of Brisa - Auto-estradas de Portugal, S.A.
- ✓ 2005 - ....: Chairman of the Board of the General Meeting of Banco Santander Totta, S.A.
- ✓ 2005 - ....: Partner of Cuatrecasas, Gonçalves Pereira

## Nuno Fernandes Thomaz

Non-Executive Director, Member of the Audit Committee

Date of Birth	5 August 1943, Portugal
Date of 1 <sup>st</sup> appointment	24 March 2014
Term of Office	2014 / 2016

### Education

- ✓ 1965: Law Degree, Universidade Clássica de Lisboa

### Management and supervisory functions held internally

- ✓ Non-Executive Member of the Board of Directors of CTT - Correios de Portugal, S.A.
- ✓ Member of the Audit Committee of CTT - Correios de Portugal, S.A.

### Other internal functions held

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### Professional experience

With a background in law, Mr. Fernandes Thomaz started his professional career as a lawyer in Portugal, from 1965 to 1974, having simultaneously held management roles in major international financial and industrial consortia, such as the Anglo American Group/De Beers in Portugal, in Banco do Alentejo and the parabanking company Diners Club. In Brazil, Rio de Janeiro, from 1975 to 1981, he was a consultant at Interbrás-Petrobrás and Chairman of Banco Pinto de Magalhães and of the securities broker and dealer Pinto de Magalhães. Already in Portugal, he has held, since 1981, various executive management roles at Grupo Jorge de Mello/Nutrinveste, such as member of the Board of Directors, Vice-Chairman and Chairman of more than 25 industrial and financial companies (including Tabaqueira, Molaflex and Incofina). Throughout his career, he has held leadership and consulting roles in various foundations, fora, institutes and universities.

### Management and supervisory functions held in other companies (last 5 years)

- ✓ 2010 - ....: Chairman of Sociedade Gestora do Fundo de capital de Risco Bem Comum
- ✓ 2005 - ....: Manager of I Cook - Organização de Eventos, Lda.
- ✓ 2014 - 2015: Non-Executive Director of Espírito Santo Saúde, SGPS, S.A.
- ✓ 1998 - 2014: Director of Nutrinveste, SGPS, S.A.

### Other external functions held

- ✓ 2015 - ....: Member of the Advisory Committee of Luz Saúde, S.A.
- ✓ 2014 - ....: Vice-Chairman of the Competitiveness Forum
- ✓ 2011 - ....: Member of the Advisory Committee of the Portuguese Institute of Corporate Governance
- ✓ 2009 - ....: Chairman of the School Council of Nova School of Business and Economics
- ✓ 2008 - ....: Member of the international and European Boards of UNIAPAC - Union des Entrepreneurs Chrétiens
- ✓ 2007 - ....: Vice Chairman of ACEGE - Associação Cristã de Empresários e Gestores (Christian Association of Entrepreneurs and Managers)
- ✓ 1998 - 2002: Member of the Steering Committee of CIP - Confederação da Indústria Portuguesa (Confederation of Portuguese Industry)

## Diogo Leite Campos

Non-Executive Director, Member of the Audit Committee

<b>Date of Birth</b>	4 December 1944, Portugal
<b>Date of 1<sup>st</sup> appointment</b>	12 November 2013*
<b>Term of Office</b>	2014 / 2016

\* Between 12 November 2013 and 24 March 2014, Diogo José Paredes Leite de Campos was a Member of CTT's Fiscal Board. On 24 March 2014, when the Company adopted the current Anglo-Saxon governance model, he was appointed Member of the Board of Directors and Audit Committee.

### Education

- ✓ 1967: Law Degree, Universidade de Coimbra
- ✓ 1978: PhD in Law, Universidade de Coimbra
- ✓ 1979: Docteur d'État en Droit, Université de Paris II
- ✓ 1979: PhD in Economics, Université de Paris IX

### Management and supervisory functions held internally

- ✓ Non-Executive Member of the Board of Directors of CTT – Correios de Portugal, S.A.
- ✓ Member of the Audit Committee of CTT – Correios de Portugal, S.A.

### Other internal functions held

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### Professional experience

Mr. Leite de Campos is a Professor at the Law School of Coimbra and Universidade Autónoma de Lisboa. He was a member of the Board of Directors of Banco de Portugal and Chairman of the Advisory Board of CMVM between 1994 and 2000. He is a lawyer (partner) at the law firm Leite de Campos, Soutelinho & Associados – Sociedade de Advogados, RL. (Lisbon) and at Rolim, Viotti and Leite de Campos (Brazil).

### Management and supervisory functions held in other companies (last 5 years)

- ✓ 2015 – ....: Chairman of the Fiscal Board of PME Investimentos
- ✓ 2009 – ....: Chairman of the Fiscal Board of Banco Santander Consumer Portugal, S.A.
- ✓ 2014 – 2014: Non-Executive Director of Banco Millennium in Romania.
- ✓ 2008 – 2014: Non-Executive Director of RES SGPS, S.A.
- ✓ 2008 – 2011: Chairman of the Fiscal Board of Hagen Engenharia, S.A.

### Other external functions held

- ✓ 2013 – 2015: Member of the Monitoring Committee for the privatisation of the insurance branch of business of Caixa Geral de Depósitos, S.A.

## Rui Horta e Costa

Non-Executive Director

Date of Birth	27 August 1960, Portugal
Date of 1 <sup>st</sup> appointment	29 July 2014
Term of Office	2014 / 2016

### Education

- ✓ 1984: Degree in Economics, Universidade Católica – Lisbon, Portugal
- ✓ 1986: MBA, University of Minnesota – EUA
- ✓ 1995: FSA Certificate – London, UK

### Management and supervisory functions held internally

- ✓ Non-Executive Member of the Board of Directors of CTT – Correios de Portugal, S.A.

### Other internal functions held

- ✓ Member of the Corporate Governance, Evaluation and Nominating Committee of CTT – Correios de Portugal, S.A.

### Professional experience

He was Managing Director of UBS in the area of Investment Banking in London, Utilities Team Leader for Europe, Middle East and Africa (EMEA) and member of the Investment Banking Management Board for the EMEA Region. At UBS he headed a significant number of large operations in Europe, during a total period of 8 years – 6 years before (from 1995 to 2000) and 2 years after (from 2006 to 2008) working at EDP. He was a member of the Board of Directors and CFO at EDP-Energias de Portugal for 6 years (from 2000 to 2006), where he very actively participated in the company's strategic shift, in the implementation of its re-focus on the Iberian Peninsula and in its accelerated growth in renewable energy, as well as in the restructuring and ring fencing of EDP's businesses in Brazil. At the beginning of his professional career, he worked for a period of 7 years in Portugal (1986-1994), in investment banking (MDM-Morgan, Deutsche & Mello, Finantia and Citibank), and in industry (Executive Director of Nutrinveste).

### Management and supervisory functions held in other companies (last 5 years)

- ✓ 2014 – ...: Non-executive Member of the Board of Directors of Agrocortex (BRAZIL)
- ✓ 2012 – ...: Member of the Board of Directors of Cell2B
- ✓ 2012 – ...: Member of the Iberian Advisory Board of ATKearney
- ✓ 2008 – ...: Non-executive Member of the Board of Directors of EIP
- ✓ 2008 – ...: Founder and Member of the Board of Directors of Luz.on
- ✓ 2007 – ...: Non-executive Member of the Board of Directors of Vale do Lobo Resort

### Other external functions held

- ✓ 2008 – ...: Founder, as a consultant, of RHCAS

## José Baptista Fino

### Non-Executive Director

Date of Birth	10 January 1954, Portugal
Date of 1 <sup>st</sup> appointment	19 December 2014
Term of Office	2014 / 2016

#### Education

- ✓ 1972 – 74: Attended the course on Business Studies in North East London Polytechnic, UK

#### Management and supervisory functions held internally

- ✓ Non-Executive Member of the Board of Directors of CTT – Correios de Portugal, S.A.

#### Other internal functions held

- ✓ Member of the Corporate Governance, Evaluation and Nominating Committee of CTT – Correios de Portugal, S.A.

#### Professional experience

An entrepreneur since 1977, Mr. Fino was a promoter and a manager in several companies in Portugal, Spain and most recently in Mozambique, which include activities in home retailing as Snucker and Area Infinitas (a company that resulted from the franchise of Habitat in Portugal), in the promotion of real estate and in the agro-industrial activity. While representing relevant shareholder positions, he was a non-executive member of the Board of Directors of Cimpor-Cimentos de Portugal, SGPS, S.A. for 8 years (from 2004 to 2012), and is also, since 2008, a non-executive member of the Board of Directors of SDC – Investimentos SGPS, S.A., both of which are companies listed on Euronext Lisbon. He is also a non-executive member of the Board of Directors of Specialty Minerals (Portugal), a subsidiary of the multinational group Minerals Technologies Inc., in Portugal.

#### Management and supervisory functions held in other companies (last 5 years)

- ✓ 2009–...: Chairman of the Board of Directors of Ramada Energias Renováveis, S.A.
- ✓ 2008–...: Member of the Board of Directors of SDC – Investimentos, SGPS, S.A.
- ✓ 2007–...: Chairman of the Board of Directors of Dignatis – Investimentos Imobiliários e Turísticos SGPS, S.A.
- ✓ 2001–...: Chairman of the Board of Directors of Ramada Holdings SGPS, S.A.
- ✓ 1997–...: Managing Partner of Nova Algodoeira, Lda.
- ✓ 1996–...: Manager of Dorfino Imobiliário, Lda.
- ✓ 1994–...: Member of the Board of Directors of Specialty Minerals (Portugal) Especialidades Minerais, S.A.

#### Other external functions held

- ✓ 2004 – 2013: Member of the Board of Directors of Investifino – Investimentos e Participações SGPS, S.A.
- ✓ 2004 – 2013: Member of the Board of Directors of Manuel Fino SGPS, S.A.
- ✓ 2004 – 2012: Member of the Board of Directors of Cimpor-Cimentos de Portugal SGPS, S.A.
- ✓ 2001 – 2013: Chairman of the Board of Directors of Ethnica SGPS, S.A.
- ✓ 2001 – 2013: Chairman of the Board of Directors of Area Infinitas Design de Interiores, S.A.

## II. Members of the Remuneration Committee

### João Talone

Chairman of the Remuneration Committee

Date of Birth	27 October 1951, Portugal
Date of 1 <sup>st</sup> appointment	24 March 2014
Term of Office	2014 / 2016

#### Education

- ✓ 1974: Degree in Civil Engineering, Universidade Técnica de Lisboa
- ✓ 1984: MBA, Universidade Nova de Lisboa
- ✓ 2002: AMP Harvard Business School

#### Internal functions held

- ✓ Chairman of the Remuneration Committee of CTT – Correios de Portugal, S.A.

#### Professional experience

For 13 years (1988 to 2001) he was Member of the Executive Board of Directors of Banco Comercial Português (BCP), having been appointed Special Commissioner for the Portuguese Government and led the process of extinction of Investimentos e Participações Empresariais (IPE), a Portuguese State Company which owned and controlled the main holdings of the State in industrial companies. Between 2003 and 2006 he was CEO of EDP-Energias de Portugal, S.A., one of the major European operators in the sector of energy, and Vice-Chairman of the Board of Directors of HidroCantábrico, after the takeover by EDP in 2005. He is a founding partner of Magnum Capital, the largest Iberian private equity fund.

#### Management and Supervisory functions held in other companies (last 5 years)

- ✓ 2006-...: Chairman of the Board of Directors of Iberwind
- ✓ 2006-...: Member of the Board of Directors of Grupo Eptisa
- ✓ 2006-...: Chairman of the Board of Directors of Grupo Vendap
- ✓ 2006-...: Chairman of the Board of Directors of Grupo Generis
- ✓ 2014 .... Member of the Board of Directors of Grupo Nace

#### Other external functions held

- ✓ 2014-...: Elected member of CNEI – Conselho Nacional de Empreendedorismo e Inovação (National Council for Entrepreneurship and Innovation)
- ✓ 2013-...: Elected member of Academia de Engenharia (Engineering Academy)
- ✓ 2014-...: Representative of Portugal in the “Comissão Trilateral” (Trilateral Committee)

## José Gonalo Maury<sup>1</sup>

Member of the Remuneration Committee

Date of Birth	29 November 1950, Portugal
Date of 1 <sup>st</sup> appointment	24 March 2014
Term of Office	2014 / 2016

### Education

- ✓ 1973: Degree in Finance, Instituto Superior de Economia, Lisboa
- ✓ 1978: MBA, INSEAD, Fontainebleau

### Internal functions held

- ✓ Member of the Remuneration Committee of CTT – Correios de Portugal, S.A.

### Professional experience

He began his professional career in 1971 at the formal Technical Secretariat of the Presidency of the Council, having subsequently held functions in various bodies of the Ministry of Industry, namely in IAPMEI (until 1977). After finishing his MBA, he returned to Portugal where he was Commercial Director of Tobom (1978 to 1979) and then Deputy and Chief of Staff to the Secretary of State for Transport (1980 to 1981). From 1981 to 1989 he worked at Citibank in Spain and Portugal, where he was responsible for the financial sector (banking and insurance), was part of the team that negotiated and prepared the opening of Banco de Portugal and was Director of the Department of Credit and Risk Management. Since 1990 he has been working as a consultant for Egon Zehnder, a global executive search company, where he advises Portuguese and multinational companies present in Portugal, on all sectors of activity, namely: financial, services and industry.

### Management and Supervisory functions held in other companies (last 5 years)

- ✓ 2015 – ...: Non-Executive Director and Member of the Nominating and Remuneration Committee of Gestmin SGPS, S.A.

### Other external functions held

- ✓ 2006 – ...: Chairman of the Remuneration Committee of Semapa – Sociedade de Investimento e Gesto, SGPS, S.A.
- ✓ 2006 – ...: Chairman of the Remuneration Committee of Grupo Portucel Soporcel
- ✓ 2007 – ...: Chairman of the Remuneration Committee of Secil – Companhia Geral de Cal e Cimento, S.A.
- ✓ 2015...: Member of the Remuneration Committee elected by the General Meeting of EDP
- ✓ 2015...: Chairman of the Remuneration and Welfare Council of BCP

<sup>1</sup> Resigned from position by letter of 4 January 2016. The notice to convene for the Annual General Meeting to be held on 28 April 2016 will include an item pertaining to the election of a new member of the Remuneration Committee.

## Rui Alpalhão

### Member of the Remuneration Committee

Date of Birth	5 August 1963, Portugal
Date of 1 <sup>st</sup> appointment	24 March 2014
Term of Office	2014 / 2016

#### Education

- ✓ 1985: Degree in Economics, Universidade Nova de Lisboa
- ✓ 1988: Master's Degree in Business Management, Universidade Nova de Lisboa
- ✓ 2007: PhD in Finance, Instituto Universitário de Lisboa

#### Internal functions held

- ✓ Member of the Remuneration Committee of CTT – Correios de Portugal, S.A.

#### Professional experience

He started his professional career in university education after completing his degree, currently being an Associate Visiting Professor of Finance at the Instituto Universitário de Lisboa. He was a director of companies owned (and controlled) by Banco Totta & Açores and Caixa Geral de Depósitos and coordinated the management buy-in of a fund manager, whose Executive Management he would later ensure. Later, he created FundBox Holdings SGPS, which holds qualified holdings in two fund management companies and began operations in the market for distressed assets through Tram 28, with the acquisition of a hotel from Parvalorem. He has had two books published in Portugal and has published scientific articles in international magazines such as "Applied Financial Economics", the "Financial History Review", the "International Journal of Financial Research" and "ISRN Economics".

#### Management and Supervisory functions held in other companies (last 5 years)

- ✓ 2014 –...: Chairman of the Board of Directors of FundBox Holdings, SGPS, S.A.
- ✓ 2008 –...: Member of the Board of Directors of Safeunit, S.A.
- ✓ 2007 –...: Member of the Board of Directors of Sintra Retail Park – Parques Comerciais, S.A.
- ✓ 2007 –...: Member of the Board of Directors of Lansdowne SGPS, S.A.
- ✓ 2007 –...: Member of the Board of Directors of Lima Retail Park, S.A.
- ✓ 2006 –...: Member of the Board of Directors of Safeshare – Consultoria, S.A.
- ✓ 2005 –...: Manager at Tram 28, Lda.
- ✓ 2007–2013: CEO of FundBox – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.

#### Other external functions held

- ✓ Member of the Committee of the PSI20 Index at Euronext Lisbon



## CONTACTS

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