



**SUSTAINABILITY
REPORT
2013**



PORTUGAL TELECOM

MATERIALITY MATTERS



**Global
Reporting
Initiative™**

AT THE TIME OF PUBLICATION THE
G4-17 TO G4-27 DISCLOSURES WERE
CORRECTLY LOCATED IN THIS G4
CONTENT INDEX AND FINAL REPORT.





PORTUGAL TELECOM

SUSTAINABILITY REPORT 2013

PORTUGAL TELECOM, SGPS, SA

Public Company

Share Capital: Euro 26,895,375

Registered in the Lisbon Commercial Registry
and Corporate no 503 215 058

Avenida Fontes Pereira de Melo, 40
1069-300 Lisboa

The terms “PT”, “Portugal Telecom Group”, “PT Group”, “Group” and “Company” refer to Portugal Telecom and its subsidiaries or any of them as the context.

This Report concerns the Portugal Telecom Group in Portugal. The economic, social and environmental data presented result from the consolidation of the reality of the Group's companies; Information about the international holdings can be found on the respective corporate websites (G4-17).

CONTENTS



REPORT PROFILE	04
01 ORGANIZATIONAL PROFILE	06
02 STRATEGY AND COMMITMENTS	15
CHAIRMAN AND CEO'S MESSAGE	16
03 GOVERNANCE MODEL	35
04 ETHICS AND INTEGRITY	51
05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY	67
06 ECONOMIC DIMENSION	95
07 ENVIRONMENTAL DIMENSION	111
08 SOCIAL DIMENSION	137
09 CORPORATE CITIZENSHIP	171
DISCLOSURE MANAGEMENT APPROACH SYSTEMATIZATION OF REPORT CONTENTS	177
GRI INDEX	183
UNGC COP ADVANCED CRITERIA	191
EXTERNAL AND INDEPENDENT VERIFICATION	193

REPORT PROFILE

The presentation of this report conforms to the following criteria:

Global reporting initiative - GRI

The corporate sustainability report of Portugal Telecom is prepared according to the guidelines of the Global Reporting Initiative, G4 level, In Accordance-Comprehensive. The index referring to the GRI indicators is at the end of this report and identifies the compliance with the requirements that the level requires, in relation to the profile and performance indicators and also includes the indicators related to the telecommunications sector.

Reporting period

This report contains data on PT's profile during the year of 2013. PT publishes every year the corporate sustainability report alongside the consolidated Annual Report, and the last publication refers to the year of 2012.

Scope and presentation of the report

The information provided refers predominantly to the value chain of PT in Portugal, and where the Group holds stakes of less than 60% the information can be found on the corporate websites of the respective companies. This report is an integral part of the Annual Report of PT, composed of two more books concerning accounts and financial statements and corporate governance (G4-17, G4-23).

Structure and information provided

The structure and information provided in this report constitutes an act of transparency and sharing of PT with stakeholders, highlighting the achieved goals and policies adopted in the value chain in order to ensure the sustainability of business and society in the long term.

The performance and results presented are based on a multi-stakeholder approach, on the indicators and guidelines of the Global Reporting Initiative (GRI) G4, the 10 principles of the United Nations Global Compact, the Ruggie Framework, the critical issues identified by stakeholders and benchmarks provided by the major rating agencies that determine the inclusion of companies in the international sustainability indexes.

The identification of material issues of PT's sustainable management was performed in accordance with the analysis of the information received from our stakeholders, through dialogue, from the respective communication channels and sample consultations.

Criteria used in presenting the economic, social and environmental data

The data originate in the Group's information systems and are based on the international accounting standards - IFRS, tax system, labour and environment legislation, the principles of conduct adopted by the Group, the 10 principles of the UN Global Compact and the Ruggie Framework, GRI guidelines and indicators, materiality and transparency principles defined by AA 1000 and application of the London Benchmarking Group methodology.

Audit and veracity of the data

This report is subject to a process of verification of all the information included, in line with the GRI guidelines, with regard to the credibility and quality of the content and orientation of the audit by an external and independent entity. This is an ongoing process, so its completion will contribute to improving the content now made available.

Suggestions for improvement

This report incorporates the suggestions for improvement that are transmitted through the channel open for this purpose at sustentabilidade@telecom.pt. Please contribute as well.

ORGANIZATIONAL PROFILE



TELECOMMUNICATIONS IN PORTUGAL

Revenues (Euro million)

Customer segments

Residential	721
Personal	655
Enterprise	791
Wholesale and other	393
Total	2,560



TELECOMMUNICATIONS IN BRAZIL (Oi)^(a)

Revenues (Brazilian Real million, 100%)

Customer segments

Residential	10,303
Personal	9,290
Enterprise	8,455
Other	375
Total	28,422

^(a) This stake is accounted through the equity method (G4-22).



OTHER TELECOMMUNICATIONS BUSINESS

Revenues (Euro million, 100%)

Unitel 25% ^(a)	Angola	Mobile	^(b)
MTC 34% ^(a)	Namibia	Mobile	167
CVT 40% ^(a)	Cape Verde	Wireline, mobile	70
Timor Telecom 44%	East Timor	Wireline, mobile	47
CST 51% ^(a)	São Tomé and Príncipe	Wireline, mobile	13

^(a) These stakes are held by Africatel, which is controlled 75% by PT. | ^(b) This stake is accounted through the equity method (G4-22).



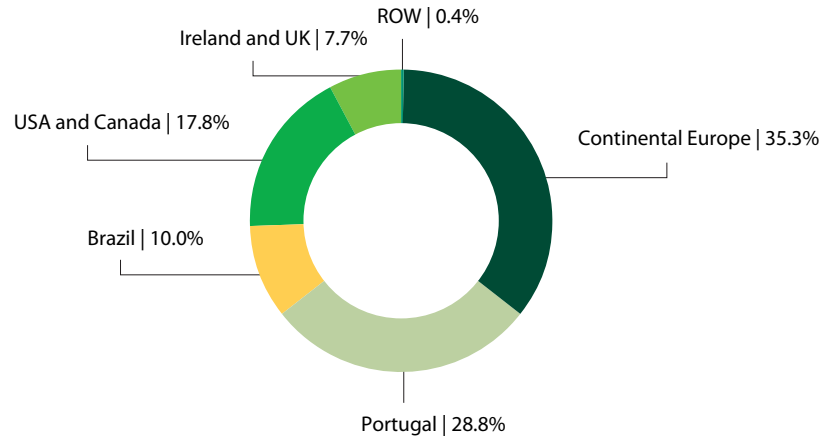
OTHER BUSINESS

Systems and IT [PT Sistemas de Informação 100%];
 Innovation, research and development [PT Inovação 100%];
 Backoffice and shared services [PT PRO 100%];
 Call centres and telemarketing services [Contax in Brazil 44.4% and PT Contact 100%].

01

Portugal Telecom is a global telecom operator listed on the stock exchanges of Lisbon and New York. The share capital is dispersed and more than 50% is held by referenced shareholders.

Geographical distribution of capital



The company has been recognized for leadership and innovation in the industry and the country, being the Portuguese business entity with greater international projection.

The portfolio of services includes local, long distance and international telephone service, leased lines, satellite communications, fixed, mobile, multimedia, data, internet communications, television, contents, information systems, information storage and management, enterprise solutions and entertainment, with an area of research and development and another dealing with international investment in telecommunications-related operations.

Main brands, products and services

BRANDS	MEO CLOUD PT BUSINESS SAPO
SERVICES	Voice Mobile Internet Television Information storage Information Management Contents Integrated Solutions Convergent Solutions Broadband IPTV LTE FTTH
MARKET SEGMENT	Residential Personal Business

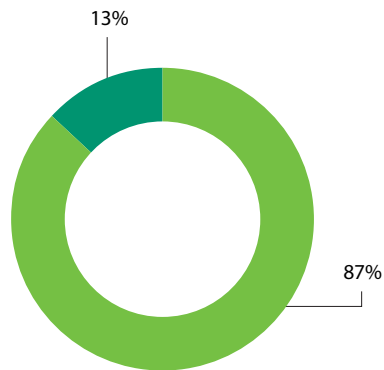
Customers | Service type

	2012	2013
Retail Fixed Accesses ('000)	5,052	5,158
PSTN / ISDN	2,604	2,549
Broadband	1,225	1,294
TV	1,223	1,315
Mobile ('000)	7,598	7,896
Post-paid	2,469	2,925
Pre-paid	5,129	4,971

Employees

■ national ■ international

Total Employees -12,729



Employees by gender*

■ men ■ women

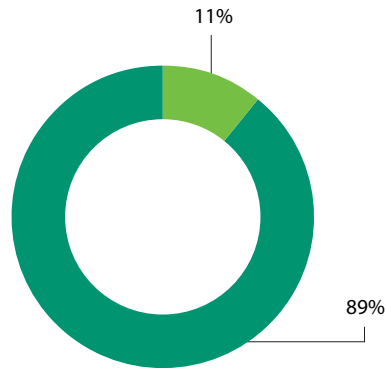


* Headcount in Portugal

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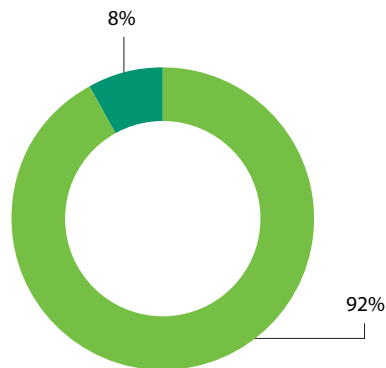
Employees by type of contract (fixed term | permanent)*

■ fixed term ■ permanent

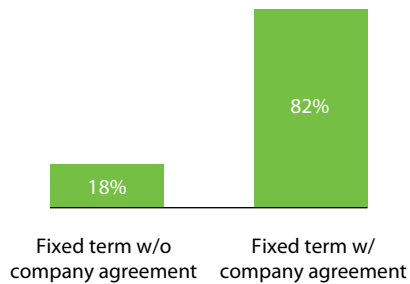


Employees by type of contract | with or without company agreement*

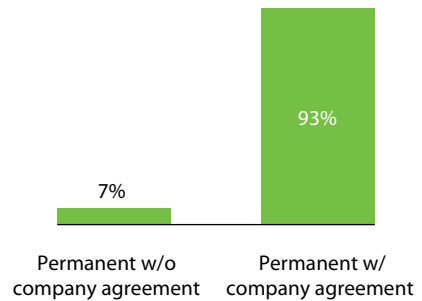
■ With Company Agreement
■ Without Company Agreement



Fixed term | Company agreement*



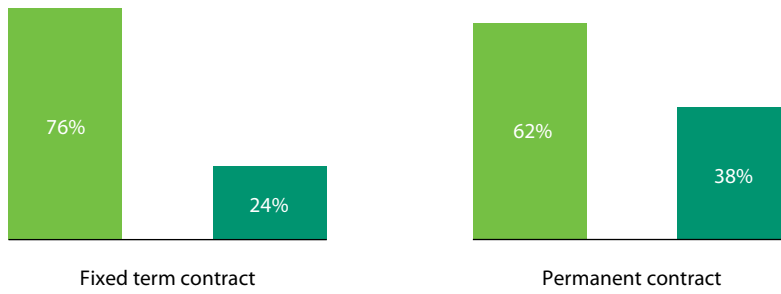
Permanent contract | Company agreement*



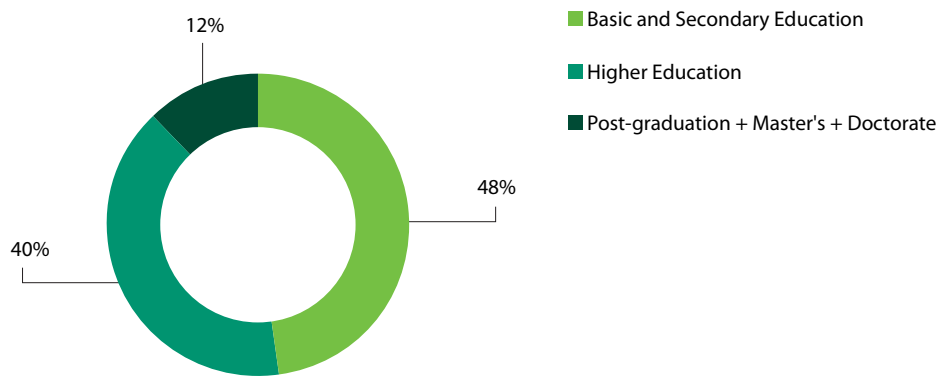
*in Portugal

Employees by type of contract by gender*

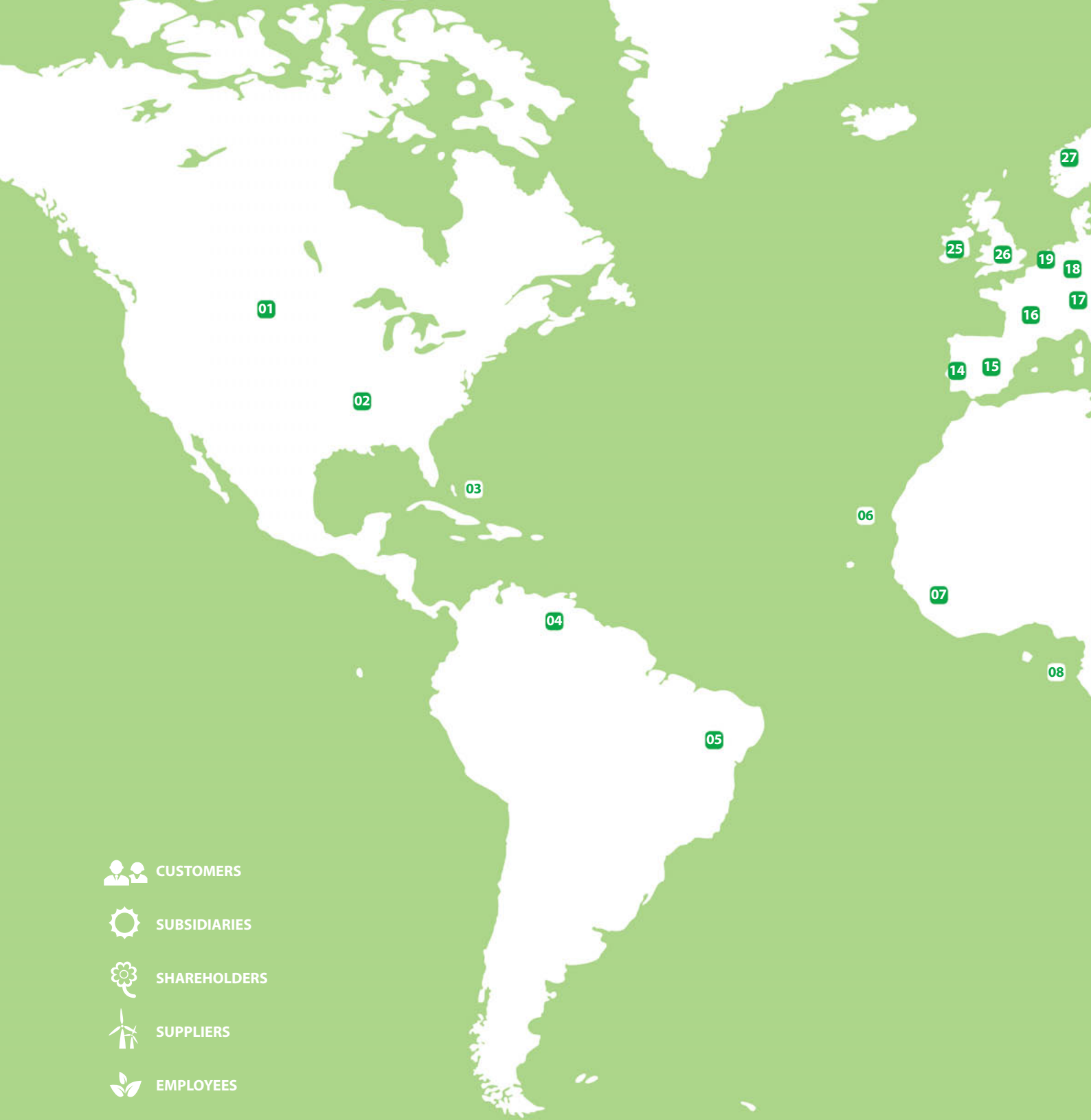
■ men ■ women



Employees by level of academic qualification*



*in Portugal



 CUSTOMERS

 SUBSIDIARIES

 SHAREHOLDERS

 SUPPLIERS

 EMPLOYEES

01 CANADA  

02 USA  

03 CUBA 

04 VENEZUELA 

05 BRAZIL     

06 CAPE VERDE    

07 GUINEA 

08 SÃO TOMÉ    

09 ANGOLA   

10 NAMIBIA    

11 SOUTH AFRICA 

12 MOZAMBIQUE    

13 KENYA  

14 PORTUGAL     

15 SPAIN   

16 FRANCE  

17 SWITZERLAND  

18 GERMANY 

19   

20   

21   

22   

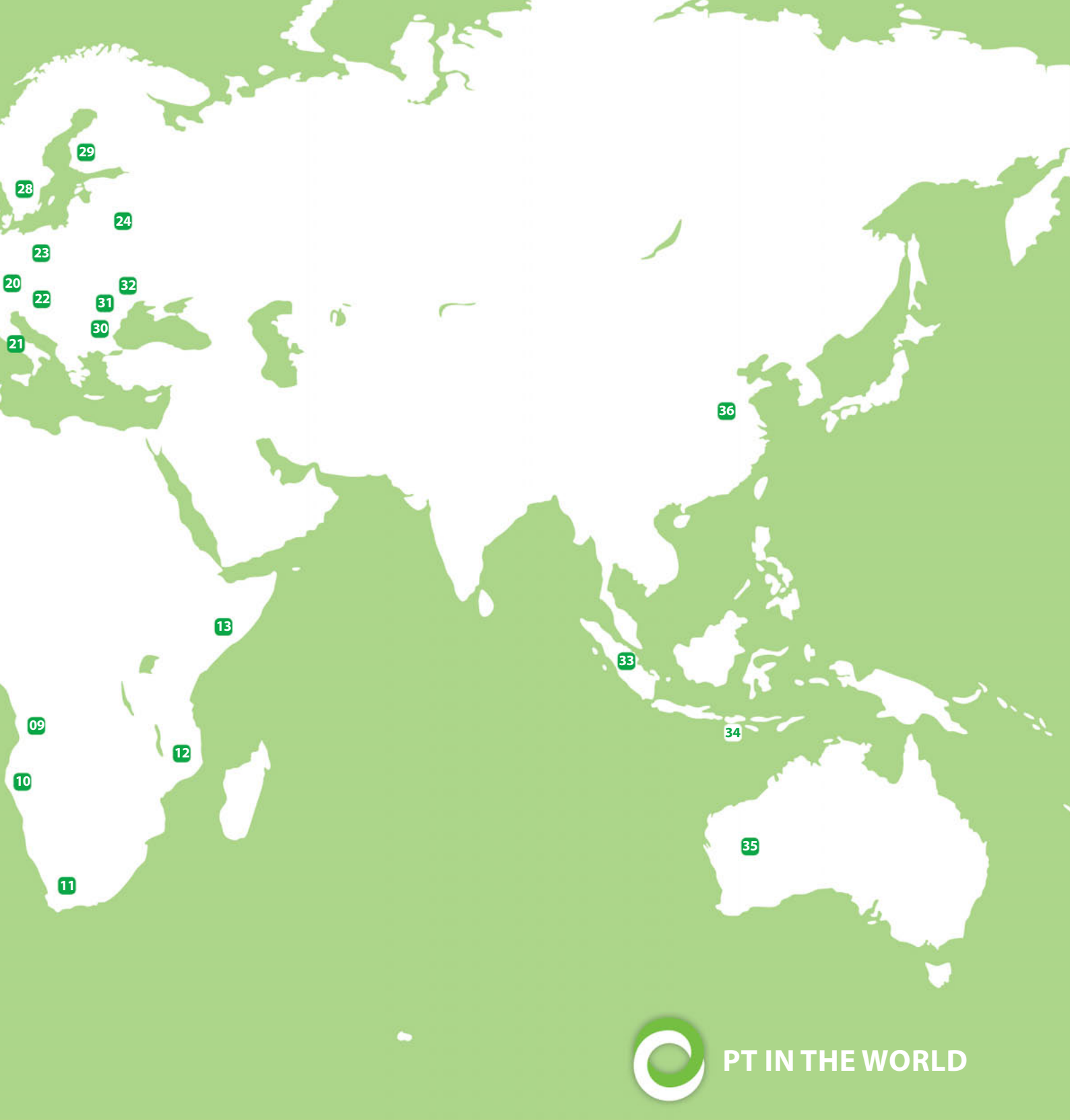
23   

24   

25   

26   

27  



PT IN THE WORLD

19 NETHERLANDS 🇳🇱

20 AUSTRIA 🇦🇹

21 ITALY 🇮🇹

22 HUNGARY 🇭🇺

23 POLAND 🇵🇱

24 RUSSIA 🇷🇺

25 IRELAND 🇮🇪

26 UNITED KINGDOM 🇬🇧

27 NORWAY 🇳🇴

28 SWEDEN 🇸🇪

29 FINLAND 🇫🇮

30 BULGARIA 🇧🇬

31 ROMANIA 🇷🇴

32 MOLDAVIA 🇲🇩

33 SINGAPORE 🇸🇬

34 TIMOR 🇹🇲

35 AUSTRALIA 🇦🇺

36 CHINA 🇨🇳

02

STRATEGY AND COMMITMENTS



REPORT PROFILE	04		
01 ORGANIZATIONAL PROFILE	06		
02 STRATEGY AND COMMITMENTS			
CHAIRMAN AND CEO'S MESSAGE	16	CHAIRMAN AND CEO'S MESSAGE	16
03 GOVERNANCE MODEL	35	1. STRATEGIC ORIENTATION	20
04 ETHICS AND INTEGRITY	51	2. COMMITMENTS AND GOALS	23
05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY	67	3. HIGHLIGHTS OF THE YEAR	28
06 ECONOMIC DIMENSION	95		
07 ENVIRONMENTAL DIMENSION	111		
08 SOCIAL DIMENSION	137		
09 CORPORATE CITIZENSHIP	171		
DISCLOSURE MANAGEMENT APPROACH SYSTEMATIZATION OF REPORT CONTENTS	177		
GRI INDEX	183		
UNGC COP ADVANCED CRITERIA	191		
EXTERNAL AND INDEPENDENT VERIFICATION	193		

CHAIRMAN AND CEO'S MESSAGE



PORTUGAL TELECOM



Henrique Granadeiro

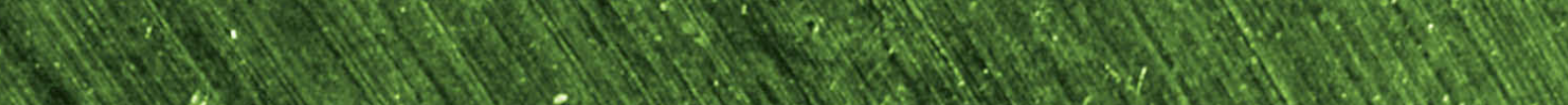
“We want to strengthen bonds of trust and continue to build the future”

Dear Reader,

It is time to look back, systematize everything that we have done throughout the year and “render account”, sharing with you the evolution of the challenges that we faced.

In a moment so difficult for the national and international economy, sustainable business management suggests that we be able to deal with the crisis by transforming difficulties into opportunities by improving efficiency and productivity and at the same time seeking to have a positive effect on the socio-economic context in which we operate.

And so it is also time to share with you how we anticipate and prepare for the future seeking to ensure the possible balance between the legitimate expectations of all our stakeholders, which as you can imagine are not always convergent.



Throughout the year it was with great satisfaction that we deserved the recognition of the main international sustainability indexes and rankings, including the permanence in the Dow Jones Sustainability Index listed among the top 10 telecommunications companies worldwide, in the FTSE4Good, ECPI Sense in Sustainability, Ethibel Excellence, Stoxx ESG Leaders Indices and World's Most Ethical Companies, in addition to having joined a CDP Climate Performance Leader Index 2013.

We have maintained the respect and adherence to the 10 principles of the Global Compact, to the Children's Rights and Business Principles, and to UN's Universal Declaration of Human Rights, to the International Labour Organization, to EU's principles for the safe use of connected devices and online services for children and young people, and we have sought to promote these principles throughout our value chain.

Ethics in relationships continued to be on our agenda of priorities

As we look to our value chain, we understand the importance of ensuring a strong alignment between the conduct that we follow and all those with whom we relate in the various geographies of the world.

So we promote in our holdings the adherence to the principles of the United Nations Global Compact, we suggest our suppliers to subscribe a letter of commitments called Social Responsibility Code of Conduct, our Code of Ethics was revised and updated and we defined and adopt an Anti-corruption Policy in complement to the Code of Ethics.

The management and the provision of services have incorporated more and more ecological aspects

We want to contribute significantly to streamlining the country's carbon footprint, innovating in services that mitigate considerably greenhouse gas emissions and looking for solutions featuring greater economic, environmental and social efficiency. We are involved with partners in projects related to Smart Cities, Telemedicine, E-learning, Teleworking, Tele-surveillance, Smart Grids, Smart Cloud, among others, to develop new features that at same time be economically competitive, benefit the environment and the quality of life for all.

We inaugurated this year one of the largest Data Centres in the world, which was built and equipped with environmentally-friendly features, earned Leed Gold Certification, showing an architecture with low impact on the landscape and with a capacity of storage and information management that allows for the expansion of its customer base to any point of the globe. The used energy is entirely from renewable energy sources and the implemented security systems comply with the best standards worldwide.

I would like to invite you to visit this Data Centre and related service offering, through the corporate website in the PT Business area.

The expectations of all stakeholders have continued to be taken into consideration

We maintained an open dialogue with all stakeholders with whom we interact seeking to identify and integrate their expectations on the business management agenda. Management based on transparency, dialogue and agreements has proven to be more efficient and satisfactory to all stakeholders.

Ensuring respect for Human Rights in the value chain took over new contours and we decided to improve our intervention in several areas

The confidentiality and security of customer data, the protection of the access and traffic of data base information, as well as the confidentiality of communications contents are areas that we want to safeguard to ensure the freedom and fundamental rights of every individual. Therefore, in addition to the implemented security systems, we promoted initiatives to raise the awareness of the population to the responsible consumption of content, we provided manuals on how to use equipment as well as parental control software and gave suggestions for protection of personal data, following the recommendations of expert bodies on this matter and adhering to collaboration protocols with national and international entities for improved content monitoring and network security.

We also required our suppliers to ensure decent working conditions and respect for Human Rights in order to enable a better alignment of conduct between business partners and provide solutions that incorporate socially responsible equipment, products and services.

The company's Code of Ethics was revised and its contents updated by strengthening Human Rights-related issues, among others. The Group's employees were subject to awareness-raising campaigns about the importance of respecting and promoting the fundamental rights of Man upstream and downstream in the value chain.

Communications access and digital literacy of the population also have deserved our commitment and attention

The next-generation networks, broadband and geographical scope in which we invested enable us to reach more than 90% of the population and for all we have made a point of finding communication solutions tailored to their needs and user profiles.

Communication solutions adapted to people with disabilities, in particular persons with various types of disabilities, phone cards for immigrants and people with relatives and friends in other countries, pricing plans to suit low-income people and solutions for persons residing in remote locations are our way of contributing to the communications access by part of the population.

We like to contribute to life improvement and to increasing the levels of happiness of the population

With an intensive program of corporate volunteering and development of communication solutions for people with disabilities or with special needs, we supported directly and indirectly more than half a million people in population layers with economic, health and education deprivation. This activity was primarily directed to children, young people and seniors.

We want to strengthen bonds of trust and continue to build the future

It is in our genetic code the determination to turn difficulties into opportunities reinventing ways to improve the lives of everyone and with all build the future.

The holdings that we own in companies in the same industry overseas, the partnerships that we have established with international organizations, universities, research institutes, with suppliers and the systematic auscultation to all audiences with whom we relate are the foundations that we believe will allow the evolution of society towards greater economic, environmental sustainability and a more responsible citizenship.

So we will strengthen the involvement and commitment of our entire value chain with the purpose of identifying new opportunities and synergies that benefit the current socio-economic environment. We are firmly convinced that our activity can be an engine of development and progress in the societies and countries where we work. For that we want to continue to earn the trust, respect and collaboration of our shareholders, our employees, suppliers, partners, customers, and all the others that surround us.

We are grateful

This report once again intends to be a space of reflection, transparency and sharing of impacts of our activity on the economy, the environment and society. We maintain the ambition to do better every year and increasingly meet the expectations of our readers, and this year in particular, the Global Reporting Initiative reporting framework in its G4 version.

Finally, I would like to express my gratitude to all those who have participated in the path that we are pursuing and share the synthesis of the evolution and results achieved over the past year, through the publication of this report which was drawn up in accordance with the most demanding level of the guidelines of the Global Reporting Initiative and AA 1000.

We want to continue to contribute to greater sustainability of business, relationships, the environment and society.



Henrique Granadeiro

CEO and Chairman of the Board of Directors

02 STRATEGY AND COMMITMENTS

1. STRATEGIC ORIENTATION

Framework

The telecommunications industry and society in general are currently more challenging than ever. We live a paradigm shift in which globalization opens up a world of new opportunities. If on one hand the predictions of world population growth and the spread of market economies will, as everything indicates, provide new customers and new business for companies, on the other hand they will also require the anticipation of initiatives to preserve the sustainability of society.

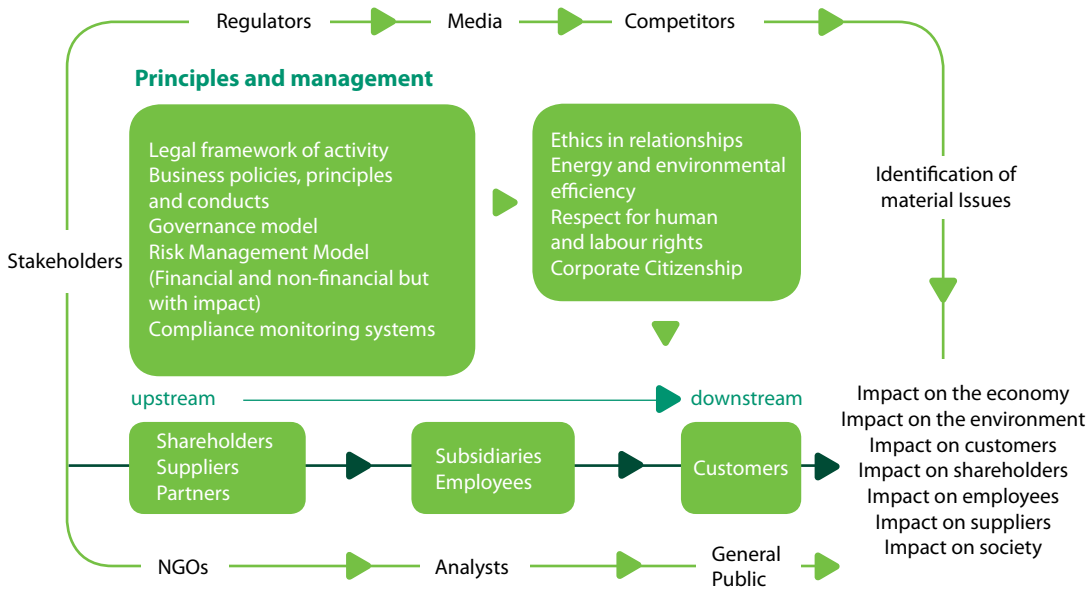
Purpose

It is thus crucial to identify global responses and we believe that ICT will encourage alternative models to the movement of persons in the acquisition of knowledge, exchange of information and ideas and in access to Healthcare, helping to reduce resource consumption, improving economic and environmental efficiency and bringing people together.

Ecosystem

The defined strategy is based on an ecosystem that integrates conduct, management and relationships throughout the value chain namely: relationship, legislation, policies and principles, risk identification and management, stakeholders (directly related with the activity and parties interested in the results and impacts of the activity), information management systems, communication channels, strategic axes of intervention and management of impacts.

The table below illustrates the ecosystem:



Vision

PT has been and will continue to be a driving force in the development of these models and the implementation of market-leading technologies. Our culture of innovation, leveraged in partnerships that we have established with entities recognized nationally and internationally, has always been at the heart of our strategy and assumes a key role in the creation of technological and organizational solutions susceptible to ensure successively improved socio-economic-environmental conditions with positive impacts for everyone.

Change for the better is our horizon
 We want to be an active part of a balanced and happy world

We want to contribute to adjust behaviours to the situation that we are experiencing

We want to strengthen knowledge access and ethics in the relationship between people and of these with the environment

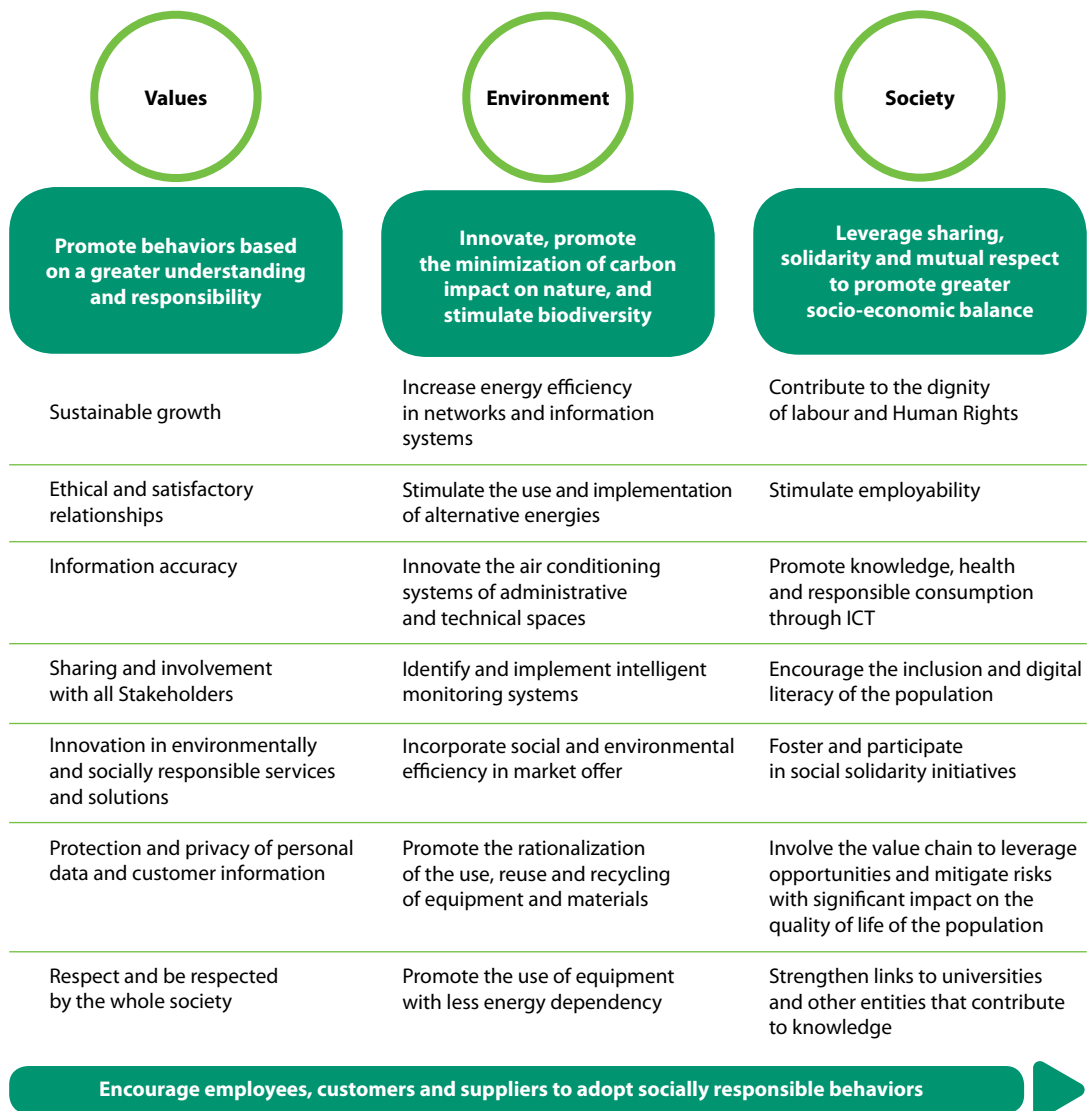
We want to innovate and stimulate economic, environmental and social sustainability through our services and solutions

We want to strengthen the involvement of our value chain in day-to-day management

02 STRATEGY AND COMMITMENTS

Path

Aggregated in three dimensions – Values, Environment and Society - the axes included in the strategic vision of sustainability aim to: (i) Promote behaviours and decisions based on greater understanding and responsibility; (ii) Innovate and promote the minimization of the carbon impact on nature, and stimulate biodiversity, and (iii) Leverage the sharing, solidarity and mutual respect to promote greater socioeconomic balance. (see figure).



Issues to take into consideration

The major national and international trends highlighted in statistics and surveys, the stakeholder dialogue, the industry benchmarks and the strategic vision of the company's sustainability for the triennium 2012-2014 led to identifying the key issues for business growth in balance with the environment and with stakeholder expectations.

Issues present in the strategic orientations

Ethics in the value chain
Anti-corruption
Investment in infrastructure
Innovation
Human Rights
Minor protection (vulnerable population layers)
Responsible behaviour
Climate change and energy efficiency
Ecological and socially responsible market offering
Accessibility and knowledge

2. COMMITMENTS AND GOALS

Rigour, honesty, integrity, transparency, information accuracy, anti-corruption, equal opportunities, non-discrimination, environmental and health protection, and social responsibility are the main axes that link the performance of PT to society, beyond the total alignment with the applicable legislation, in force at domestic, European and American level.

Therefore, it is essential to identify very ambitious goals for the future in what relates to business growth, to customers, to employment, Human Rights, innovation, energy efficiency and social responsibility, or the attitude and the conduct guiding this activity.

The implementation of management guidelines and sustainability objectives for the triennium 2012-2014 is structured in 7 areas: stakeholders, Human Rights, research, development and innovation, supply chain, energy and environment, brand, marketing and communication, and corporate citizenship.

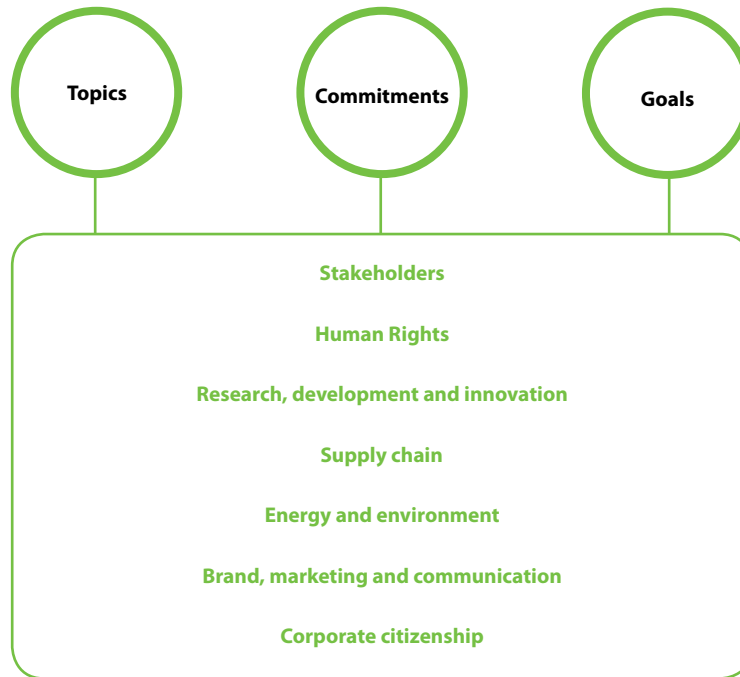
The members of each Committee maintain a dialogue with the audiences relative to each area concerned, and the issues identified as new that eventually have not yet been addressed by the company become part of the management agenda.

These 7 areas coincide with the names of the 7 sustainability Subcommittees, created for the operationalization of the sustainability vision and the corresponding management guidelines and targets (more info on responsibilities and roles in the chapter about governance).

02

STRATEGY AND COMMITMENTS

Topics and guidelines in sustainable management



Stakeholders

Topic	Commitments	Goals*	Achievements
Dialogue and consultation	Maintain ongoing dialogue with all stakeholders through the communication channels available for this purpose	Maintain level of satisfaction of relationship with each stakeholder above 70%	The level of satisfaction measured in accordance with the defined methodologies, remained above 70%
Opportunities and constraints	Identification and annual review of issues and respective criticality by stakeholder		
Balance between PT and stakeholders	Identify solutions to ensure a satisfactory alignment between PT and each of the respective stakeholders		

Human Rights

Topic	Commitments	Goals*	Achievements
Human Rights in the entire value chain	Promote practices of respect for human and labour rights in the value chain of the activity	Provide clarification and/or training sessions to employees and suppliers	There were 47,727 training hours provided on these topics during 2013. A guidebook of understanding on compliance with respect for Human Rights was made available to suppliers

* Compared to previous triennium.

Human Rights

Topic	Commitments	Goals*	Achievements
Child labour Forced labour Safety and Health at Work Freedom of association & Collective bargaining Discrimination Disciplinary practices Work schedules	Implement procedures to prevent, identify and resolve situations that compromise human and labour rights	Ensure commitment, clarification and/or training for all new employees and suppliers 100%	New employees must endorse the commitment to the Code of Ethics; Awarded suppliers were subject to verification and audits - Zero occurrences
Alignment of the value chain; risks and opportunities upstream and downstream of value chain	Ensure the successive value chain alignment	Increase the number of external on-site audits by 25%	The number of face-to-face audits increased 3 times compared to the previous year

Research, development and innovation

Topic	Commitments	Goals*	Achievements
Extend culture of innovation to value chain	Involvement of suppliers, partners, universities and other institutions in the company's R&D and innovation processes. Leverage the ability of innovation capacity by sharing knowledge and synergies of the activity of each element of the value chain	Create greater alignment and efficiency in costs and time in R&D and Innovation processes	New Data Centre in Covilhã
Environmentally friendly market offer	Identify potential in equipment, services and solutions that allow for expanding the environmentally friendly market offering	Explore features in existing products and services making them more environmentally sustainable: in the product, service, packaging and communication	SmartCloud services, included in green market offer.
Socially responsible market offering	Identify services and solutions to advance the social and professional inclusion of the most deprived and/or unprotected population layers	Explore solutions that will contribute to ensuring the accessibility to services and content on the part of all	Development of pricing plans and service levels (with broadband included) for all layers of population MEO; M4O.
Energy efficiency	Identify ways of streamlining energy consumption to combat the accrued costs and carbon footprint	Test features enabling the company and customers to use ICT with greater energy rationalization	Rationalization of energy consumption of equipment between 20 and 60%
Ethics and safety	Explore possible ways to ensure access to quality content selected by each one, with the privacy level defined individually by each one	Study user manuals and features in the services and/or the equipment to ensure safe and ethical ICT use	Online guidebooks and contents about safe ICT use

* Compared to previous triennium.

02 STRATEGY AND COMMITMENTS

Supply chain

Topic	Commitments	Goals*	Achievements
Alignment of the value chain in terms of ethics, human and labour rights and the environment	Reinforce culture and instruments that ensure greater alignment of the value chain in terms of Human Rights and the environment	Maintain a constant dialogue with potential suppliers reinforcing CSR requirements in preselection phase. Provide awareness sessions and training in the areas of ethics, human and environmental rights. Add to verification processes plus 25% of random in-person audits	Strengthening human and labour rights content on the portal of interaction with suppliers Increase of face-to-face audits in 3 times compared to the previous year.
Consumption of materials and resources	Identify jointly with suppliers potential areas of rationalization to control costs and environmental footprint of products and services	Ensure competitiveness and reduced environmental impact in the entire value chain	Reduction of energy consumption on equipment between 20 and 60% Survey of energy consumption of the suppliers associated with the activity provided to PT
Conflict minerals	Combat use of raw materials from conflict zones in the manufacture of equipment marketed by the company	Engage and commit the chain of suppliers to identifying raw materials and their origin used in the manufacture of equipment	Zero occurrences
Competitiveness of suppliers, especially small and medium-sized	Share and discuss online via Suppliers Portal the knowledge and synergies that can benefit the entire value chain	Counteract inefficiencies in supply forecast models, in waste production and financial instruments	In progress
Supplier relationship and satisfaction	Maintain and strengthen means of communication and specialized dialogue with suppliers	Ensure supplier satisfaction levels above 70%	Satisfaction level above 75%

* Compared to previous triennium.

Energy and environment

Topic	Compromissos	Goals*	Achievements
Energy consumption in industry: tends to increase for service providers (virtualization, storage, management and distribution of information) and to decrease for customers	Ensure greater energy efficiency between the traffic generated and consumed energy, streamlining the respective environmental impacts and costs	Increase energy efficiency by 10% (compared to 2009)	Volume of network traffic per unit of energy consumed had an increase of efficiency of 22%
Energy efficiency and ecology in equipment	Reduce costs and environmental footprint of customers through choices and efficient use of ICT	Reduce equipment energy dependency by 5%	In progress with reductions between 20 and 60% in equipment.
Direct and indirect GHG emissions	Streamline activity's environmental footprint	Reduce by 4%	In progress, 9% reduction vis-à-vis 2011
Materials: segmentation, raw materials, waste, routing	Ensure better segmentation, routing and final treatment of waste, avoiding contamination of soils, and social and public health costs	Identification of raw materials for network and client equipment - 80%	Identification of hazardous materials -100% Routing of hazardous waste 100%
		100% segmentation and proper routing of hazardous waste	
Electromagnetic radiation: network and equipment	Make available to the general public existing information about electromagnetic fields, guaranteeing greater knowledge and freedom in options of each one.	Clarify general population on electromagnetic radiations	Partnership with an independent research institute FAQTOS. Information provided online
Energy efficiency: buildings, data centres, commercial offer, networks, software	Ensure environmental sustainability upstream and downstream of ICT activity	Rationalise environmental impact and activity costs	In progress

Brand, marketing and communication

Topic	Commitments	Goals*	Achievements
Ethics and responsibility in market communication	Add sustainable attributes to communication materials	70% of new products/services/ solutions	Business communication with identification of sustainability attributes
More responsible consumption	Provide more information to consumer market to ensure more informed responsible choices. Highlight areas: minors protection, parental control, security, privacy protection, energy dependence, electromagnetic radiation, noise, waste routing at end of the lifecycle, among others	Include information in the communication media of products/ /services, primarily on websites of each brand	Guidebooks of appropriate use of ICT equipment and services; Mini-site with info on responsible behavior in ICT

* Compared to previous triennium.

02 STRATEGY AND COMMITMENTS

Corporate citizenship

Topic	Commitments	Goals*	Achievements
Academic, professional and social inclusion through ICT	Identify neediest social groups and ICT solutions that may contribute to employability, health and education of the population	Ensure conditions for inclusion to deprived population layers	Pricing plans and services adequate to all characteristics of the population
Strategic partners in the areas of education, health and technology at national and international level	Leverage supports through partnerships that add value to aid recipients	Develop initiatives fostering digital inclusion, knowledge, health and social inclusion	Partnerships with hospitals, universities and NGOs
Ethics in ICT access and use	Disseminate knowledge and tools to ensure privacy and security of personal data, parental control and access to content suited to each user profile	Provide and promote access and responsible use of ICT	Manuals on Parental Control and safe ICT use published online and monitored in outreach activities in schools
Social intervention of the company	Focus intervention primarily among young people, seniors, unemployed, people with disabilities or special needs and resident population in remote areas	Expand universe of intervention vis-à-vis previous triennium	The universe of beneficiaries has doubled compared to the previous year

* Compared to previous triennium.

3. HIGHLIGHTS OF THE YEAR

Achievements

Services and infrastructure

M₄O – A Service that revolutionized the market

Earlier this year we launched a fully innovative service for the residential market that positively impacted all audiences. This service benefits from the advantages of next-generation networks in which we invested in previous years, including FTTH (Fiber-To-The-Home) and LTE (Long Term Evolution), it consists of a single tariff plan with a monthly near-unlimited use of services that includes television, internet, mobile and telephone services and is tailored to families. The service is called M₄O.

This new commercial offer aims to be an attractive and competitive solution to contribute to combating the downturn trend that were seeing since the previous year by a significant number of families, due to the economic climate that Europe was going through. With the M₄O solution, we met the interests of the families whose family budget sustained contractions, encouraging inclusion and accessibility of the population to information and communication technologies.

New Data Centre – One of the largest and most sustainable in the world

Also benefiting from our new generation infrastructures, we inaugurated during the year a new Data Centre, one of the largest and most sustainable in the world, which has obtained LEED Gold certification (Leadership in Energy and Environmental Design), and which has the capacity to offer new services and intelligent solutions and to extend the market to new customers and new geographies.

The construction of this Data Centre was carefully planned, obeyed market surveys, economic/financial as well as environmental, landscape and social impact studies, in addition to having chosen strategic partners to ensure the use of most appropriate technological solutions to the future sustainability of this investment.

This Data Centre, built in an inland area, is already creating new direct and indirect local jobs, and is attracting the interest of customers internationally.

Ethics and anti-corruption

Code of Ethics

This year, the Code of Ethics of PT was subject to a new revision. Aspects related to anti-corruption and Human Rights in the value chain were further detailed and reinforced.

The new Code of Ethics was released among all stakeholders and during the year was prepared a training action for all employees and suppliers, which will be made available over the next year.

The whistleblower reporting channels remain available 24 hours a day, all days of the year and these are channels that ensure total confidentiality of complaints made.

Anti-Corruption Policy

This year, it was developed, adopted and published for the first time in the last quarter an Anti-corruption Policy that aims to clarify to the entire value chain issues directly and indirectly related to corruption, which PT is vehemently against.

This policy benefits from whistleblower reporting channels, which are available 24 hours a day, every day of the year, and these are channels that ensure total confidentiality of complaints made.

Alignment of affiliated companies

Over time, PT has been promoting with its international subsidiaries the importance of the incorporation of sustainability in the processes of decision-making and sharing with stakeholders. This path has been developed and, in 2013, the assessment identified the following profile:

02 STRATEGY AND COMMITMENTS

	OI	CST	CVT	UNITEL	MTC	TT
	South					
	America	Africa	Africa	Africa	Africa	Asia
Adherence to the 10 Principles of the United Nations Global Compact	✓	✓	✓	X	X	✓
Code of Ethics	✓	✓	✓	X	○	✓
Whistleblower Reporting Channels	✓	✓	X	X	X	✓
Environmental and Human Rights Policy	✓	✓	✓	X	X	X
Sustainability KPIs	✓	✓	✓	X	✓	✓
Sustainability Report	✓	X	✓	X	X	X

✓ aligned X not aligned ○ in progress

Oi is part of BOVESPA's Corporate Sustainability Index, Latin America, and in 2013 it was incorporated in the Dow Jones Sustainability Index in the area of emerging markets.

Awards and Recognitions

Sustainability

Dow Jones Sustainability Index

Portugal Telecom, for the 4th consecutive year, is part one of the most respected world indexes and cements its position as a world reference in terms of Sustainability.

FTSE4Good

For the 8th consecutive year, Portugal Telecom maintains its presence in the FTSE4Good Index Series, which distinguishes the companies that stand out for Sustainability and Social Responsibility policies.

CDP – Climate Performance Leadership

The exemplary performance of PT in terms of results of the strategies to reduce the environmental impact justifies the distinction awarded by CDP and the incorporation in the Climate Performance Leadership Index 2013. Portugal Telecom is the only company in the telecommunications industry in the Iberian Peninsula to be part of the Climate Leadership Index Performance 2013, for its performance in Climate Change management.

2013 World's Most Ethical Companies

Portugal Telecom was once again in the ranking of the world's most ethical companies, within the scope of The World's Most Ethical Companies study, and is one of three mobile operators in the telecommunications sector to be part of this list. This is the 2nd consecutive year that Ethisphere, organization responsible for the initiative, selects PT recognizing it as one of the companies with the best practices in this area.

RobecoSAM Sustainability Year Book

PT was ranked as one of the top most sustainable corporations in the world in the telecommunications sector, having been awarded Silver Class.

STOXX Global ESG Leaders

For the third consecutive year, PT is part of the STOXX Global ESG Leaders Indices, which assesses a number of environmental, social and corporate governance practices in all activity sectors throughout the world. Sustainability practices in the social context won the first place for PT among all companies in the telecommunications industry worldwide.

ECPI – Sense in Sustainability

PT was elected to the ECPI Index whose function is to inform the financial community of the balance established by companies in environmental, social and corporate governance terms.

Corporate Responsibility Prime – Oekom Research

PT was rated by Oekom Research, in areas such as social and environmental performance, with the status of Prime.

Sustainable Development Award

Diário Económico daily granted the Award of Excellence to Portugal Telecom as it is a national and international reference in terms of Sustainability. This award is another recognition of PT's sustainability practices in Ethics, Environment and Social Responsibility.

Environmental Responsibility Award

PT's Data Centre was the winner of the Environmental Responsibility Award, granted under the Exame Informática Awards that annually distinguish companies and individuals in the areas of Science and New Technologies.

Sustainability Award – Construir Awards

PT's Data Centre won in two categories for which it was nominated under the Construir Awards: "Best Engineering Design" and "Sustainability Award". Sustainability and energy efficiency were strategic priorities in building PT's Data Centre, now recognized with the granting of the Sustainability Award.

3R6 Certification

The Green Dot Society granted 3R6 certification to MEO TMN stores, for the correct routing of the waste generated in these shops.

Communication

Grand Prize APCE

Technology and Innovation Conference winner in the category External Event.

Corporate

NYSE Euronext Lisbon Awards 2013

Technology and Innovation Conference voted Best Event for the Promotion of the Portuguese Capital Market .

Bright Challenge - Bright Partners

PT winner in the category Best Cost Management.

Prémio de Excelência em Gestão de Projetos – APOGEP 2013

PTSI and PT Inovação –Timor Telecom Project.

Customer experience

Stevie Awards for Sales & Customer Service

PT – Gold Medal in the category Best Use of Technology in Customer Service;

02

STRATEGY AND COMMITMENTS

PT – Silver Medal in the category Customer Service Department of the Year;
PT – Silver Medal in the category Innovation in Customer Service;
PT was the winner in the category People’s Choice Awards – Best Customer Service.

Trusted Brands 2013 – Selections of the Reader’s Digest

SAPO – Trusted Brand in the category internet Service Providers;
TMN – Trusted Brand in the category Mobile Networks.

Product of the Year 2013 – Grand Prize of Marketing and Innovation – Peres & Partners

TMN MultiSIM 4G winner in the category Mobile Tariffs.

Superbrands 2013

SAPO – Brand of Excellence.

Innovation

Master Managed Services Channel Program - Cisco

PT is the first Master Managed Services partner of Cisco in Portugal – Networking, Unified Communications and Private Cloud PT Services.

Fujitsu IT Future Awards 2013

CloudPT was recognized as one of the technological innovation projects with more real impact on business.

FTTH Council Europe

Portugal is the 10th European country with more extensive FTTH network

Eurocloud Portugal 2013

PT was the winner in the category Best Cloud Service Product.

Navegantes XXI – ACEPI Award

MEO Kanal elected the most innovative national project in the category Digital Marketing.

National Multimedia Award - APMP

MEO Kanal winner in the category Web Sites and Applications.

International

Superbrands Angola 2013

SAPO Angola – Brand of Excellence.

Investor Relations

Investor Relations & Governance Awards 2013

Zeinal Bava was voted Best CEO in Investor Relations;
PT wins Award for Best Annual Report of Non-Financial Sector.

Thomson Reuters Extel 2013

Luís Pacheco de Melo was the winner in the category Best CFO for Investor Relations - Portugal;
Nuno Vieira was the winner in the category Best IR Professional for Investor Relations - Portugal;
Zeinal Bava was the winner in the category Best CEO for Investor Relations - Portugal;
PT considered 3rd best company in the category Best Corporation for Investor Relations.

Thomson Reuters Extel Survey 2013

Zeinal Bava ranked 5th in the category Best CEO in Europe.

Marketing and advertising

Creativity Awards 2013 - Meios & Publicidade Magazine

MEO – Gold in the category Campaign;
MEO – Gold in the category Activation (Guerilla/Special Action);
MEO – Gold in the category Media (Best Planning/Use of TV);
MEO – Gold in the category Media (Best Planning/ Use of Press);
MEO – Gold in the category Media (Integrated Action);
MEO – Silver in the category Media (Best Digital Use);
Moche – Silver in the category Media (Integrated Action);
PT 4G – Silver in the category Film;
PT 4G – Silver in the category Press for Special Action;
MEO – Grand Prize Media;
MEO – Grand Prize Activation.

Marketeer Awards 2013

Ricardo Araújo Pereira winner in the category Ambassador of the Year for participation in the M4O advertising.

Human resources

Masters of Human Capital 2013 - Expo HR

PT was category winner in Best Integration and Wellness Promotion Policy.

Citizenship

Award for Good Practices of Accessibility granted to the PT Foundation

03

GOVERNANCE MODEL



REPORT PROFILE	04		
01 ORGANIZATIONAL PROFILE	06		
02 STRATEGY AND COMMITMENTS	15		
CHAIRMAN AND CEO'S MESSAGE	16		
03 GOVERNANCE MODEL			
04 ETHICS AND INTEGRITY	51	1. ORGANIZATIONAL STRUCTURE	36
05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY	67	2. ACTIVITY MANAGEMENT AND CONTROL SYSTEMS	49
06 ECONOMIC DIMENSION	95		
07 ENVIRONMENTAL DIMENSION	111		
08 SOCIAL DIMENSION	137		
09 CORPORATE CITIZENSHIP	171		
DISCLOSURE MANAGEMENT APPROACH SYSTEMATIZATION OF REPORT CONTENTS	177		
GRI INDEX	183		
UNGC COP ADVANCED CRITERIA	191		
EXTERNAL AND INDEPENDENT VERIFICATION	193		

03 GOVERNANCE MODEL

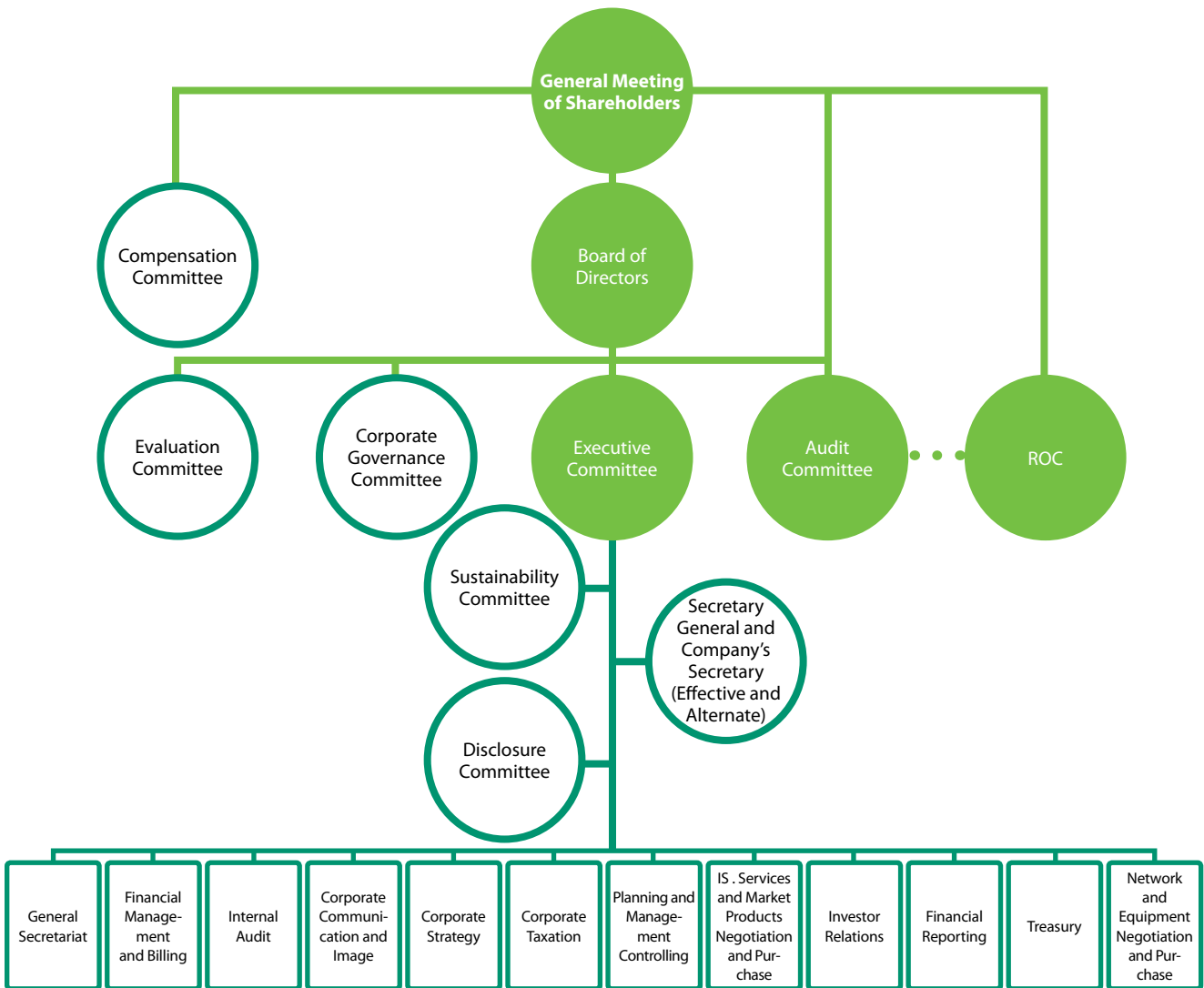
1. ORGANIZATIONAL STRUCTURE

PT adopts an Anglo-Saxon governance model, which assumes the existence of a Board of Directors, an Audit Committee composed by independent Non-Executive Directors elected by the General Assembly of Shareholders, and a Chartered Accountant (ROC), elected upon a proposal by the Audit Committee.

The organic structure of PT also includes a Compensation Committee elected by the General Meeting of Shareholders, which is responsible for fixing the remuneration of the members of the corporate bodies.

The members of the corporate bodies and of the Board of the General Meeting of Shareholders are elected for a three-year term of office, and they may be re-elected once or more times within the limits of the law.

The governance model of PT can be presented in schematic terms as follows: *



*Details about Corporate Governance are contained in the Governance Report included in the company's Annual Report. This report addresses the sustainability-related aspects.

The values of efficiency, simplicity, transparency and accuracy are the basic pillars of this governance model providing PT with a structure as appropriate for the specificities and needs of the Company. This model has also been welcomed by the market.

Within this context, PT's governance includes an Executive Committee with powers delegated by the Board of Directors, which acts on a predominantly operational basis, while the Board of Directors is entrusted with the supervision of corporate activities, with the support of a Corporate Governance Committee and of an Evaluation Committee, each such internal committee acting within the scope of its specific powers delegated by the management body.

This supervision task is further reinforced by the action of the Non-Executive independent members of the Board of Directors. In the current situation where the duties of Chairman of the Executive Committee and Chairman of the Board of Directors are performed by the same person, after the termination of office of the previous Chairman of the Executive Committee, Zeinal Bava, on June 4, 2013, the Company has reinforced a set of control mechanisms aimed at promoting the efficient and independent performance of duties and the adoption of informed decisions by the Non-Executive and independent members of the Board of Directors.

The Audit Committee, together with the Chartered Accountant, perform the supervision functions set forth in the applicable laws and regulations. In particular, the Audit Committee is responsible for representing the Company in its relations with the external auditors and for monitoring PT's internal control and risk management system.

A Disclosure Committee and a Sustainability Committee, as well as several operational departments that guarantee an effective and transparent management of the Company complete the Executive Committee's supporting structures.

Organizational Structure of Sustainability

Corporate sustainability is embedded in the long-term development strategy of PT and incorporates one of the five strategic lines of current management.

The model of PT's organizational structure (detailed below) involves a Sustainability Committee that ensures a more appropriate approach to the challenges of this three-year period.

The importance attributed to corporate sustainability has driven successive improvements of its organic and functional model.

The Executive Committees of PT's subsidiaries have incorporated in their agendas emerging issues in the area of sustainability of the respective businesses.

The mission of the PT Foundation is to implement the Corporate Social Responsibility policy.

The Sustainability Committee was revised in 2012, and is now composed of a number of Subcommittees that address the major critical issues identified in the sustainable management of the company.

03

GOVERNANCE MODEL

Sustainability Committee

The Sustainability Committee is part of PT's governance model reporting directly to the Executive Committee of the Holding Company PT SGPS. The sustainability Committee is chaired by the CEO, who coordinates the activity of all Subcommittees, encouraging the identification of risks and opportunities through dialogue with stakeholders and consultation of benchmarks.

The Management Committee is composed of the following members:

- CEO of PT SGPS – chairman of the Committee;
- CEO of affiliated companies with a majority interest;
- Board members of PT's subsidiaries TMN, PTC, PT PRO, PT Inovação, PT SI, PT Compras and PT Internacional responsible for sustainability;
- Managing Director of the PT Foundation;
- Head of the area of sustainability.

The Management Committee has the following functions:

Evaluate and decide on the proposals put forward by the team responsible for the sustainability area resulting from the work undertaken by the various Subcommittees, as well as identify and define the strategy, policies, conduct and the action plans more adjusted to the systematic improvement of sustainability management in the companies of the Group. The issues related to Environment, Labour Relations, Human Rights, with Stakeholder Relations, Responsible Marketing, R&D and Innovation, Supply Chain, and Citizenship and Social Responsibility are identified and evaluated by the various Subcommittees (see below) and the improvements needed are defined and proposed by the Management Committee to the Executive Committee, which deliberates.

The Management Committee shall meet at least once a year while the Subcommittees meet at least 2 times each.

The Sustainability Subcommittees are the following*:

- Subcommittee on Energy and Environment;
- Subcommittee on Human Rights, Labour Relations and OSH;
- Subcommittee on Stakeholder Relations;
- Subcommittee on Corporate Communications, Brand and Marketing of Products and Services;
- Subcommittee on Innovation and Development of Services and Solutions;
- Subcommittee on Supplier Relations;
- Subcommittee on Citizenship and Social Responsibility;
- Subcommittee on Sharing Sustainability Practices with International Affiliated Companies.

* The composition and functions of each Subcommittee are published on the company's corporate website at www.telecom.pt and in the Corporate Governance Report.

The findings of the consultation with stakeholders and benchmarks are the basis of analysis of each Subcommittee.

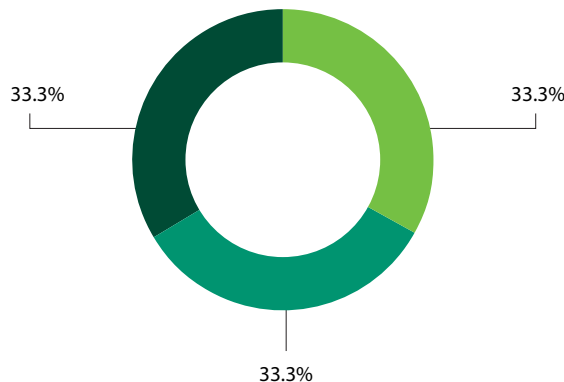
Composition and functions of the Board of Directors

The members of the Board of Directors were elected on 27 April 2012 for the 2012-2014 three-year term of office. As of 31 December 2013, the composition of the Company's Board of Directors was as follows:

Members (date of first appointment)	Board of Directors	Executive Committee	Audit Committee	Corporate Governance Committee	Evaluation Committee	Independence ⁽³⁾	No. of shares	No. of bonds
Henrique Granadeiro (2003)	Chairman	Chairman		Chairman ⁽¹⁾	Member ⁽²⁾		150	
Luís Pacheco de Melo (2006)	Member	Member (CFO)					45	79 ⁽⁶⁾
Alfredo Baptista (2011)	Member	Member					8,193	
Carlos Alves Duarte (2009)	Member	Member					40	
Manuel Rosa da Silva (2009)	Member	Member					90	
Pedro Durão Leitão (2011)	Member	Member					758	
Shakhaf Wine (2009)	Member	Member						
Amílcar de Moraes Pires (2006)	Member						3,242	
Fernando Portella (2012)	Member							
Francisco Soares (2006)	Member			Member	Member	Yes		
Gerald S. McGowan (2003)	Member			Member		Yes	60,000	
João de Mello Franco (1998)	Member		Chairman	Member	Chairman	Yes	13,308 ⁽⁴⁾	100 ⁽⁷⁾
Joaquim Goes (2000)	Member			Member	Member		2,437	
José Xavier de Basto (2007)	Member		Member			Yes		
Maria Helena Nazaré (2009)	Member					Yes		
Mário João de Matos Gomes (2009)	Member		Member			Yes		
Milton Silva Vargas (2009)	Member				Member	Yes		
Nuno de Almeida e Vasconcellos (2006)	Member						11,190	
Otávio Marques de Azevedo (2011)	Member				Member			
Paulo Varela (2009)	Member			Member			7,134	
Rafael Mora Funes (2007)	Member			Member	Member		501 ⁽⁵⁾	100 ⁽⁸⁾

⁽¹⁾ In the events where, by nature, a conflict of interests of the Chairman of the Board of Directors / Chairman of the Executive Committee (Henrique Granadeiro) triggering a vote impediment may exist, the role of Chairman of the Corporate Governance Committee is undertaken by its Non-Executive member and Chairman of the Audit Committee João de Mello Franco, who was appointed by the Board of Directors for such purpose (G4-22). | ⁽²⁾ Inherently in his office as CEO. | ⁽³⁾ Evaluation of independence made in accordance with Service Orders no. 2.14 and 4.08 of PT's Board of Directors and Audit Committee, article 414,5 of the Portuguese Companies Code and point 18 of the form attached to CMVM Regulation no. 4/2013, as the case may be, which may differ as to the Chairman of the Audit Committee from the evaluation made according to CMVM's understanding expressed on the reports on listed company governance for 2010 and 2011, which was taken into account by PT in its declaration of non-compliance with CMVM Recommendations no. II.2.1. For further information on this matter, please see points 18 and 32 of Part I below. | ⁽⁴⁾ 322 of which are held by his spouse. | ⁽⁵⁾ 100% held by his spouse. | ⁽⁶⁾ 75 of which are PT fixed-rate 2012-2016 bonds and 4 of which are PT Finance BV 2016 – 5.625% notes. | ⁽⁷⁾ PT fixed-rate 2012-2016 bonds. | ⁽⁸⁾ PT fixed-rate 2012-2016 bonds, 100% held by his spouse.

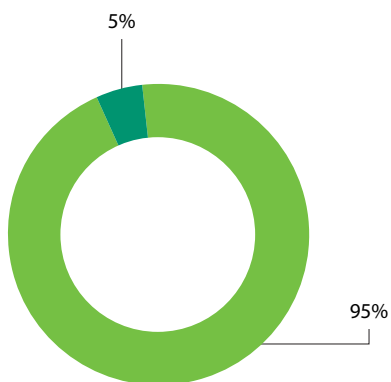
Functions and independence



03 GOVERNANCE MODEL

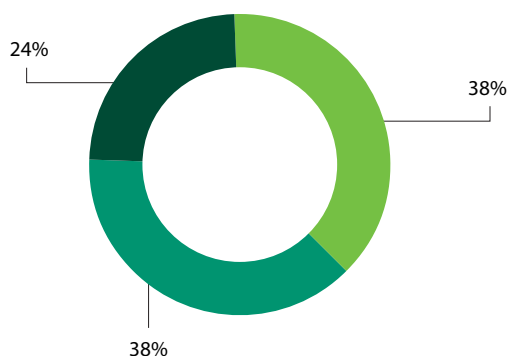
Gender

■ men ■ women



Age groups

■ under 50 ■ between 51 and 65 ■ over 65



Annual compensation

$$\frac{\text{Average annual cost per employee}}{\text{Highest annual compensation paid in the company}} = 3\%$$

Variation of the higher remuneration paid by the company between 2012 and 2013 | -21%

Variation of the annual average cost per employee between 2012 and 2013 | -4%

Division of functions within the executive committee

The Executive Committee of PT assumed as one of the strategic objectives of its management to be a reference on sustainability in the economic, environmental and social areas over 5 years ago. This intention is embedded in day-to-day management conducted by each Director and the results and plans for improvement are identified and defined by the Sustainability Committee.

The CEO is responsible for the areas of Stakeholder Relations, since it incorporates in the corporate functions not only Sustainability, but also Institutional Relations.

Executive Committee	Corporate Assignments	Executive Assignments
Henrique Granadeiro CEO	Strategy Human Resources Innovation Investor Relations Communication & Corporate Image Internal Audit Regulation & Competition Institutional & International Relations Sustainability	PT Portugal Oi Group PT Investimentos Internacionais PT Centro Corporativo Fundação PT
Luís Pacheco de Melo CFO	Management Planning & Control Financial Reporting Corporate Finance Financial Operations & Treasury Taxation Internal Control & Risk Management Service Hiring Strategy Financial Management & Collections Pension Funds	PT Pro PT Contact PT ACS Previsão
Alfredo Baptista	Networks Information Systems Development of Products and Services	PT SI PT Data Centre
Carlos Alves Duarte	Prime Segment	
Manuel Rosa da Silva	SoHo/SME Segment Physical Security of Buildings, Networks and Systems	
Pedro Leitão	Costumer Segment (Residential and Personal)	
Shakhaf Wine	Holdings in Brazil	PT Brasil Oi Group PT Inovação Brasil Contax

Evaluation and Remuneration

Compensation Committee

The Compensation Committee is elected by the shareholders at a General Meeting and serves the purpose of defining the remuneration policy of the members of the corporate bodies, determining the remunerations applicable taking into consideration the performance (notably taking into account the evaluation made by the Evaluation Committee) and the economic position of the Company.

03 GOVERNANCE MODEL

For the completion of this task, the Compensation Committee continuously follows up and evaluates the directors' and the Company's performance, checking the extent to which the proposed targets have been achieved. The Compensation Committee meets whenever necessary.

The current members of the Compensation Committee, elected for the 2012-2014 three-year term of office, are the following:

Composition

Álvaro Pinto Correia	Chairman
Francisco Esteves de Carvalho	Member
Francisco Barros Lacerda ⁽¹⁾	Member
António Sarmento Gomes Mota ⁽²⁾	Member

⁽¹⁾ Office suspended since August 24, 2012. | ⁽²⁾ Elected on April 19, 2013 to complete the current term of office.

Independence of the members of the Compensation Committee

Notwithstanding the necessary articulation of this Committee with the Board of Directors, the composition of the Compensation Committee seeks to obtain the highest possible level of independence of its members from the members of the management body.

No member of the Compensation Committee is a member of any corporate body or committee within the Company, and no member of the Compensation Committee has any family connection to any member of the management body by way of marriage, kindred or affinity in a direct line and up to and including the third degree. PT therefore complies with CMVM Recommendation no. II.3.1 and IPCG Recommendation no. V.2.1.

In the performance of its exclusive powers in the matter of remuneration determination under article 399 of the Portuguese Companies Code, PT's Compensation Committee is supported by the Evaluation Committee, which, as described above, has consulting powers as required to provide technical support to the Compensation Committee as provided for under the Internal Regulation of the Evaluation Committee.

Evaluation Committee

The Evaluation Committee has the duties, powers and responsibilities as required to assist the Board of Directors in the following areas:

- Evaluation of the overall performance of the Board of Directors;
- Evaluation of the performance of the members of the Executive Committee, based on criteria as approved by the Compensation Committee appointed by PT's General Meeting of shareholders.

Additionally, the Evaluation Committee has the duties and powers required to perform consulting functions in respect of criteria for selection of the members of the management bodies of PT and its most relevant subsidiaries, as well as of the members of specific committees created within the Board of Directors of the Company.

As at 31 December 2013, the composition of the Evaluation Committee was as follows:

Composition

João de Mello Franco	Chairman
Henrique Granadeiro ⁽¹⁾	Member
Francisco Soares	Member
Joaquim Goes	Member
Milton Silva Vargas	Member
Otávio Marques de Azevedo	Member
Rafael Mora Funes	Member

⁽¹⁾Inherently in his office as Chairan of the Executive Committee.

During the 2013 financial year, within the powers delegated by the Board of Directors and as a technical support structure to the Compensation Committee, the Evaluation Committee developed the following main activities:

- Preparation and approval of a communication to be addressed to the Board of Directors and Compensation Committee on the level of compliance by the Company in 2012 of the rules, recommendations and guidelines applicable in specific evaluation, remuneration and selection areas;
- Preparation of the 2012 self-evaluation report, including the evaluation of the operation regulation of the Evaluation Committee;
- Approval of a recommendation to the Compensation Committee on the declaration on remuneration policy for the management and supervisory bodies, for purposes of submission to the Annual General Meeting of Shareholders and in connection with the 2012-2014 term of office;
- Approval of a recommendation to the Compensation Committee on the calculation methodology of the variable remuneration for the current term of office and development of a study on the matter by a workgroup within this committee;
- Appraisal of the Chairman of the Executive Committee's proposal for the appointment of officers of relevant subsidiaries;
- Evaluation of the performance of the members of Portugal Telecom's Executive Committee, according to the objective criteria approved by the Compensation Committee for purposes of fixing the variable component of their remuneration for 2012;
- Follow-up of the regulatory development in the remuneration area, particularly: National and international benchmarking as to deferment of the variable component portion and assessment of the positive performance;
- Securities and Exchange Commission and New York Stock Exchange rules for implementation of the relevant provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) having an impact on foreign private issuers.

Remuneration paid in 2013

	Remuneration Paid in 2013			Committees as of 31 December 2013		
	Fixed 2013	Variable 2012 (a)	Total	Corporate Audit	Governance	Evaluation
Executive Committee						
Henrique Manuel Fusco Granadeiro (b)	347,519	-	347,519		Chairman	Member
Zeinal Abedin Mahomed Bava (c)	425,113	588,315	1,013,428			
Luís Miguel da Fonseca Pacheco de Melo	486,526	267,416	753,942			
Manuel Francisco Rosa da Silva	486,526	267,416	753,942			
Carlos António Alves Duarte	486,388	267,416	753,804			
Shakhaf Wine (d)	486,526	267,416	753,942			
Alfredo José Silva de Oliveira Baptista	486,526	267,416	753,942			
Pedro Humberto Monteiro Durão Leitão	486,388	267,416	753,804			
	3,691,511	2,192,811	5,884,322			
Audit Committee						
João Manuel de Mello Franco	271,404	-	271,404	Chairman	Member	Chairman
José Guilherme Xavier de Basto	126,574	-	126,574	Member		
Mário João de Matos Gomes (e)	183,736	-	183,736	Member		
	581,714	-	581,714			
Board of Directors						
Henrique Manuel Fusco Granadeiro	319,938	-	319,938			
Joaquim Aníbal Brito Freixial de Goes	132,174	-	132,174		Member	Member
Gerald Stephen McGowan	88,116	-	88,116		Member	
Amílcar Carlos Ferreira de Morais Pires	44,058	-	44,058			
Francisco Teixeira Pereira Soares	132,174	-	132,174		Member	Member
Nuno Rocha dos Santos de Almeida e Vasconcellos	44,058	-	44,058			
Rafael Luís Mora Funes	132,174	-	132,174		Member	Member
Paulo José Lopes Varela	88,116	-	88,116		Member	
Maria Helena Vaz de Carvalho Nazaré	44,058	-	44,058			
Otávio Marques de Azevedo	88,116	-	88,116			Member
Fernando Magalhães Portella	44,058	-	44,058			
Milton Almicar Silva Vargas	88,116	-	88,116			Member
João Nuno de Oliveira Jorge Palma (f)	-	-	-			
José Pedro Cabral Santos (f)	-	-	-			
	1,245,156	-	1,245,156			
	5,518,381	2,192,811	7,711,192			

(a) According to the remuneration policy in force, the amount in this column corresponds to 50% of the variable remuneration regarding the 2012 financial year and paid in 2013. The payment of an equal amount was deferred until 2016. | (b) As from 4 June 2013, director Henrique Granadeiro accumulated the duties of CEO and Chairman of the Board of Directors (the latter he already was). | (c) Director Zeinal Bava was CEO until 4 June 2013, when he terminated his office as director of PT SGPS. | (d) The remuneration of the executive director Shakhaf Wine is paid through PT Brasil, PT's subsidiary in Brazil, in local currency, with the corresponding amount in Euro being presented in the table above. | (e) In addition to the amount specified on the table above paid by PT, Non-Executive director Mário de Matos Gomes was also paid a remuneration in the amount of Euro 7,838 by Previsão – Sociedade Gestora de Fundos de Pensões, SA for the office of Chairman of the Supervisory Board he performs therein. | (f) Non-Executive directors João Nuno de Oliveira Jorge Palma and José Pedro Cabral Santos waived their remuneration due to incompatibility with other professional duties. They resigned to their office on 24 October 2013.

The variable remuneration paid to the members of the Executive Committee in the 2013 financial year set out above refers to the performance of the Executive Directors during the financial year ended on December 31, 2012.

As regards the Company's supervisory body and given that the Company follows an Anglo-Saxon governance model as referred to above, its members are Non-Executive Directors who earn a monthly fixed remuneration taking into account the remuneration policy.

The remuneration earned by the other Non-Executive Directors corresponds to a monthly fixed remuneration which amount takes into consideration the number of committees to which they belong, pursuant to the remuneration policy.

Remuneration policy of Non-Executive Directors, including the members of the Audit Committee

The compensation of Non-Executive members of the Board of Directors, including the members of the Audit Committee, is determined on the basis of a fixed model of an annual compensation established by the Compensation Committee (to be paid 14 times/year), without attendance tickets. Such compensation is aligned with the average compensation earned by Non-Executive Directors of PSI-20 companies, according to the benchmarking study prepared by an independent entity and taken into consideration by the Compensation Committee.

This fixed compensation takes into account the fact that some Directors also perform functions in certain internal committees assisting the Board of Directors in its supervisory functions, as well as the performance of own powers not subject to delegation. In particular, the Chairman of any internal committee of the Board (who does not also discharge the functions of Chairman of the Board of Directors, of the Executive Committee or of the Audit Committee), as well as the members who are part of more than one internal committee, receive a supplement corresponding to twice the remuneration of a Member.

Accordingly, this fixed remuneration considers the performance of functions as a member of the supervisory body, in particular, as Chairman or as financial expert member of the Audit Committee, taking into consideration that the discharge of functions in this corporate body implies the compliance with both the Portuguese rules and the mandatory rules applicable to the Company as foreign private issuer with securities admitted to trading in the New York Stock Exchange (NYSE), notably those set forth in the Sarbanes-Oxley Act and the regulations of the Securities and Exchange Commission and of the NYSE.

The remuneration of the Chairman of the Board of Directors of PT SGPS corresponds to an annual fixed amount indexed to the annual fixed remuneration of the Chief Executive Officer and does not include a variable component. This fact does not preclude, however, the capacity recognised to the Evaluation Committee of the Board of Directors to propose to the Compensation Committee the granting of a special bonus to the Chairman of the Board of Directors at the end of the term of office, taking into account the performance evaluation of his functions (notably as regards his by-law powers), without being subject, however, to the performance of the Company. This is intended to cause that none of the Non-Executive Directors, the Chairman of the Board of Directors included, have any portion of their remuneration subject to compliance with pre-determined goals, in order to avoid affecting their independence vis-à-vis the executive management.

This way, in line with CMVM Recommendation no. II.1.5.1, although this remuneration policy is drawn up in view of allowing an alignment with the Company's interests and a remuneration level promoting a suitable performance, no variable remuneration is foreseen for the Non-Executive members of the management body nor for the members of the supervisory body (without prejudice to the possibility of granting a bonus to the Chairman of the Board of Directors, in the terms described in the previous paragraph).

Remuneration policy of Executive Directors

The remuneration of Executive Directors takes into account the short- and medium-term performance of PT SGPS, as well as referential examples from comparable companies in the sector in Europe. The amounts

03

GOVERNANCE MODEL

earned by the members of the Executive Committee under this policy remunerate their function performance in PT SGPS and in its 100% held subsidiaries during each financial year.

The remuneration of Executive Directors is composed of a fixed portion and a variable portion as described hereinafter.

Fixed remuneration

The value of the fixed remuneration of Executive Directors for the 2012-2014 term of office was determined taking into account a benchmarking study prepared in 2012 extended to listed companies in the main financial centres. Such study considered companies integrating the PSI-20 and also companies integrating the IBEX 35; CAC40 and DJ Eurostoxx 50, apart from European companies comparable to PT SGPS.

Variable remuneration

In determining the variable component of executive members of the Board of Directors for the 2012-2014 term of office it was further taken into consideration that, during the 2011 financial year, the remuneration policy in force up to that time had been changed in order to include the modifications that had occurred at law and regulation and recommendation levels, and it was decided that such changes needed to remain.

Within the context of such changes, it was decided that the variable remuneration model (the components of which were referred to, as from 2011, as annual variable remuneration and medium-term variable remuneration) should be simplified by establishing, starting from 2012, a single variable remuneration allocated each year while maintaining the verification of the Company's sustainability levels implied in the option to defer the payment of 50% of the variable remuneration for a three-year period, subject to a positive performance by the Company under pre-defined conditions. In this way, a link was kept between the variable remuneration and the pursuance of medium- and long-term goals of the Company in accordance with the best practices at national and international levels.

The variable remuneration of Executive Directors is dependent on the pursuing of the pre-determined goals, and it may amount up to 160% of the fixed remuneration (50% of which is to be deferred for a three-year period as described hereinafter) in the event of a 100% pre-determined goal achievement, in line with the values established under the remuneration policy of the previous term of office.

The variable remuneration policy at PT SGPS is governed by the following principles aiming to ensure a clear alignment between Executive Directors' interests and Company's interests, in accordance with CMVM Recommendation no. II.1.5.1:

- Pursuing and achieving goals through the quality, work capacity, dedication and business know-how;
- A PT SGPS' incentive and compensation policy allowing to capture, motivate and retain the "best professionals" within the market as well as the executive team stability;
- Implementing a professionalised management approach based upon the definition and control of the pursuance of ambitious (although achievable) and measurable goals on a short- and medium-long-term basis, thus considering the evolution on the performance of the Company and of the Group;
- Developing a market-oriented culture in line with its best practices, measured to the extent possible by a comparison of the Company's performance towards its goals vis-à-vis a benchmarking of its (national and international) reference market;
- Pursuing a high standard in the Company's management, through a set of entrepreneurial reference practices allowing the Company's business sustainability. For this purpose, a management philosophy with economic, environmental and social dimensions is being implemented.

Currently, there is neither share allotment nor stock option plans in force in the Company.

The assessment of the performance of the Group's Executive Directors was indexed to the achievement of goals at Group level.

The variable remuneration to be allocated for the performance of the year is determined by a percentage of the annual fixed remuneration calculated on the basis of a weighted average of the level of achievement of a set of indicators connected to the performance and sustainability of the Company, provided that at least 85% of the goals established for each such indicator must be achieved.

The performance evaluation is made taking into account the evolution of the following indicators:

- The total shareholder return (TSR), considered as such the return generated by the PT share, including not only the trading price variation but also any payments made (dividend);
- The global earnings of the PT Group;
- The overall EBITDA – CAPEX of the PT Group;
- PT's sustainability index (using the Dow Jones Sustainability Index methodology);
- The achievement of the strategic goals at national and international levels.

In each year of the current term of office, only 50% of the variable remuneration determined in the relevant year will be paid in cash by the Company, and the payment of the remaining 50% will be deferred for a three-year period. The payment of such variable remuneration to each member of the Executive Committee will be subject to the condition of the Company's positive performance – deemed as such by the Evaluation Committee – during the deferment period not being confirmedly affected as a direct result of the conduct of the Director concerned. In verifying the Company's positive performance during the relevant period, the Evaluation Committee shall take into account any indicators as eventually defined, the financial sustainability, the economic context of the Company, as well as of the sector where it is inserted, apart from exceptional factors out of the management's control that might affect the performance of the Company.

The Company's performance indicators to be considered for these purposes are as follows:

Cash-flow generation along the period in question as measured by the EBIDTA-CAPEX metrical scanning must be positive.

The net worth for the n+3 financial year, any extraordinary movements occurred after the end of the n financial year excluded, upon deduction, for each financial year, of a sum corresponding to a 40% pay-out over the net profit stricken in the consolidated accounts for each financial year of the deferment period (regardless of the actual pay-out) must exceed the net worth stricken at the end of the n financial year.

The following, inter alia, are deemed extraordinary movements in the period between the n financial year and n+3 financial year: any proceeds from a share capital increase, purchase or sale of own shares, extraordinary allocation of dividend or any other form of shareholder remuneration, annual pay-out other than 40% of the consolidated result for the relevant year or other movements that while affecting the net worth do not result from Company operational results (including actuarial profits and losses and capital conversion adjustments).

The net worth for the n+3 financial year should be stricken on the basis of the accounting rules followed for the n financial year in order to ensure comparability.

In the event the Executive Director terminates his office, for any reason whatsoever, the payment of the variable remuneration amounts determined and deferred will be made at the time of termination of the

03

GOVERNANCE MODEL

management relationship, provided that the Company's positive performance – deemed as such by the Evaluation Committee under the terms above mentioned – up to such time is not confirmedly affected as a direct result of the conduct of the Director concerned.

After the determination the variable remuneration according to such methodology, the Compensation Committee may increase or reduce in no more than 10% the variable remuneration of the CEO and the members of the Executive Committee, upon proposal by the Chairman of the Board of Directors and the CEO, respectively. In any case, and even if the level of pursuance of pre-determined goals exceeds 100%, the amount of the variable remuneration will not exceed in over 12.5% the variable remuneration corresponding to 100% goal pursuance added by the said grossing up.

Alignment of Directors' interests with Company's interests

As results from all the above, the variable remuneration of PT SGPS' Executive Directors is subject to their performance, as well as to the sustainability and ability to achieve certain strategic goals of the Group.

The current remuneration policy further allows, as confirmed on the above mentioned benchmarking study, for a reasonable overall balance between the fixed and variable components and the deferment of a significant portion of the variable remuneration, as its payment is subject to not affecting the Company's positive performance throughout that period as described above.

Thus being envisaged to contribute to: (i) optimise the long-term performance and discourage excessive risk undertaking; (ii) pursue the Group's strategic goals and compliance with the rules applicable to its business; and (iii) align management interests with the Company's and its shareholders' interests.

Also for the purpose of strengthening the component of the performance evaluation of the Directors, unless otherwise agreed or resolved by the Compensation Committee, the Company and its Directors should act in accordance with the following principles:

- i) The Directors shall not enter into agreements either with the Company or with any third party that might result in mitigating the risk inherent to the variability of their remuneration as fixed by the Company;
- ii) An unsuitable performance may affect the level of compliance with the above mentioned goals, and consequently the variable remuneration in terms of individual and joint evaluation;
- iii) In the event of removal or agreed termination of the management relationship, no compensation will be paid to the Directors if the same is confirmedly due to their unsuitable performance.

Payments related to removal or agreed termination of director functions

The Company has no defined general policy on payments related to removal or agreed termination of director functions. However, on a case-by-case basis, taking into account the circumstances of each termination, the Company has fixed the compensation amounts due to the directors leaving their office as per information disclosed on the Corporate Governance Report.

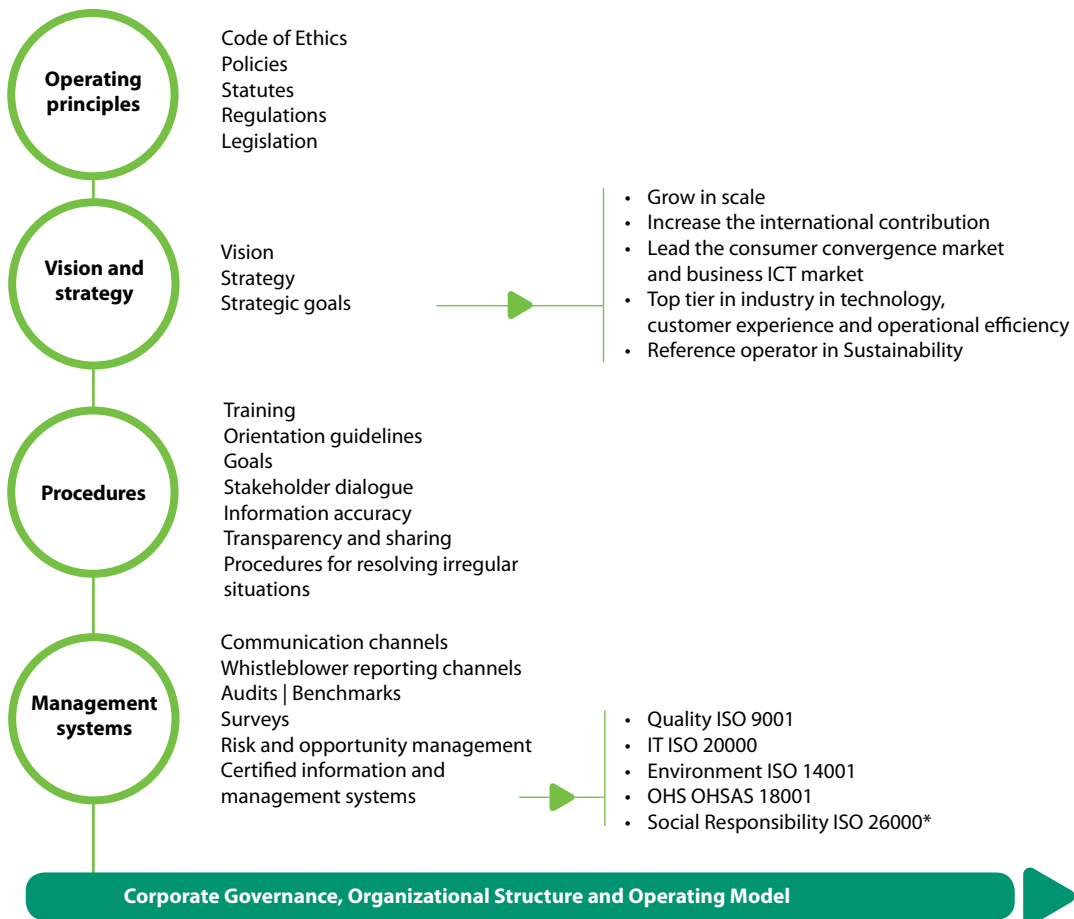
Remuneration policy of the Chartered Accountant

The Company's Chartered Accountant is remunerated in accordance with the usual remuneration practices and conditions for similar services, further to its services' agreement and the proposal of the Company's Audit Committee.

2. ACTIVITY MANAGEMENT AND CONTROL SYSTEMS

PT's management model is based on the organic and functional structure of the company and on a set of tools that guarantee at the same time the necessary information for the management of the activity, the necessary rigour and transparency in the management actions and the subsequent alignment with each stakeholder's expectations.

Management model



*In progress the issuing of self Declaration

03 GOVERNANCE MODEL

To better identify and monitor compliance with its operating principles, goals and alignment of the respective value chain, domestic PT companies have certificated information and management systems in accordance with international standards ISO 9001 (quality), ISO 14001 (environment), OHSAS 18001 (occupational health and safety) and are completing the preparation of the necessary steps to implement the self-declaration of the recently created ISO 26000 (Corporate Social Responsibility), which will happen during the triennium 2012-2014.

Information management systems

	2012	2013	2014	Emplo- yees	Custo- mers	Analysts	Suppliers	NGOs	Media
Management tools									
Stakeholder consultation	✓	✓	✓	○	○	○	○	○	○
Communication channels	✓	✓	✓	○	○	○	○	○	○
Surveys	✓	✓	✓	○	○		○		
Whistleblowing systems	✓	✓	✓	○	○	○	○	○	○
Risk Identification	✓	✓	✓	○	○	○	○	○	○
Audits	✓	✓	✓	○			○		
Plataform by stakeholder	✓	✓	✓	○	○	○	○		○
Impact monitoring	✓	✓	✓	○	○	○	○	○	○
Certified information management systems									
Quality ISO 9001	✓	✓	✓	○	○		○		
IT ISO 20000	✓	✓	✓	○	○		○		
Environment ISO 14001	✓	✓	✓	○	○		○		
OHS OHSAS 18001	✓	✓	✓	○					
Social responsibility ISO 26000	To be concluded in this period			○	○	○	○	○	○

04

ETHICS AND INTEGRITY



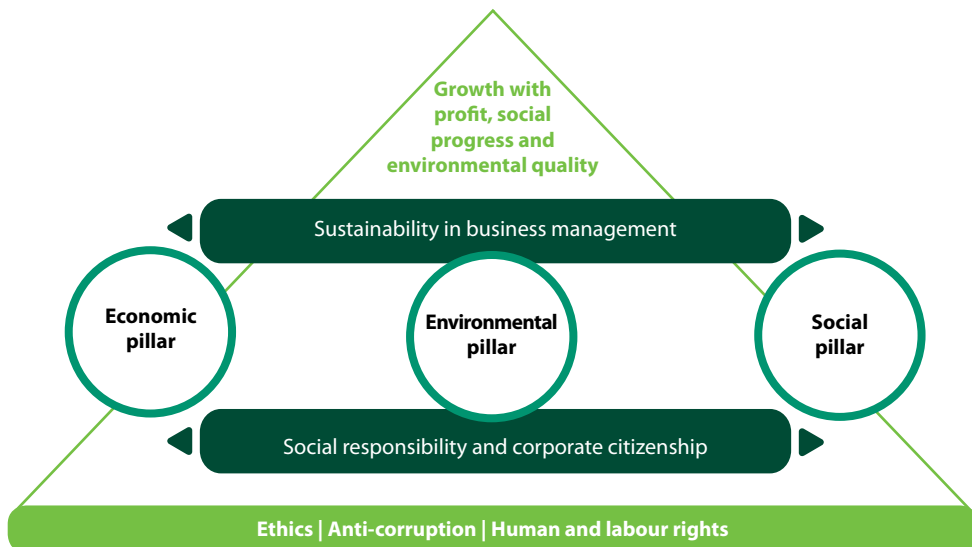
REPORT PROFILE	04	
01 ORGANIZATIONAL PROFILE	06	
02 STRATEGY AND COMMITMENTS	15	
CHAIRMAN AND CEO'S MESSAGE	16	
03 GOVERNANCE MODEL	35	
04 ETHICS AND INTEGRITY		
05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY	67	
06 ECONOMIC DIMENSION	95	
07 ENVIRONMENTAL DIMENSION	111	
08 SOCIAL DIMENSION	137	
09 CORPORATE CITIZENSHIP	171	
DISCLOSURE MANAGEMENT APPROACH SYSTEMATIZATION OF REPORT CONTENTS	177	
GRI INDEX	183	
UNGC COP ADVANCED CRITERIA	191	
EXTERNAL AND INDEPENDENT VERIFICATION	193	
		1. PRINCIPLES, CODES OF CONDUCT AND ADOPTED POLICIES 53
		2. OCCURRENCES AND COMPLIANCE 55

04 ETHICS AND INTEGRITY

The telecommunications industry and society in general is currently more challenging than ever. We live a paradigm shift in which globalization opens up a world of new opportunities. If on one hand the predictions of world population growth and the spread of market economies will, everything indicates, provide new customers and new business for companies, on the other hand they require that simultaneously initiatives be anticipated to preserve the ethics and sustainability of society.

PT has made a commitment to stakeholders to create value by ensuring sustainability today and in the future. To do this, it is determined to keep the possible balance between the legitimate desire to generate profit, ethics and respect for environmental preservation and the community where it operates. The level of achieving this balance is considered an essential foundation for business robustness, ethics in relationships and worth to be shared with shareholders and other stakeholders.

Creating value with ethics in relationships and in business is based on the following foundations



PT believes that effective and sustainable business management forms the basis of his leadership and its ability to invest in the future, innovating and respecting the expectations of stakeholders. It also believes that this capability is a competitive edge that sets it apart and gives it an accrued responsibility in the day-to-day management of the value chain involving its activity.

1. PRINCIPLES, CODES OF CONDUCT AND ADOPTED POLICIES

The way how the company relates to its shareholders, customers, suppliers, society, the State, the environment or his employees should reflect a set of values and an ethical conduct. From the point of view of PT, being, thinking, deciding and acting in a sustainable way requires a process of relationship, negotiation and constructive integration among all agents based on principles that respect the possible balance between business success, the environment and society in general.

PT participates, is a signatory of, applies in the company and actively promotes the principles of sustainability and corporate social responsibility recommended by national and international organizations.

These are ethics-related principles in business, environmental respect and preservation, human and labour rights, anti-corruption and social inclusion instruments. The understanding and adoption of these principles constitute a permanent challenge requiring involvement, monitoring and feedback among the representatives of the entire value chain.

Sustainability and social responsibility principles adopted by the company and organizations in which the company participates:

	Strategic orientation	Workgroup	Management body	Financial support
International				
Organização Nações Unidas				
10 Principles of the United Nations Global Compact	✓			
Ruggie Framework	✓			
United Nations Children's Rights and Business Principles	✓			
London Benchmark Group (LBG)				
LBG Members		✓		
Uni global unions				
Social Responsibility Code of Conduct between PT and UNI (Union Network International)	✓	✓		✓
European				
ETNO (European Telecommunications Network Operators Association)			✓	✓
Environmental and Sustainability Charter	✓	✓		
Corporate Social Responsibility Charter	✓	✓		
European union				
Strategy for sustainable development	✓			
Codes of conduct for energy efficiency	✓	✓		
ICT coalition principles for the safer use of connected devices and online services	✓			
ICT industry coalition for child protection (online safety)		✓		
European code of best practices for women in ICT	✓	✓		
Good work, good health - good practice guidelines	✓	✓		
European road safety charter	✓			
National				
BCSD PORTUGAL (Business Council for Sustainable Development)	✓	✓	✓	✓
Smart Cities		✓		
Social impact monitoring		✓		
ICT sustainability		✓		
Business forum for gender equality - iGEN	✓	✓		
Portuguese association of advertisers	✓		✓	✓
Code of good practices of responsible communication to minors	✓	✓		
Charter of commitments for responsible communication	✓	✓		
FAQTOS electromagnetic radiation in mobile communications	✓			✓

04 ETHICS AND INTEGRITY

Codes of Conduct and adopted Policies

The codes of conduct and policies defined by PT are part of the principles and best practices advocated by organizations to which it belongs, in addition to complying with current legislation in the geographies in which it operates.

The codes of conduct and adopted policies are published, can be found on the website and corporate intranet, and all employees, suppliers and customers are subject to actions of training and/or awareness about their contents and impacts.

The adopted policies intend to guide the attitude and the behaviour of the entire value chain of the company, leveraging the mobilization and adherence of all beyond what is defined in the codes of conduct and established contractual terms.

The codes of ethics and conduct provide for the total alignment with all legislation and legal regulations in force, whether national, European or Americans and is extensible to the value chain of the company.

Any violation to the codes of conduct, internal regulations or legislation in force, identified and confirmed, is likely to result in the discharge of responsibilities of offenders in accordance with applicable legal standards and the situation. Any irregularity related to adopted policies implies an assessment of the situation and the implementation of pre-established resolution procedures according to the respective level of impact.

<u>Codes and guides of conduct</u>	<u>Policies</u>	<u>Subscribed charters and principles</u>
Code of Ethics	Sustainability and Social Responsibility Policy	Charter of Commitments of Responsible Communication
Code of Ethics for CFO	Integrated Quality, Environment, and Occupational Health and Safety Policy	ETNO Environmental and Social Responsibility Charter
Code of Conduct for the Value Chain	Information Security Policy	10 Principles of the United Nations Global Compact
Code of Good Practices of Responsible Communication to Minors	Privacy Policy	Universal Declaration of Human Rights
Code of Best Practices for Women in ICT	Anti-corruption Policy	Recommendations of the International Labor Organization
Codes of Conduct of Energy Efficiency	Human Rights Policy	UN Children's Rights and Business Principles
Code of Conduct for Activities in Social Networks		ICT Coalition Principles for the Safer Use of Connected Devices and Online Services
Guide to Responsible Communication		
Company Agreement		
Internal Rules on transactions of PT's Group leaders*		
Regulation on transactions with related party**		

* Regulates matters relating to the prevention of market abuse and transactions in financial instruments issued by companies within the group and defines the relevant concepts of insider trading, market manipulation, and significant transactions, among others. This regulation supplements the rules of Corporate Governance and good conduct practices already implemented at PT to strengthen the prevention of market abuse. **Defines a number of procedures aimed at ensuring the correct identification of related party transactions and defining relevant concepts of "transaction" and "related parties".

- All PT employees and suppliers have subscribed PT’s Code of Ethics.
- All PT employees have training actions in ethics, Human Rights, environment, OSH and citizenship.

i) The Code of Ethics of PT was subject to a further review in order to incorporate greater specificity in topics related to:

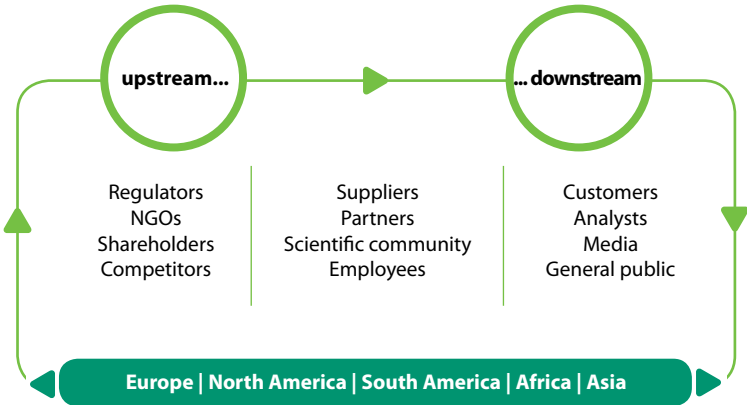
- Anti-corruption
- Bribery (including payments facilitators)
- Donations to political parties
- Non-discrimination
- Energy efficiency and environmental preservation

ii) The Anti-corruption Policy was defined and adopted during the year in order to clarify better the importance of the subject and to highlight its importance along the value chain.

The sharing of these codes with society in general, reflects and contributes to consolidating the solidity and the alignment of values between PT and the remaining public with whom it interacts.

2. OCCURRENCES AND COMPLIANCE

The codes of conduct, regulations and policies adopted at PT are intended to guide the attitude and behaviour of employees vis-à-vis the organization and the relationship that they establish with shareholders, regulators, competitors, customers, suppliers and society at large.



Rigour, honesty, integrity, transparency, information accuracy, anti-corruption, equal opportunities, non-discrimination, environmental and health preservation, and social responsibility are the main axes that link the performance of PT to society, besides the total alignment with the applicable legislation in force at national, European and American level.

The adopted policies are intended to guide the attitude and the behaviour of the entire value chain of the company, leveraging the mobilization and the adherence of all beyond what is defined in the Codes of Conduct and contractual terms laid down.

04 ETHICS AND INTEGRITY

National and international organizations related to sustainability and/or corporate social responsibility, in which PT actively participates:

Organizations	Ethics	Environment	Human rights	Labour practices	Safety and health	Citizenship
National Network Global Compact	✓	✓	✓			
Business Council for Sustainable Development Portugal	✓	✓				✓
Business Forum for Gender Equality iGEN			✓			
Portuguese Association of Advertisers	✓	✓	✓			
European Telecommunications Network Operators – ETNO		✓	✓	✓	✓	
Union Network International			✓	✓	✓	✓
London Benchmark Group – LBG						✓
ICT Industry Coalition for Child Protection (Online Safety)	✓		✓			
EU WG – Women In ICT			✓	✓		
EU WG – Energy Efficiency		✓				

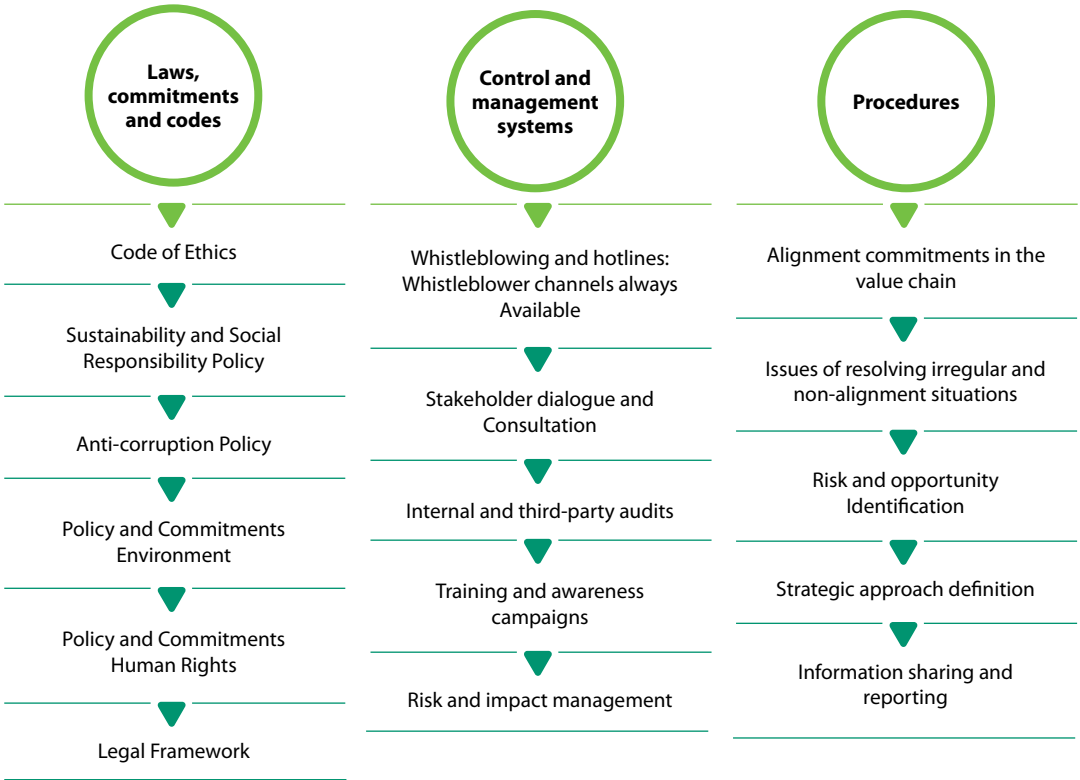
The issues placed on the agenda of these organizations both deserve the active participation of PT in their discussion, study and promotion, and are assessed and interpreted by the company's Sustainability Committee.

The recommendations and findings that reveal to have impact on the company's activity and its relationship with society are subject to adaptation and implementation programs in the business units of the group, usually upon proposal of the Sustainability Committee and decision of its Executive Committee.

Alignment and compliance process in the value chain

Alignment with current legislation and with the Codes of Conduct and adopted policies is, in PT's opinion, essential condition to the preservation of ethics and business sustainability.

The existing control model includes both the economic/financial and TBL areas: ethics, environment and society.



Compliance in the value chain

For anyone who has evidence of some kind of irregularity concerning codes and principles, PT makes available tools for filing a complaint, which guarantee the confidentiality of content and anonymity of the author.

Reinforcing the transparency of management, ensured by various internal control systems, which in turn are audited by external and independent companies and organizations, a whistleblower reporting system has been implemented, whose guidelines and procedures are as follows:

Communication and complaint channels

Whistleblowing – For stakeholders

Report via electronic message, on an encrypted channel, an occurrence or suspicion founded on the verification of facts, by someone who knows or has consistent reasons to believe that evidence exists of the following situations:

- Violation of law, rule or regulation;
- Mismanagement;
- Abuse of authority;
- Gross waste of funds

04 ETHICS AND INTEGRITY

It is considered in this context an improper practice any irregular matter concerning accounting, financial reports or auditing, or other relevant related matters and can be reported by anyone, both outside PT (shareholder, customer or supplier), or an employee who directly or indirectly has knowledge thereof.

This channel is available on the intranet and on the corporate website of the Group and its usage profile is the following:

Reporting of undue practices

■ 2011 ■ 2012 ■ 2013



In 2013, the complaints concerned the following areas:

- Ethics | Economic – 5
- Human Rights – 2
- Labour Practices – 4
- Environment – 1

Reporting of social responsibility occurrences – For employees:

Employees have another channel of complaint, also confidential and anonymous, and suited to everyday work issues concerning ethics in relations and business, environmental sustainability and social responsibility.

Reporting of occurrences on relations, environment and social responsibility

■ 2011 ■ 2012 ■ 2013



The complaints are reviewed and subject to corrective improvement plans the results of which in turn are assessed and monitored. In cases of obvious violation of existing codes of conduct, the approach is enhanced and obeys the disciplinary proceedings with legal implications.

The procedures for resolution of cases concerning Human Rights or environmental protection are made available on the corporate website:

<http://www.telecom.pt/InternetResource/PTSite/PT/Canais/Sustentabilidade/DireitosHumanos/PrincipiosProcedimentos/>

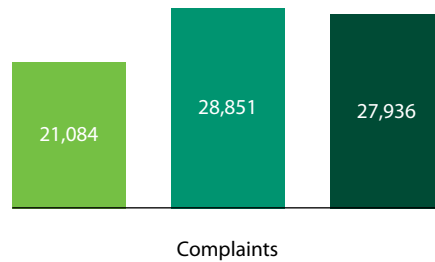
<http://www.telecom.pt/InternetResource/PTSite/PT/Canais/Sustentabilidade/fornecedores/>

Customer Ombudsman – For Customers or Potential Customers

The customer ombudsman provides a communication channel online where he receives and reviews the complaints of customers who feel unsatisfied after the solutions presented by other areas of the company have been exhausted.

Customer ombudsman

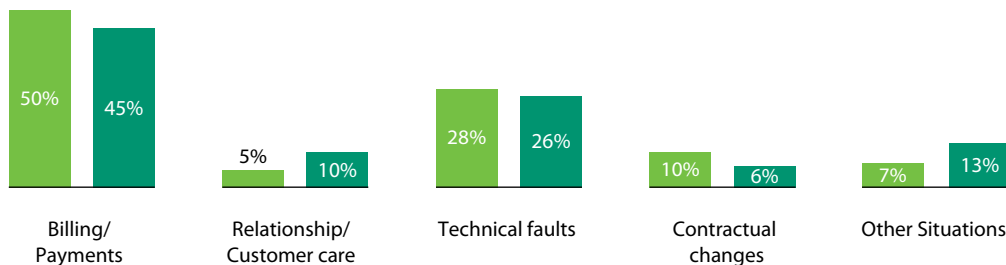
■ 2011 ■ 2012 ■ 2013



The complaints received by the Customer Ombudsman declined this year, after they registered successive increases over the past few years due mainly to the launch of the new broadband services, specifically the IPTV-based multiplatform television services and Digital Terrestrial Television services.

The profile of complaints received and resolved was the following

■ 2012 ■ 2013



All situations presented and assessed at the Customer Ombudsman’s office are settled in accordance with customers’ expectations in a short space of time, which according to the assessment of the urgency of the situation has varied between 4 and 24 hours.

Audits and Stakeholder consultation

Audits and stakeholder consultation allow for the company to identify the alignment levels of its stakeholders with the Codes of Conduct, policies and procedures laid down.

04 ETHICS AND INTEGRITY

Code of Ethics

The situations listed below have been identified and confirmed as part of the daily activity of the company and involved clearance of responsibilities of offenders in accordance with the legal standards applicable to the situation.

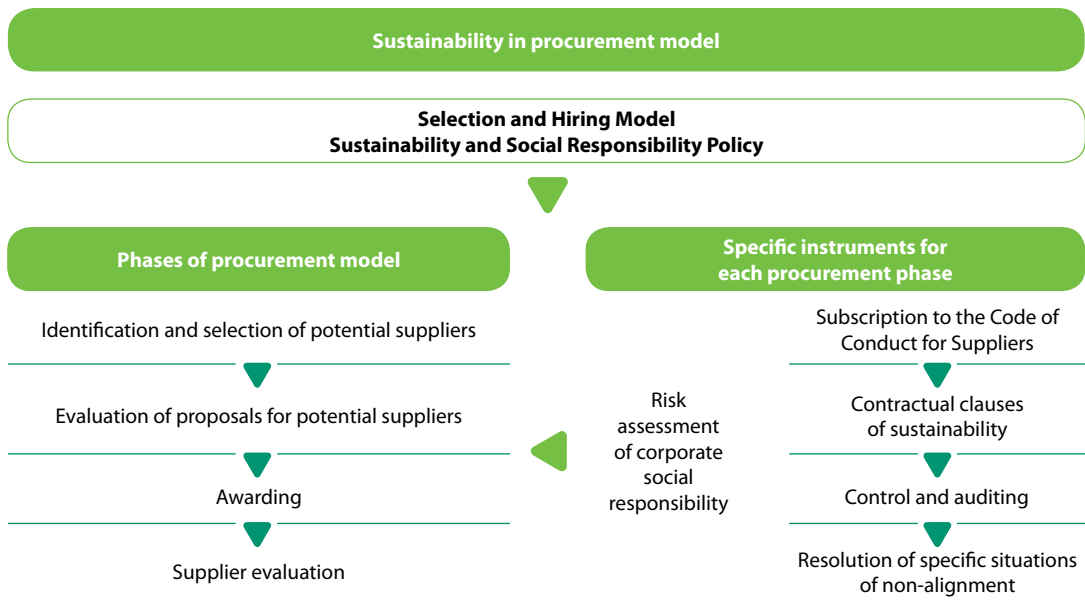
Code of Ethics Violations

	2012	2013
Employees	5	6
Result: Zero Tolerance Campaign	5 Dismissals	6 Dismissals

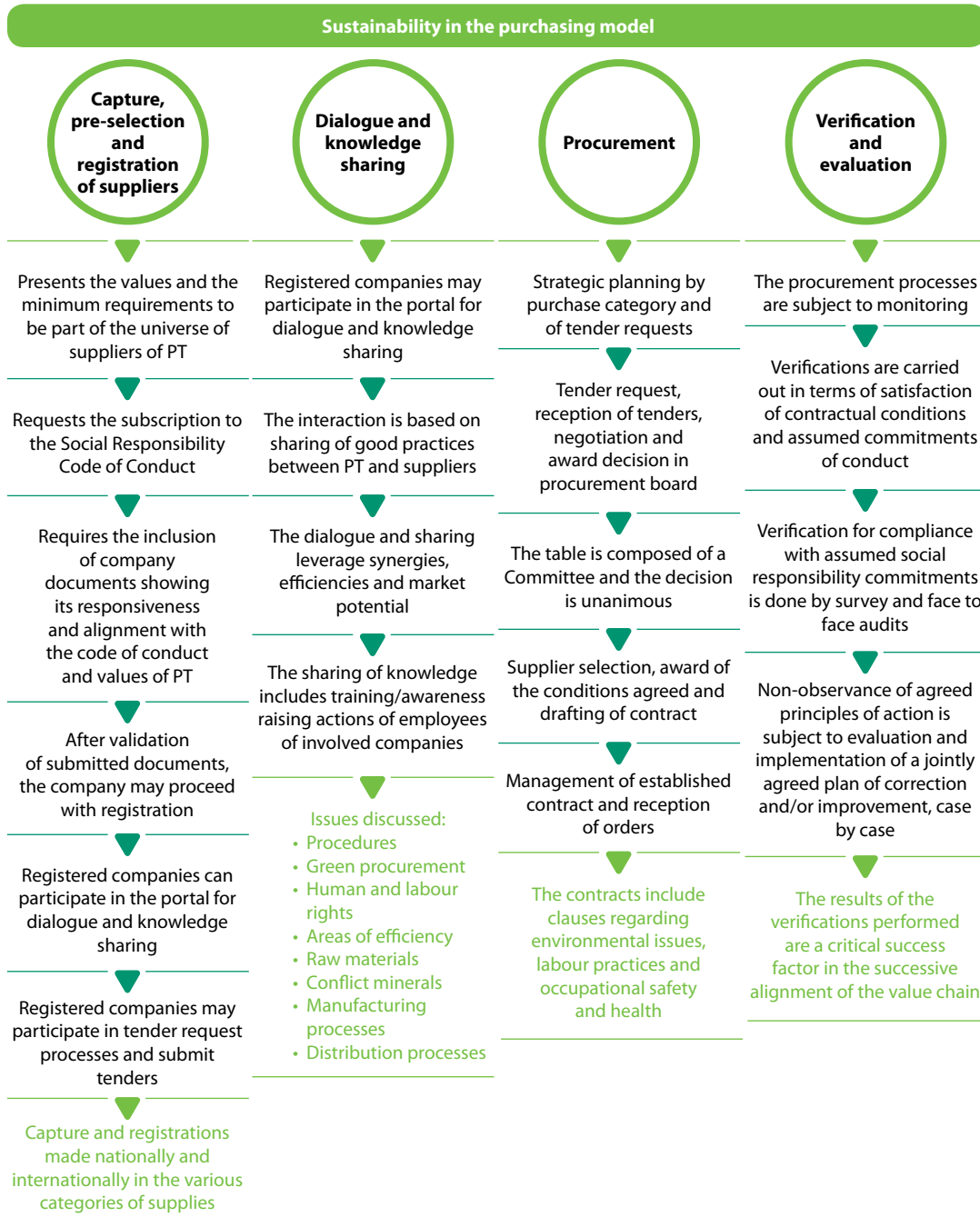
Supply chain alignment

Suppliers are business partners with whom it is essential to maintain a relationship of proximity and complementarity in ethical, social and environmental terms. Issues related to ethical alignment in the areas of corruption, Human and labour rights and the environmental have taken on increasing importance for all identified stakeholders.

Therefore, the capture and management of suppliers at PT, is based on the following assumptions:



The supplier management model is based on electronic and face-to-face platforms that comprise the following aspects and functionalities:

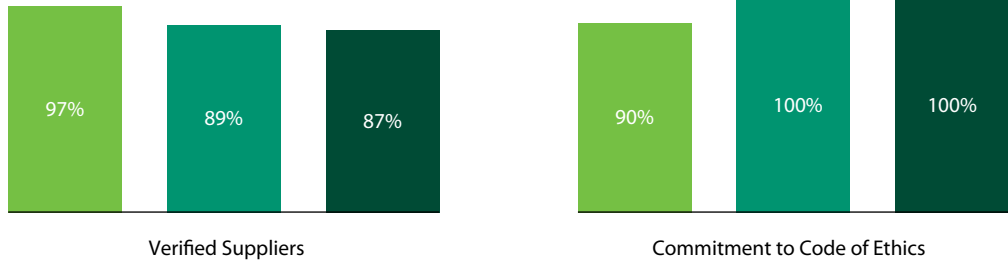


Companies wishing to be part of the base of potential suppliers of PT and which do not comply with the requirements included in platform selection are automatically rejected.

04 ETHICS AND INTEGRITY

Contracted supply chain *

■ 2011 ■ 2012 ■ 2013



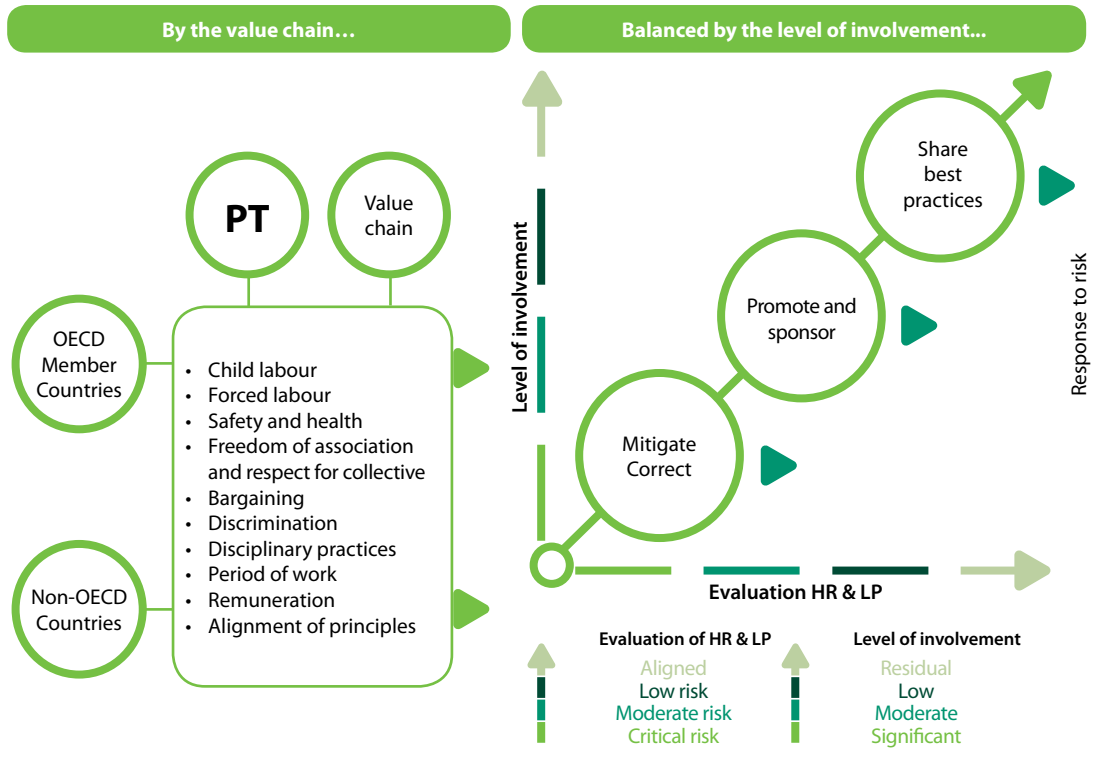
* During 2013 there were no complaints about suppliers through the whistleblower channels.

The figures in the table below refer to the levels of alignment between PT's policies and practices compared to those observed in each vendor – which highlight general improvements compared with the previous year and a significant improvement in what concerns occupational health and safety in most companies awarded.

Alignment by area (0 – 100)

	2011	2012	2013
Conduct and labour practices	85.7%	88.6%	82.4%
Child Labour (verified occurrences)	0	0	0
Occupational Health and Safety	83.8%	94.2%	95.5%
Environmental preservation and management	71.3%	73.7%	83.2%

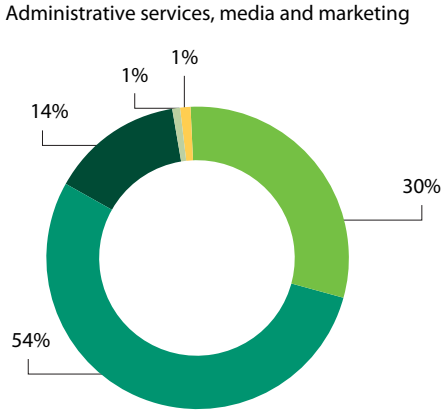
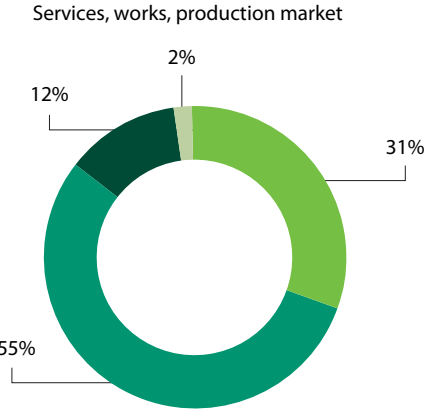
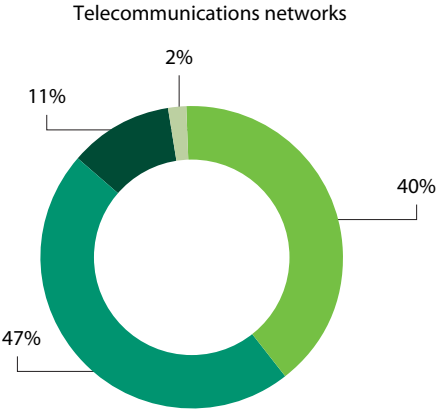
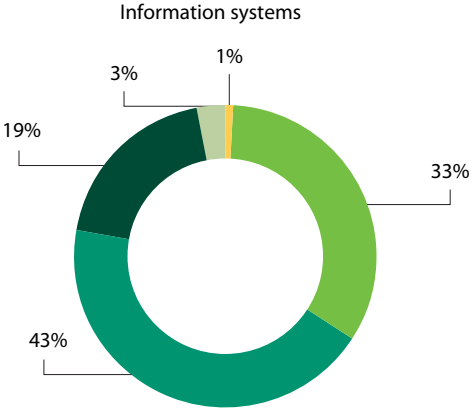
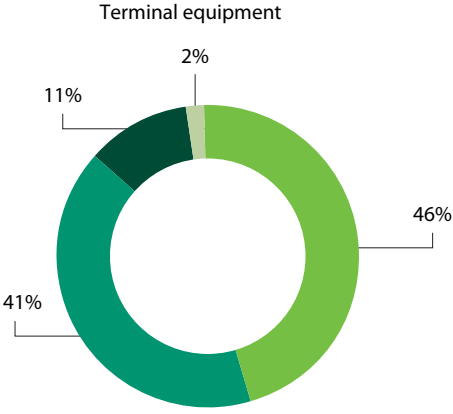
All registered suppliers are subject to assessment and risk management in accordance with the following model of intervention:



The alignment of suppliers was assessed by survey and audited by sampling throughout the year and the profile obtained in the enquiries was the following:

Survey | Alignment of suppliers by category of purchases

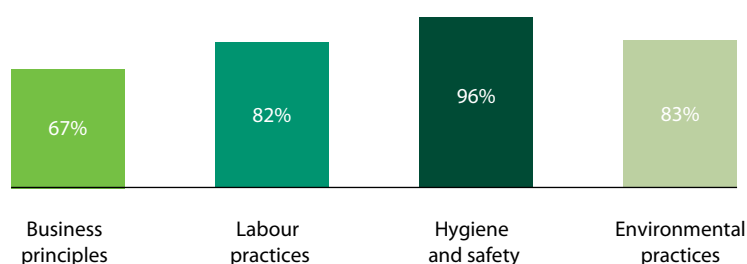
excellent bad



04 ETHICS AND INTEGRITY

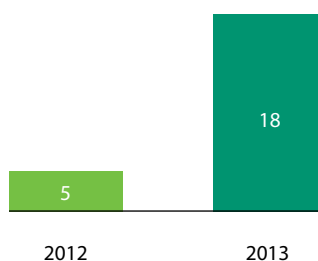
According to the assessment carried out, 84% of suppliers are aligned with the best international practices in corporate responsibility, with regard to ethical principles, environmental preservation, labour practices and occupational health and safety.

Alignment profile

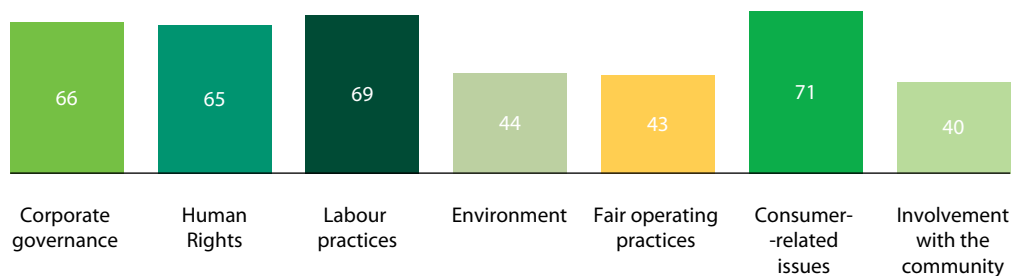


To corroborate and deepen the assessment made through a questionnaire and a survey of practices, PT also performs OF face-to-face audits to suppliers awarded. Face-to-face audits have been increasing from year to year and the results obtained are detailed below:

Face-to-face audits



Average level of alignment by audited topic (0-100)



The results obtained made it possible to identify the most critical areas to achieve a better level of alignment:

Suppliers with greatest risk potential according to survey

Information systems
Administrative services, media and marketing

Subjects with higher risk potential according to face-to-face audits

Environment
Fair operating practices
Involvement with the community

This map will be the basis of preparation of an action plan for next year.

Regulators and supervisors of PT’s activity at national level

PT, in addition to undertaking to comply with the existing legal framework, maintains an attitude of dialogue and pro-activity with regulators participating in the meetings to which it is invited, collaborating with duly substantiated opinions and suggestions and abiding by the decisions taken.

PT has organic units at corporate level that are intended to interpret the recommendations and resolutions of the regulatory authorities and to support the dialogue among all. PT has maintained an attitude of dialogue and cooperation with these entities, participating actively in their various initiatives: recommendations, surveys and information sharing.

- ANACOM – National Communications Authority
- ERC Regulatory Authority for the Media
- AdC Competition Authority
- CNDP National Commission for Data Protection
- Portuguese Government
- EC European Commission
- BEREC Body of European Regulators and Electronic Communications

Topics discussed and results of surveys / audits and consultations, available on the websites of each entity

The final decisions on the conflict processes are fully observed by the company.

Legal processes and consolidated tax contingencies

As at December 31, 2013 there are several judicial, arbitral proceedings and fiscal contingencies proceedings against several companies in the Group for which the risk of loss was classified as probable, in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Based on the opinion of its internal and external legal advisers, the Group recorded provisions (Note 42) for these lawsuits, arbitrations and tax contingencies to cope with the likely output of resources, as follows:

	2013	2012
Civil liability	11,618,137	13,405,502
Labour liability	2,893,200	3,439,245
Other liabilities	3,568,768	4,490,767
Subtotal	18,080,105	21,335,514
Tax	61,955,874	69,408,265
Total	80,035,979	90,743,779

05

IDENTIFICATION AND MANAGEMENT OF MATERIALITY

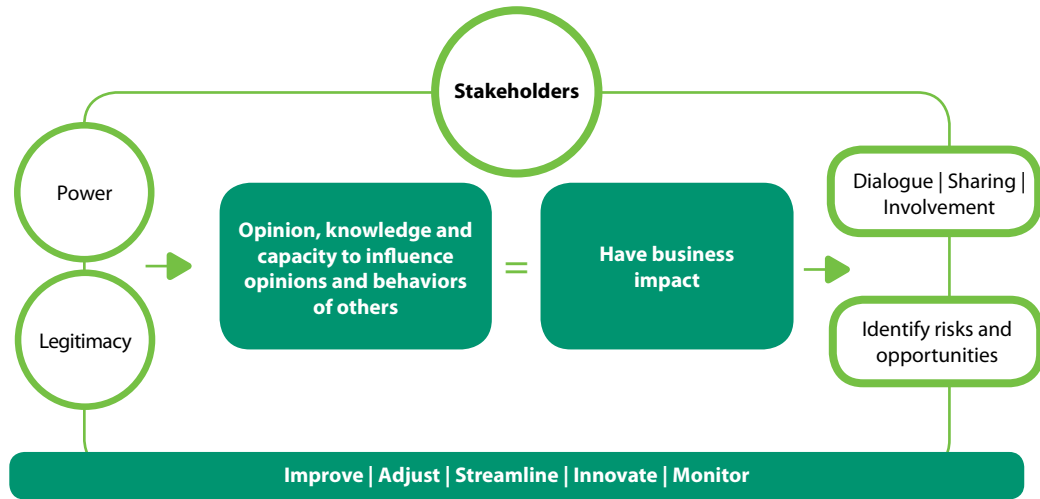


REPORT PROFILE	04	
01 ORGANIZATIONAL PROFILE	06	
02 STRATEGY AND COMMITMENTS	15	
CHAIRMAN AND CEO'S MESSAGE	16	
03 GOVERNANCE MODEL	35	
04 ETHICS AND INTEGRITY	51	
05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY		
06 ECONOMIC DIMENSION	95	1. RELATIONSHIP WITH STAKEHOLDERS 68
07 ENVIRONMENTAL DIMENSION	111	2. VALUE CHAIN 72
08 SOCIAL DIMENSION	137	3. MATERIALITY 78
09 CORPORATE CITIZENSHIP	171	4. RISK AND OPPORTUNITY MANAGEMENT 88
DISCLOSURE MANAGEMENT APPROACH SYSTEMATIZATION OF REPORT CONTENTS	177	
GRI INDEX	183	
UNGC COP ADVANCED CRITERIA	191	
EXTERNAL AND INDEPENDENT VERIFICATION	193	

05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY

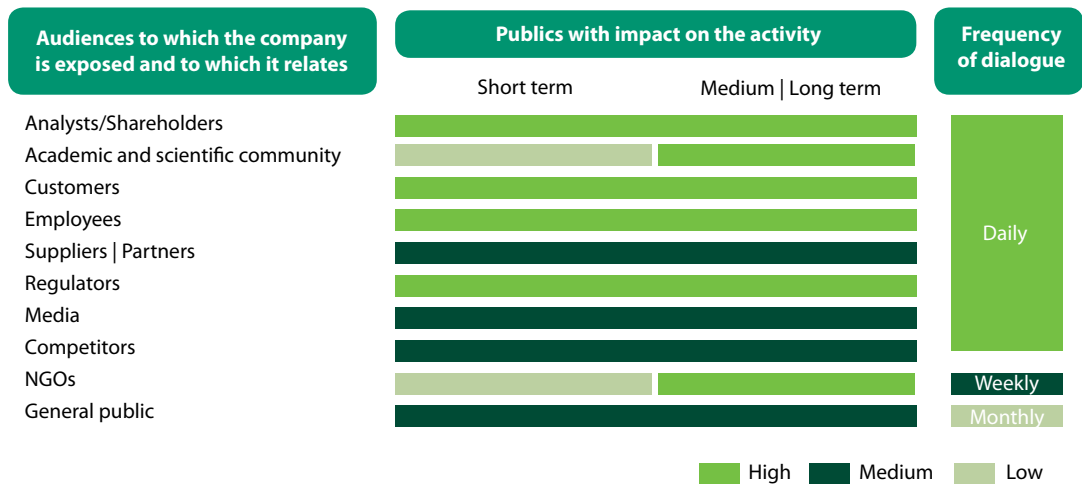
1. RELATIONSHIP WITH STAKEHOLDERS

The identification of stakeholders with potential impact on PT's activity is made taking into account the following set of assumptions (G4-25):



Identification of stakeholders (G4-24, G4-25, G4-26)

Aware that stakeholders have the capacity to influence positively and/or negatively the activity of the company, PT identifies each year the types of publics to which it is most exposed, hierarchizes the stakeholders according to the level of estimated impact and defines the approach and the periodicity of relationship suited to each identified profile.



Relationship with stakeholders (G4-24, G4-25, G4-26)

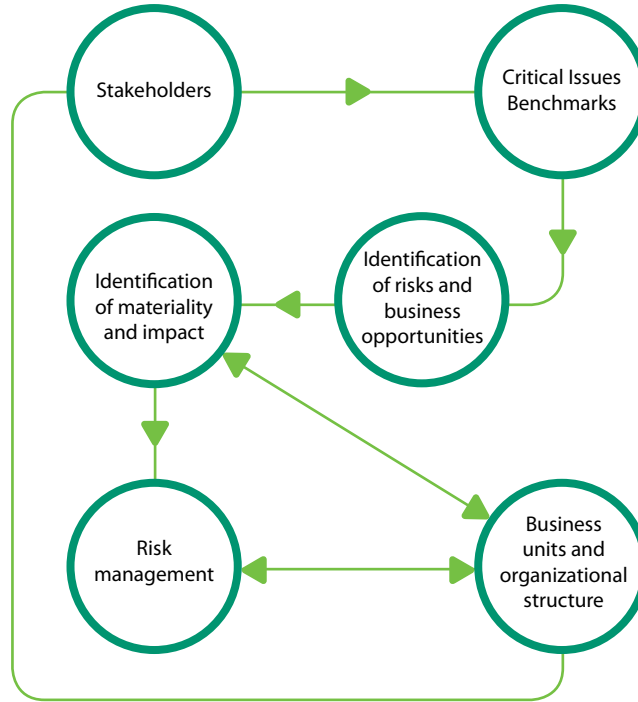
PT has promoted mechanisms for dialogue with each, boosting the necessary exchange of information for the adoption of management methods that combine favourably the expectations of all stakeholders.

The communication channels provided by the company are, and will continue to be, the preferred means of dialogue and involvement with each public. The close relationship that PT has built through these channels has allowed for anticipating solutions, mitigating possible negative impacts, insofar as it contributes at every moment to generate ideas, identify weaknesses and define improvement plans that integrate the interests of all parties. The communication channels are available below and most are available 24 hours a day, 365 days a year.

Stakeholders	Means of relationship Communications channels	
	Specific	Global
Analysts Shareholders	General Assembly Quarterly and annual reports Face-to-face meetings Participation in consultations Market Releases Road Shows Stock Performance Whistleblower Reporting Channels International Rankings and Benchmarks	
Academic and Scientific Community	Cooperation protocols Participation in R&D workgroups Fundamental and applied knowledge sharing Trending observatories	
Customers	Call Centres Customer Portal Network of Stores and Market Managers and Agents Telephone and Online Channels Available 24/7 and 365 days/year Market research Marketing campaigns Electronic Invoice Channels for Complaints and Suggestions	
Employees	Code of Ethics Social Dialogue with Employee Representatives Whistleblower Channels Employee Portal Organizational Climate Survey Company Agreement Corporate Intranet Performance Assessment and Feedback Training	Sustainability Report and online publication of issues
Suppliers Partners	Code of Conduct Supplier Portal Evaluation and Feedback Meetings Audits Expert Team for Dialogue and Negotiation Whistleblower Channels International Rankings and Benchmarks	
Regulators	National, European and American Guidelines and Legislation Specialized Team for Dialogue with Regulators Compliance Transparency Active participation in Self-Regulation Forums	
Media	Expert Team for Dialogue with Media Press releases Press Conferences Transparency Information Sharing Portal Publication and Dissemination of Relevant Information	
Competitors	Observatory of Prices and Services Market Research Surveys on Perception and Unmet Needs	
NGOs	Participation in working groups: Human Rights; occupational safety and health; minors; electromagnetic radiation; ethics in communication; value chain and alignment Rationalization of GHG emissions Strategic philanthropy Impacts on society Surveys International General public statistics Benchmarks	
General public		

05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY

Model of consultation and feedback incorporation in management processes (G4-26)



Relevant issues in the year by stakeholder (G4-21, G4-24, G4-25, G4 27)

The issues were identified based on stakeholder consultations, on benchmarks and on the GRI reporting guidelines.

Below is the table with the issues and the importance that each assumed for each stakeholder. The addressing of each issue is reflected throughout the report.

Relevant issues by stakeholder	Employees	Customers	Analysts	Suppliers	NGOs	Media
Economic Dimension						
Economic performance of PT for the country	✓	✓	✓	✓	○	○
Volume of purchases to other companies: suppliers	✓	✓	✓	✓	○	○
Innovative service offer	✓	✓	✓	✓	○	○
Services prices adjusted to national market and sophistication of marketed services	✓	✓	✓	✓	○	○
Ethical Dimension						
Clear, rigorous and transparent market communication	✓	●	✓	✓	✓	✓
Anti-corruption - Communication channels	✓	●	✓	✓	✓	✓
Environmental Dimension						
Energy efficiency of equipment	✓	●	●	✓	✓	●
Proper waste routing	✓	●	●	✓	✓	●

Relevant issues by stakeholder (G4-21, G4-27)	Employees	Customers	Analysts	Suppliers	NGOs	Media
Environmental Dimension						
Greenhouse gas emissions	✓	●	●	✓	✓	●
Market ecological products and services	●	●	●	●	✓	●
Suppliers ensuring environmental respect and balance	✓	●	●	✓	✓	●
Preserving the environment and biodiversity of the country	✓	●	✓	✓	✓	●
Human Rights dimension						
Non-discrimination by promoting equal opportunities	✓	✓	✓	✓	✓	✓
Combating child labour and all other improper working conditions	✓	✓	✓	✓	✓	✓
Preserving personal data privacy	✓	✓	✓	✓	✓	✓
Suppliers respecting Human Rights	✓	✓	✓	✓	✓	✓
Have and defend right to social dialogue	✓	✓	✓	✓	✓	✓
Labour Practices Dimension						
Ensuring that the company and respective suppliers respect labour rights and decent work	✓	✓	✓	✓	✓	✓
Respect and promotion of Occupational Health and Safety, by the company and suppliers	✓	✓	✓	✓	✓	✓
Employee training	✓	✓	✓	✓	✓	✓
Products and Services Dimension						
Information on the safe use of equipment and services	✓	✓	●	✓	✓	✓
Correct and accurate information on marketed products and services	✓	✓	✓	✓	✓	✓
Information on the correct routing of equipment at end of lifecycle	✓	●	●	●	✓	✓
Services offer adapted to all population layers irrespective of geographic location, income level, race or country of origin	✓	✓	●	●	✓	●
Communication channels enabling customers to give suggestions, ask for clarification or complain	✓	✓	●	●	✓	✓
Citizenship Dimension						
Provide tools promoting safe ICT use by the most vulnerable population layers namely minors	✓	✓	●	✓	✓	●
Electromagnetic radiation	●	●	●	●	✓	●
Facilitate knowledge so that customers can make choices and use services consciously and responsibly	✓	✓	✓	●	✓	●
Provision of communication services to competent authorities in emergencies: natural disasters, etc.	✓	✓	✓	●	✓	✓
Constructive dialogue with bodies representing the interests of customers and society	✓	●	●	●	✓	✓
Cybercrime combat - providing knowledge to customers and general public to promote responsible ICT use	✓	✓	✓	✓	✓	●
Communication solutions adapted to persons with special needs	✓	✓	✓	●	✓	●

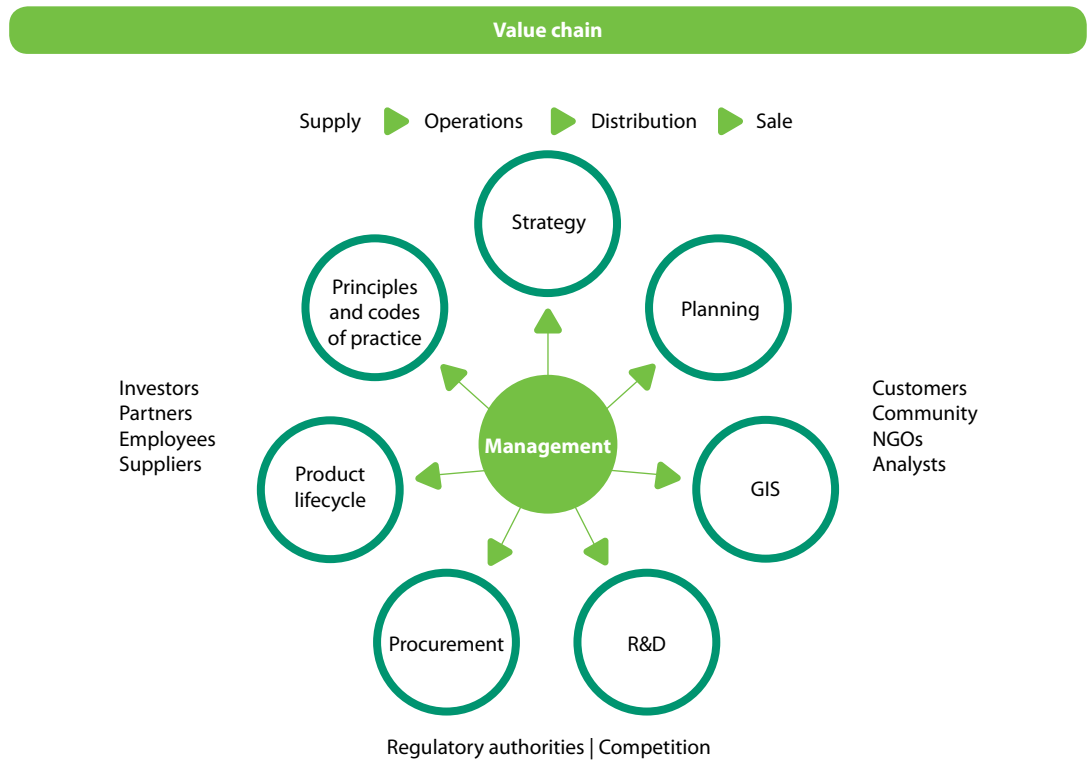
✓ very relevant ● relevant ○ less relevant

05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY

2. VALUE CHAIN

PT is a company providing telecommunications and multimedia services, based in Portugal, in Europe, whose activity depends on the web of partnerships and commitments established with shareholders, suppliers, research and development institutions, employees, customers, among others, from different cultures and geographies. This chapter focuses on all these.

For PT, the ethical, environmental and social alignment between all organizations involved in its value chain is a key issue and therefore it feels the need to identify those involved from downstream to downstream of its activity. The scheme below seeks to elucidate this understanding:



Geographical description of the value chain*

	Europe	North America	South America	Africa	Asia
Shareholders	✓	✓	✓		
Analysts	✓	✓	✓		
Employees	✓	✓	✓	✓	✓
Suppliers	✓	✓		✓	✓
Customers	✓		✓	✓	✓
Partners	✓	✓	✓		✓
Regulators	✓	✓	✓	✓	✓

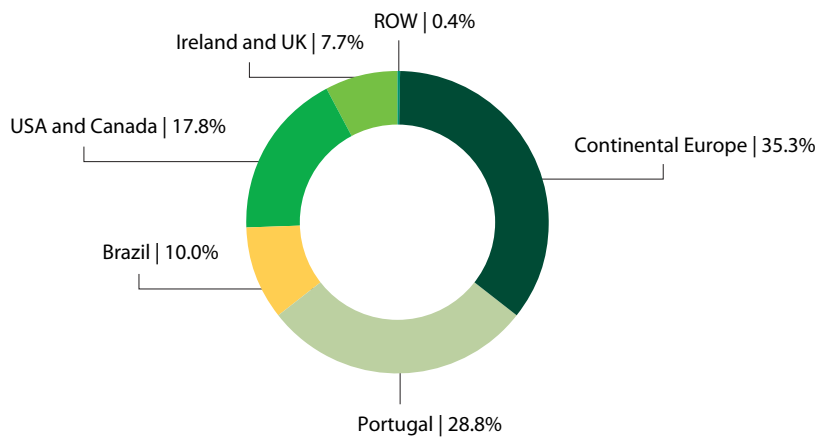
(*) The detailed characteristics of the value chain are discriminated below.

Dimension and impacts of the value chain for the Company

Shareholders

The consultation with shareholders takes place in the General Meeting of Shareholders and through communication channels that are identified on the company's corporate website and are available 24 hours a day, 365 days a year.

The distribution of shares of PT had the following configuration at the end of 2013:



Shareholders with qualified holdings represent more than 50% of the share capital, and have the following profile:

Shareholders	No. Shares	% Capital	% Voting rights
Espírito Santo Group	90,767,087	10.12%	10.12%
RS Holding	90,111,159	10.05%	10.05%
Telma Notre Lester S.A.	89,651,205	10.00%	10.00%
Norges Bank	44,442,888	4.96%	4.96%
UBS AG	43,648,928	4.87%	4.87%
Grupo Visabeira	23,642,885	2.64%	2.64%
BlackRock Inc.	21,025,118	2.35%	2.35%
Controlinveste International Finance	20,419,325	2.28%	2.28%
Pictet Asset Management	18,246,357	2.04%	2.04%
Ontario Teachers' Pension Plan Board	18,000,000	2.01%	2.01%
Bestinver	17,981,057	2.01%	2.01%

05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY

Analysts

The community of analysts that issued comments and recommendations on PT featured the following profile throughout the year:

Institution	Current recommendation (euros)			Latest published reports
	Rating	Target	Date	
Deutsche Bank	Hold	3,40	29 Jan 14	4Q13 results preview: reality check
Jefferies	Hold	3,30	28 Jan 14	Telecom Services 4Q13 Preview: Consolidation Prospects Outshine Weak Fundamentals
Citi	Neutral	3,50	16 Jan 14	Telecom Prospects 4Q13
New Street	Neutral	3,30	10 Jan 14	Brazil visit notes; thoughts for 2014
Millennium bcp	Buy	3,80	17 Dec 13	All-in on Oi's turnaround
Berenberg Bank	Buy	4.20	18 Nov 13	Retaining Buy ahead of merger catalyst
BPI	Neutral	3.40	18 Oct 13	PTC: "All in" Brazil
Credit Suisse	Neutral	3.40	16 Oct 13	European Telecoms - Q3 2013 results preview
JP Morgan Cazenove	Underweight	2.90	16 Oct 13	Telecom Sevices -Q3 preview - Telecom stocks to watch
Santander	Underweight	3.37	14 Oct 13	PT + Oi Merger: A Complex Deal
Goldman Sachs	U,R	U,R	02 Oct 13	Merger with Oi facilitates mobile consolidation in Brazil
BES	Buy	3.90	16 Sep 13	Portugal Telecom: looking beyond the leverage
Barclays Capital	Equalweight	3.00	16 Sep 13	Game of Thrones - Brazil at Apex
Caixa BI	Buy	5.30	14 Aug 13	PT - Resultados 2T13

The institutions listed on this page send regularly reviews about PT's performance in the financial markets. It should be noted that any opinions, estimates or forecasts regarding PT made by the respective analysts are their sole responsibility and do not reflect the views of Portugal Telecom or its management. The reference in this report to such information, conclusions or recommendations does not follow from any agreement or consent on the part of PT with those opinions. The recommendations of a given institution should be considered in their context, in particular in the full text of the research on which it is based, in the quote of the shares at the time of its publication, and the extent of the recommendations used by the institution.

The analysts who evaluated the strategy and sustainable performance of the company placed it in the following international sustainability indices and rankings during the year:

Member of:

- Dow Jones Sustainability Indices in Collaboration with RobecoSam;
- FTSE4Good;
- STOXX ESG Leaders Indices;
- World's most Ethical Companies;
- Investment Register ETHIBEL EXCELLENCE;
- Corporate Responsibility Prime rated by Oekom Research;
- CDP Climate Performance Leader.

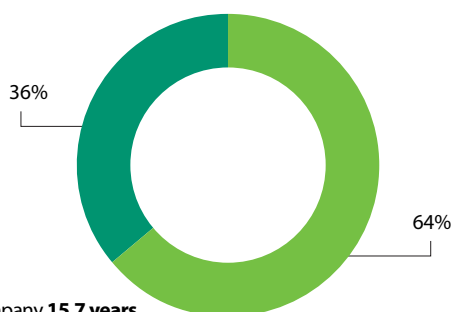
Employees

The company's employees had the following profile:

Total of employees in operations held with a stake over 51% – **11,073**

Gender diversity

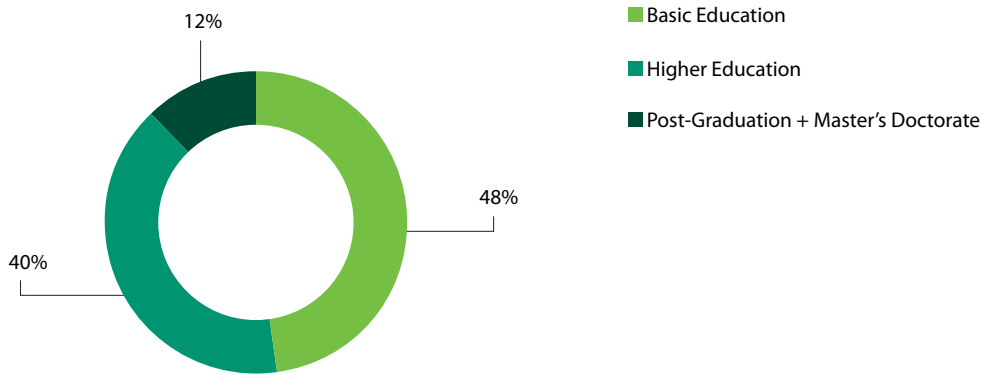
■ male ■ female



Average age **41.7 years**

Average seniority in the service of the company **15.7 years**

Academic training



More than half of employees hold a university degree.

Suppliers

The base of pre-selected suppliers registered on the platform of selection and management of potential suppliers, decreased slightly in 2013.



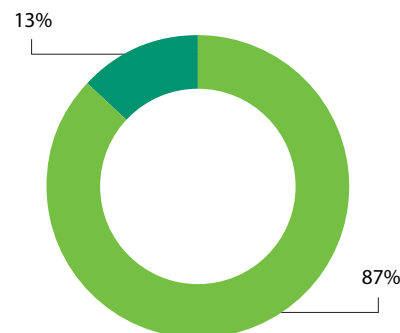
*According to the activity id and the respective tax identification.

528 suppliers registered on the platform that PT has created specifically for this purpose were awarded during 2013. The contracts were made to companies with registered activity in the following geographies.

05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY

■ national ■ international

Suppliers	Awarded in the year
Africa	0.8%
America	1.3%
Asia	1.5%
Europe	96.4%
TOTAL	528



Volume of purchases during the year – **1,035 million euros**

A significant proportion of purchases during the year related to the construction of the new Data Centre – one of the largest and more sustainable in the world.

Customers

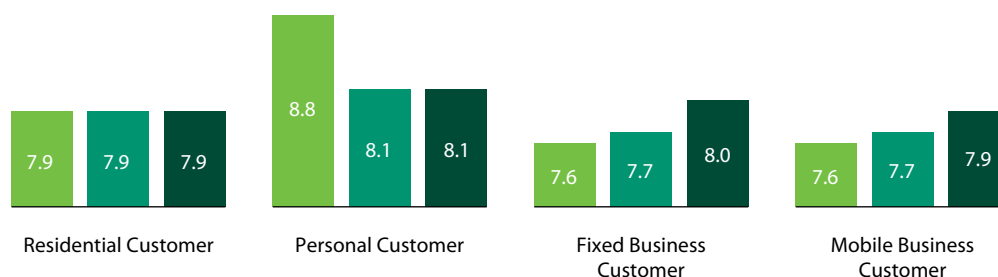
PT's customer base is significant and presents the following profile:

Customers Service type	2012	2013
Retail Fixed Accesses ('000)	5,052	5,158
PSTN / ISDN	2,604	2,549
Broadband	1,225	1,294
TV	1,223	1,315
Mobiles ('000)	7,598	7,896
Post-paid	2,469	2,925
Pre-paid	5,129	4,971

The level of customer satisfaction is considered crucial to the company's performance in the future. The market survey is carried out every year and the average rating has the following evolution over the last years:

Customer satisfaction index (1 to 10)

■ 2011 ■ 2012 ■ 2013



Source: Residential | Personal: Markttest; Business: DataE

One of the issues that has shown to have impact on communities, but with low relevance in terms of customer satisfaction, is the location of antennas for mobile communications and the ability of the company to ensure the provision of continuing services in situations of natural disasters.

The location of antennas is defined in collaboration with the local stakeholders in each locality and/or region and the continued provision of services in disaster situations has a contingency plan in which the civil protection bodies are also involved.

Partners

The partnerships that PT establishes aim to build an ecosystem where there is a balance of operation between the activity of the enterprise and the environment that surrounds it in ethical, technological, environmental and/or social terms.

These partnerships are established with national and international entities, and are implemented through cooperation protocols and working groups, whose evolution and conclusions are integrated into the company's processes of management, conduct of operation and innovation.

Partnership networks

- **Technology vendors** – Cisco | Huawei | Microsoft | Ericsson | among others
- **Universities and research institutes** – INESC | FAQTOS | National Universities | Universities of York, Sussex, London | among others
- **Non-Governmental Organizations** – UNGC | ETNO | UNI | BCSD | LBG | among others

Regulators

The company's activity is regulated and consequently monitored by multiple entities at national and international levels.

At corporate level, the company abides by the laws of the countries where the company is listed on the respective stock exchanges.

Legal Framework

Domestic | European | American

Regulatory framework of the activity

- ANACOM – National Communications Authority
- ERC – Regulatory Authority for the Media
- AdC – Competition Authority
- CNDP – National Commission for Data Protection
- Portuguese Government
- EC – European Commission
- BEREC – Body of European Regulator and Electronic Communications

Topics discussed and results of surveys/audits
and consultations available on the websites of each entity.

05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY

Main challenges in order to better align the value chain

Stakeholder	Ethics*	Economic*	Human Rights*	Labour practices*	Environment*
Shareholders Analysts	✓	✓	✓		
Employees			✓	✓	
Suppliers			✓	✓	✓
Customers	✓		✓		✓
Partners		✓	✓		✓
Regulators		✓	✓		✓

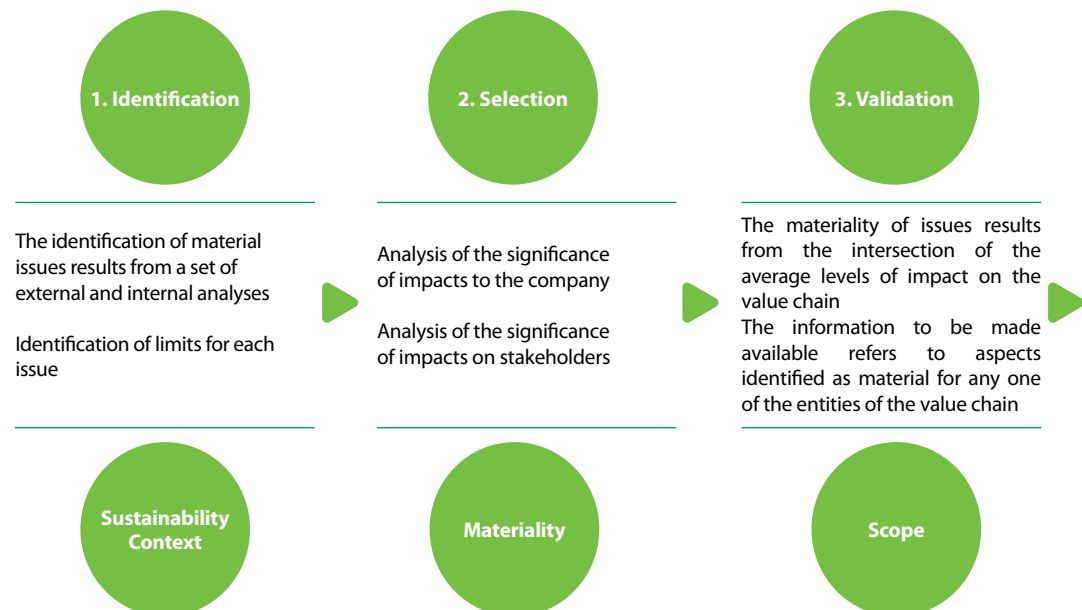
*Ethics – align values among different cultures | *Economic – Adjust prices to the economic environment | *Human Rights – Data Privacy, Collective Bargaining, Decent Work, Non-discrimination. | *Labour Practices – Health & Safety Conditions | *Environment– Green commercial offer, waste routing, GHG emissions.

3. MATERIALITY

Being sustainability one of PT's five strategic objectives, it is essential to adjust the alignment between the company and the expectations of stakeholders. For this, it is necessary to know the relative importance assigned by each one to each identified issue and on that basis, find the level of materiality of each subject to define the opportunities for improvement in the performance of the Group.

Materiality analysis was conducted in order to identify the sustainability issues with greater relevance to the sustainable management model, taking into consideration their importance for the creation of value for the organization in the long run and the expectations of its key stakeholders. It was thus intended to fit this analysis into the sustainability strategy established for the triennium 2012-2014. In 2013, an assessment complementary to that of the previous year was carried out in order to determine new trends with direct or indirect impact on business and stakeholders and better fit the issues included in the new GRI 4 guidelines.

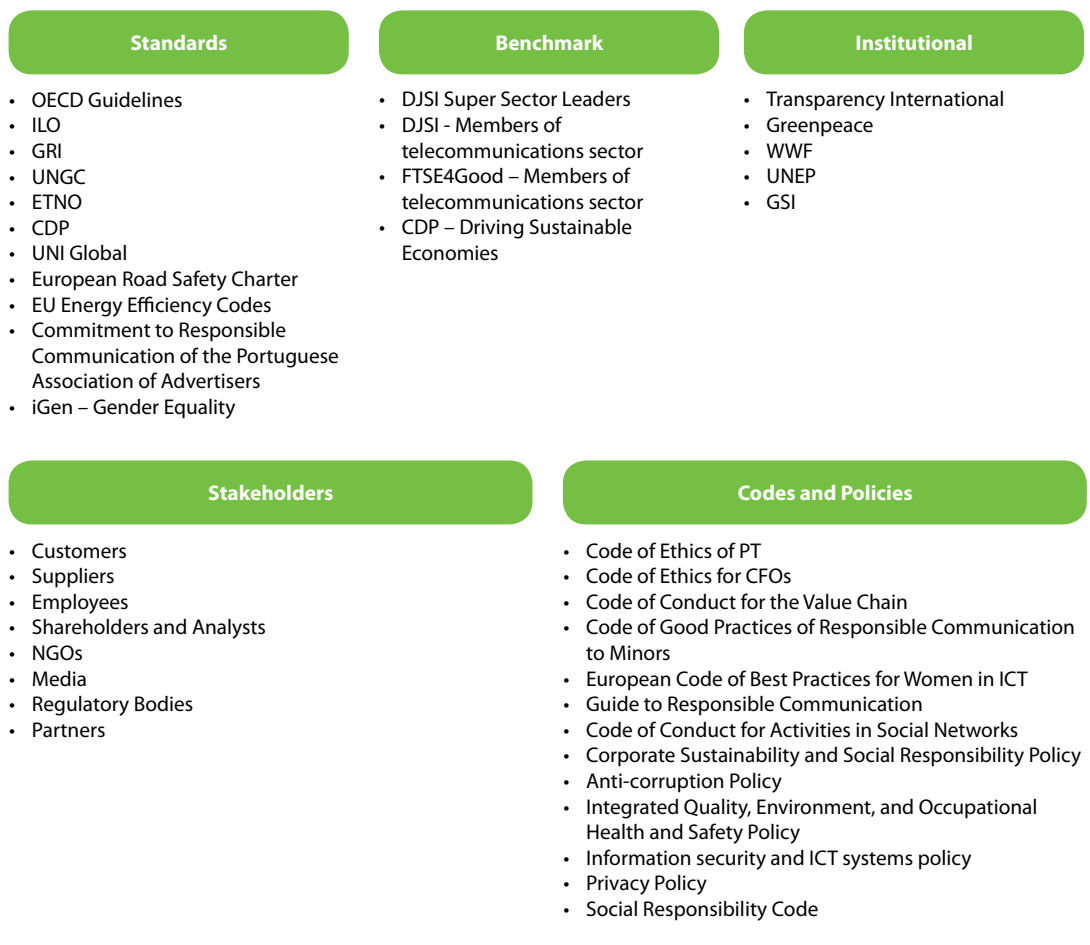
The analysis was structured in the following phases (G4-18):



Method and identification of relevant issues (G4-18)

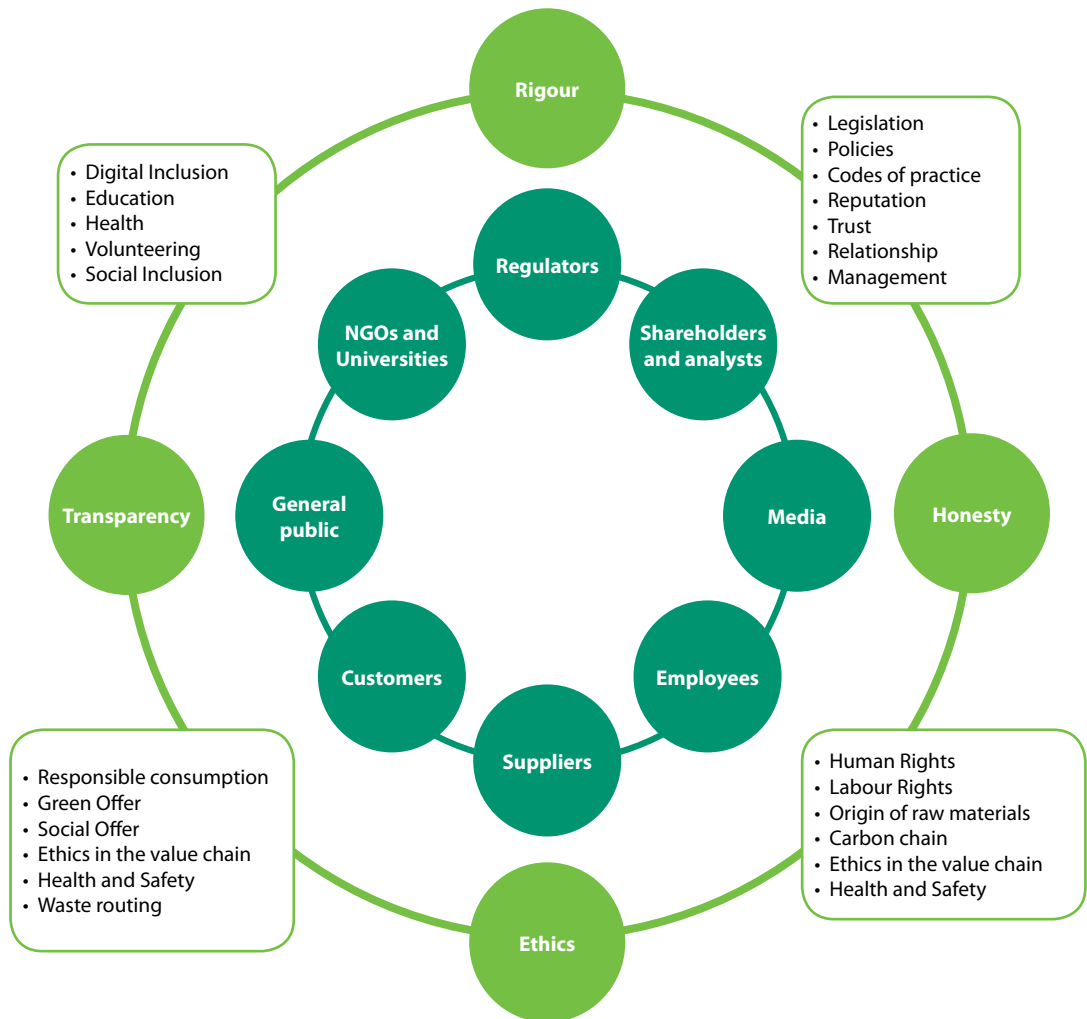
The identification of potentially relevant topics resulted from a process of consultation and systematization of issues associated with the following sources of information:

- Aspects of the GRI G4 guidelines;
- Issues referenced in the GRI telecommunications sector supplement;
- Issues addressed by PT’s sustainability strategy and associated codes and policies;
- International and National Standards subscribed/adopted by PT;
- Issues identified as relevant by PT stakeholders;
- Economic, environmental and social topics present in industry benchmarks, more specifically the international sustainability indexes.



05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY

Generally the topics listed for the three-year period resulted from the conclusions of the dialogue with all stakeholders over time and are summarized in the following table:



During 2013, these issues were again assessed for each topic that composes them, in agreement with the new GRI 4 guidelines and as a function of the perception of the other stakeholders. The result of the new assessment is identified in the list below, grouped by corporate social responsibility issue (G4-18):

Topics with relevance and potential impact (G4-18)

Economic Dimension

- Prices of services
- Economic impact of the company
- Innovative services offer
- Purchase volume

Ethical Dimension

- Clear, rigorous and transparent institutional communication with the market
- Clear commercial communication on contractual aspects of products and services
- Anti-corruption communication channels

Environmental Dimension

- Energy efficiency of equipment
- Environmentally responsible suppliers
- Greenhouse gas emissions
- Ecological products and services
- Environment and biodiversity preservation
- Waste routing

Human Rights Dimension

- Personal data privacy
- Suppliers ensuring respect for Human Rights
- Social dialogue
- Child labour and other improper working conditions
- Equal opportunities

Labour Practices Dimension

- Occupational health and safety by the company and suppliers
- Training
- Suppliers respecting labour rights and decent work

Products and Services Dimension

- Communication channels for suggestions, questions or complaints
- Services adapted to all population layers irrespective of geographic location, income level, race or country of origin
- Safe use of equipment and services
- Correct routing of equipment at end of life cycle

Citizenship Dimension

- Ensure the provision of communication services to competent authorities in emergencies: natural disasters, etc.
- Safety in ICT use by the most vulnerable population layers, especially minors
- Combating cybercrime and promoting responsible ICT use
- Choice and use of services in a conscious and responsible way
- Dialogue with the bodies representing the interests of customers and society
- Communication solutions adapted to persons with special needs
- Electromagnetic radiation

05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY

This report will include information on all the identified topics as regards Group companies where there is a stake equal to or greater than 51% of the respective capital and total revenue above 15 million euros.

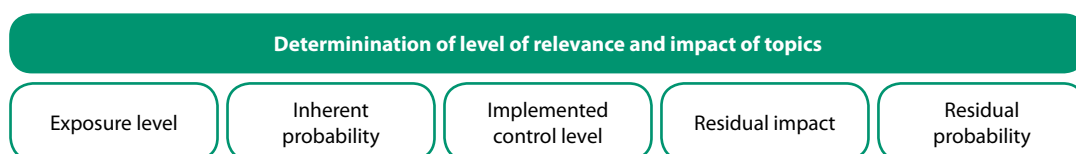
Definition of relevance of identified issues (G4-18)

Each identified issue was subject to an evaluation according to the relevance and potential impact for PT and for its stakeholders in the benchmarks of the international sustainability indices where PT is listed.

We will find below the profile of every issue according to the level of average relevance assigned by each stakeholder.

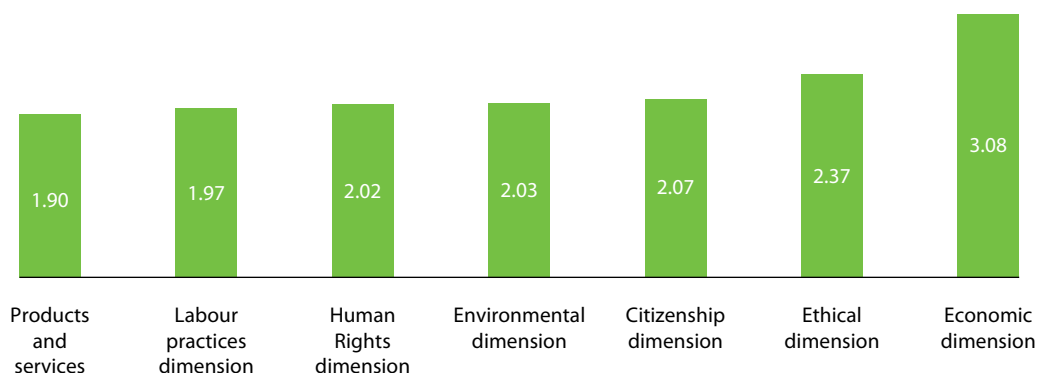
Relevance assigned by PT

To assess the level of relevance of its impacts, PT carries out usually a quantitative analysis that identifies for each topic: the level of exposure of the company, the inherent probability, the implemented level of control, as well as its impacts and residual probability. The evaluation of each topic is performed on a scale with four levels, from reduced to high.



This analysis is coordinated by the Sustainability Committee and the Corporate Risk Management Unit, and each subcommittee identified the level of relevance of topics related to the respective area of expertise. The final results, presented below, were then approved by the Sustainability Committee.

Ranking of levels of importance for PT



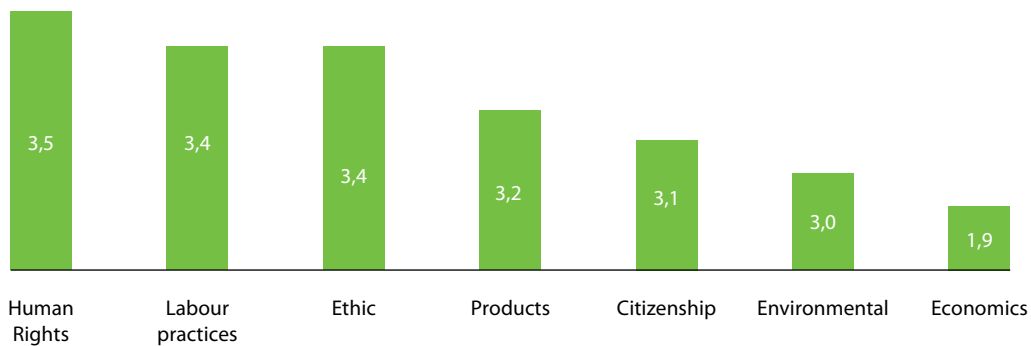
Average relevance assigned by remaining interest groups

G4-18, G4-26, G4-27)

To identify the level of relevance and impact of each topic in its stakeholders, PT carried out a specific survey. The survey used as the main tool, an online questionnaire available on the different websites of the Group. The 2,529 responses allowed for identifying:

- The order of importance of each dimension for each type of stakeholder;
- The critical factors of sustainability in the present and near future.

Ranking of relevance (on average) of each issue for stakeholders



Overall Human Rights and employment practices are this year the most important dimensions to PT’s stakeholders, followed by ethics and by the products and services dimension.

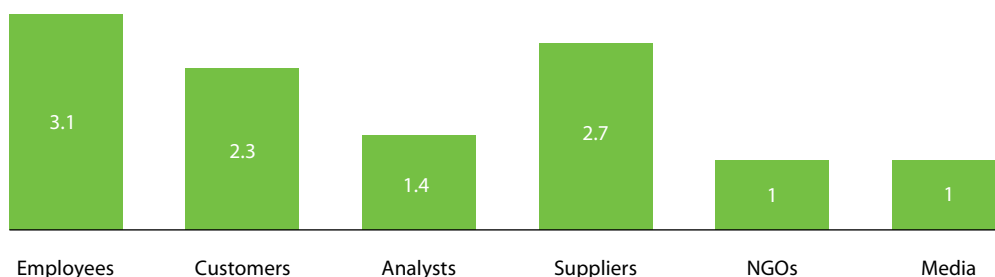
The results also show that NGOs are the most aware of sustainability, as they generally ascribe the highest score in all dimensions of the survey. On the other hand, analysts stand out by assigning the highest score to ethics.

05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY

The charts below illustrate these conclusions and define the profile of relevance of each issue (G4-18):

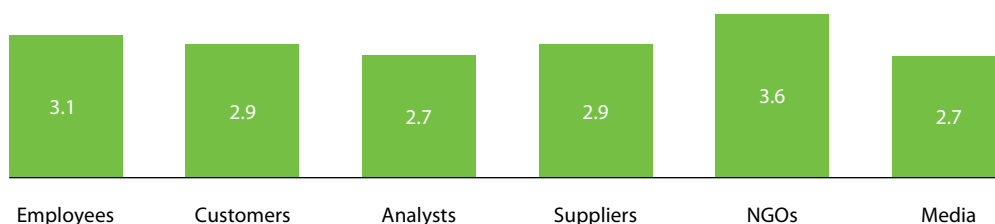
Economic dimension

(scale 0 to 4)



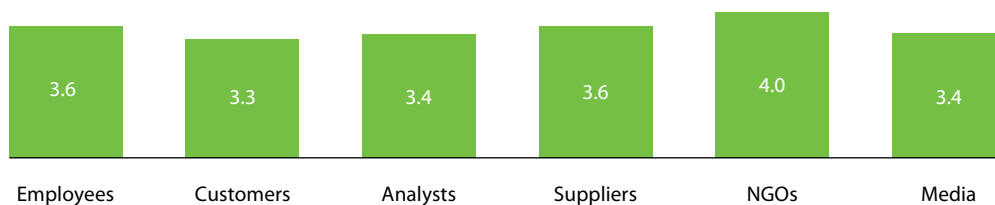
Environmental dimension

(scale 0 to 4)



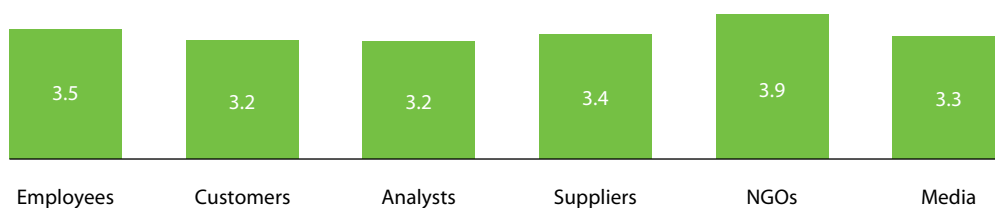
Human Rights dimension

(scale 0 to 4)



Labour practices dimension

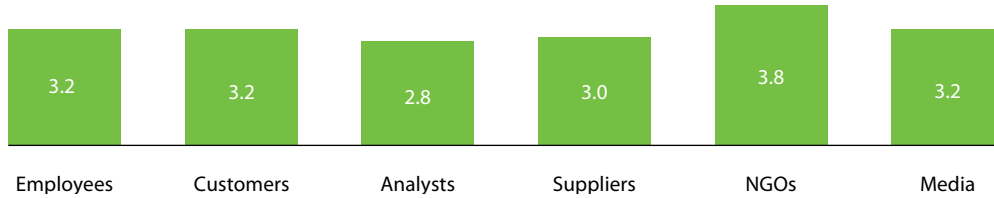
(scale 0 to 4)



(G4-18)

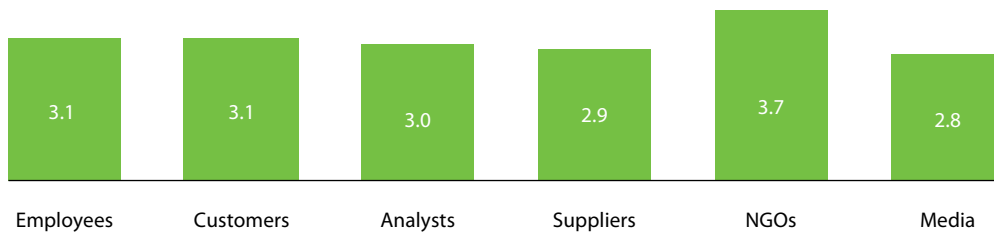
Products and services dimension

(scale 0 to 4)



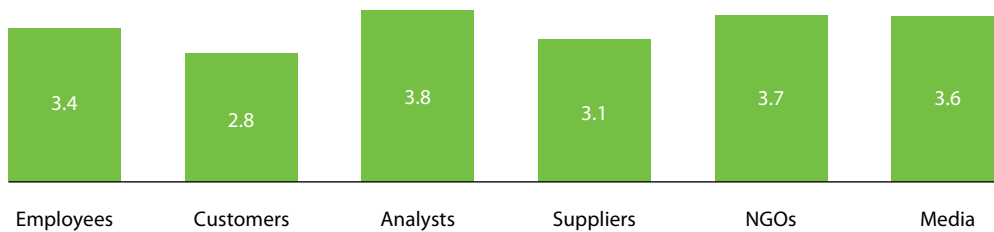
Citizenship dimension

(scale 0 to 4)



Ethical dimension

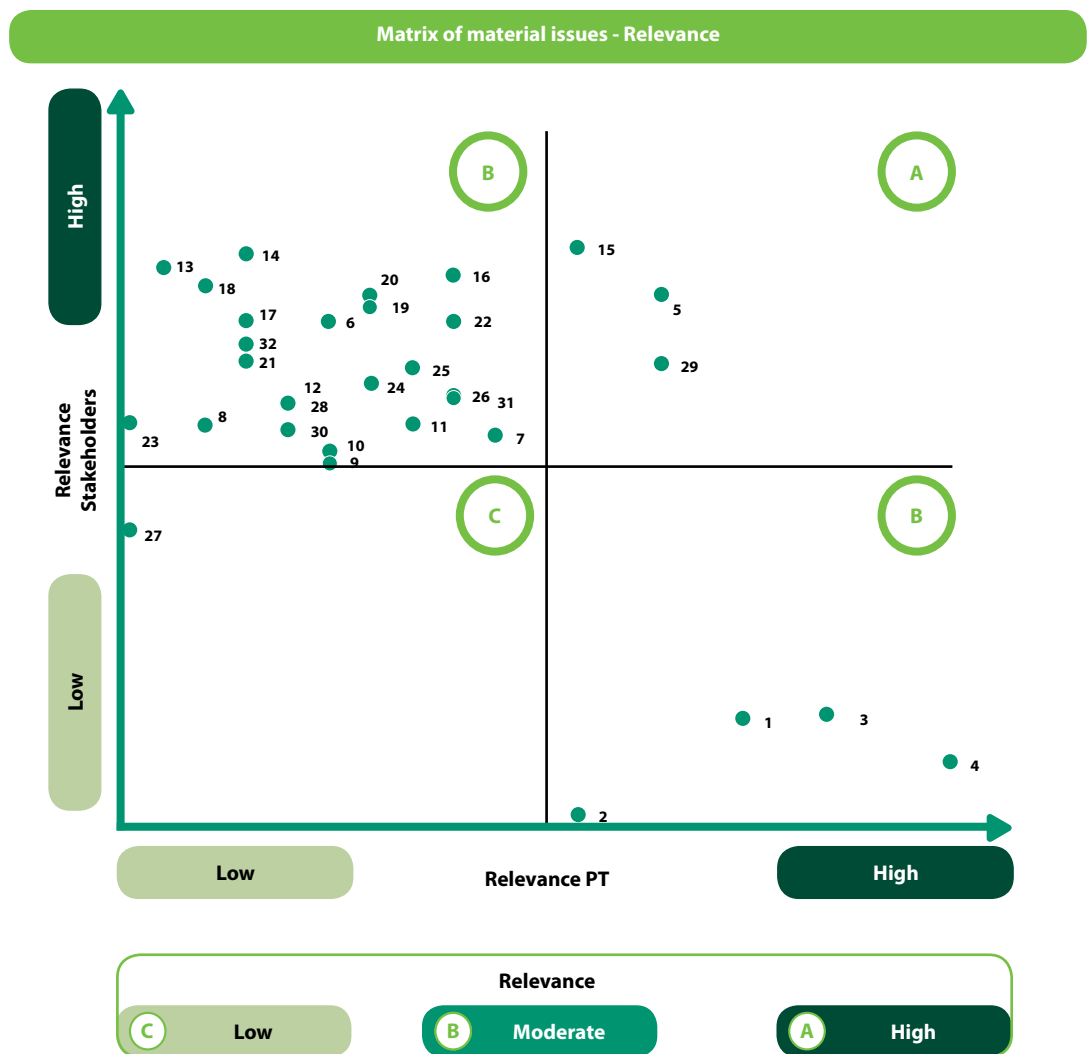
(scale 0 to 4)



05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY

Materiality of sustainability issues (G4-18, G4-19, G4-20, G4-21)

The hierarchy of the sustainability topics, from crossing the two analyses described above, positions the topics in 4 quadrants, according to their level of importance for PT and its strategic stakeholders: High (quadrant A in the following matrix), Moderate (quadrant B), and Low (quadrant C). Quadrant A contains the issues related to data privacy, business continuity and clear, rigorous and transparent communication with the market. With the exception of electromagnetic radiation, which has a low level of importance, all other issues are rated of moderate importance.



Economic dimension
 1. Economic impact of PT 2. Purchase Volume 3. Innovative service offer 4. Prices of services

Ethical dimension
 5. Clear, rigorous and transparent institutional communication with the market 6. Communication channels for anti-corruption 22. Clear commercial communication on the contractual aspects of products and services

Environmental dimension

7. Energy efficiency of equipment 8. Waste routing 9. Greenhouse gas emissions 10. Ecological products and services 11. Environmentally responsible suppliers 12. Environment and biodiversity preservation

Human Rights dimension

13. Equal opportunities 14. Combating child labour and other improper working conditions 15. Personal data privacy 16. Suppliers that ensure respect for Human Rights 17. Social dialogue

Employment practices dimension

18. Suppliers that respect labour rights and the decent work 19. Occupational health and safety by the company and suppliers 20. Training

Products and services dimension

21. Safe use of equipment and services 23. Correct routing of products at end of life cycle 24. Services adapted to all population layers irrespective of geographic location, income level, race or country of origin 25. Communication channels for suggestions, clarifications or complaints

Citizenship dimension

26. Safety in ICT use by the most vulnerable population layers namely minors 27. Electromagnetic radiation 28. Choose and use services in a conscious and responsible way 29. Ensure the provision of communication services to competent authorities in emergencies: natural disasters, etc. 30. Dialogue with the bodies representing the interests of customers and society 31. Combating cybercrime and promoting responsible ICT use 31. Communication solutions adapted to persons with special needs

Issue Management – Level of Relevance

Relevance		
C - Reduced	B - Moderate	A - High
Issue included in Management	Issue included in Management	Issue included in Management
Action plans	Action plans	Action plans
Low impact on the value chain	Moderate impact on the value chain	High impact on the value chain
Impact assessment low frequency	Impact assessment moderate frequency	Impact assessment high frequency

Scope and contours of the information to be made available

(G4-18, G4-19, G4-20, G4-21)

- The current report provides information that aims to respond to all GRI 4 requirements, the issues raised by stakeholders and the requests for information usually required by sustainability analysts;
- The identification of the materiality of each topic is part of the risk and opportunity management model of the company, as each level of relevance is a model of intervention, in particular from the point of view of the control and action plans to mitigate the negative impacts and/or leverage opportunities;
- For each material issue, regardless of its level of relevance, the respective management approach and performance indicators are presented;
- The information concerning the management of the value chain is also presented in all issues, although the information about the respective performance is only possible for a few topics. The collection of information along the value chain is a process in construction that lacks better robustness.

05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY

At the end of the report you will find a table that identifies the chapters where each material issue is addressed: the table is called DMA (G4-19, G4-20, G4-21).

4. RISK AND OPPORTUNITY MANAGEMENT

As a structured and systematic approach, risk management is integrated within the process of strategic planning and operational management of the company, depending on the commitment of all employees to adopt risk management as an integral part of their duties, in particular in the identification, reporting and implementation of measures and behaviours of risk mitigation.

Goals

- i) Implementation of a corporate risk management model aligned with the strategic goals of PT Group;
- ii) Identification and analysis of the main risks to which PT and its subsidiaries are exposed as part of the development and pursuit of their activity;
- iii) Identification and analysis of key risk factors and events that may significantly affect the normal operation of PT and its subsidiaries in the following aspects:
 - Impact;
 - Probability of occurrence;
 - Associated control level and reaction capability in crisis situations;
 - Speed at which the risk or event can materialize;
 - Identification of improvements in the control and monitoring of mitigation plans associated with critical risk factors.
- iv) Improve the quality of information that supports the decision-making process;
- v) Communication of the results of the risk management model and triggering of alerts in case of occurrence or identification of new critical risks.

Risk management process

Considering the necessity of PT to have clear mechanisms of risk assessment and management that affect its business, the following components in the implementation of the risk management process have been defined: **Dictionary of Risks** to ensure the description, in a clear and objective way, of a common risk language to be used not only internally but also in the various disclosures made to the market on this issue; **Risk Management Methodology** that formalizes processes and procedures for identification, analysis, mitigation and reporting of relevant risks; **Centralized repository** of all information associated with each relevant risk, simplifying the analysis of correlation between the various risk factors recorded, as well as the hierarchy of the response and the identification of synergies among the various risk mitigation actions.

This model also incorporates the corporate sustainability objectives deemed strategic for the PT Group and has a dictionary in order to facilitate and standardize the approach by the various companies of the Group and its various stakeholders.

Dictionary of Risks

The Dictionary of Risks allows cataloguing the risk factors that generally speaking may affect PT and its subsidiaries, contributing in this way to a common risk language across the entire organization. However, this dictionary is not intended to be deterministic, since new risks can be identified, being updated in a systematic manner and whenever justified.

This component of the risk management process is structured in three main risk categories, according to their nature:

Strategic Risks - They correspond to the risks that depend on external forces to the PT Group and its subsidiaries and that can affect their performance, strategy, operations and organization. By nature, the origins of surrounding risks imply that the associated impacts have to be properly anticipated, and timely identified the materialization of the associated risk factors as well as the mitigation strategy in the event of a crisis;

Operational Risks - They are a result of and inherent to business activities and internal processes, and Management can ensure the control of same in their origin in a preventive manner;

Financial risks associated with the financial performance of the Group and the transparency in its communication to the market.

The table below presents the risks currently identified in the Risk Management Model of the PT Group and upon which the entire risk management process is developed.

Strategic Risks	<ul style="list-style-type: none"> Competition Economic Environment Innovation Shareholders' Expectations Legal Fiscal Regulation Customers' needs Ethics 	<ul style="list-style-type: none"> Political Sovereignty Activity Sector Governance Reputation and Image License Management Concessions Business investment portfolio Social Environment and Relationship Stakeholders
Operational risks	<ul style="list-style-type: none"> Environmental Sales channel and customer support Network Infrastructure Platforms IS/IT infrastructure Development of Products and Services Brand Erosion Service Failures Product Deficiency Logistics Hygiene and Safety Inefficiency Business Interruption Failure to obtain development and retention of talent 	<ul style="list-style-type: none"> Quality of Service Procurement Partner Management Outsourcing Revenue Assurance Billing Authority Limits Communication Leadership Performance Incentives Information Security and Asset Protection Fraud Organizational Structure Performance Assessment Pricing Contractual commitments/contract management
Financial risks	<ul style="list-style-type: none"> Credit Equity Exchange rates Interest Rate Cash-flow Liquidity 	<ul style="list-style-type: none"> Financial instruments Funding Access Financial Reporting Company Listing Evolution Warranties

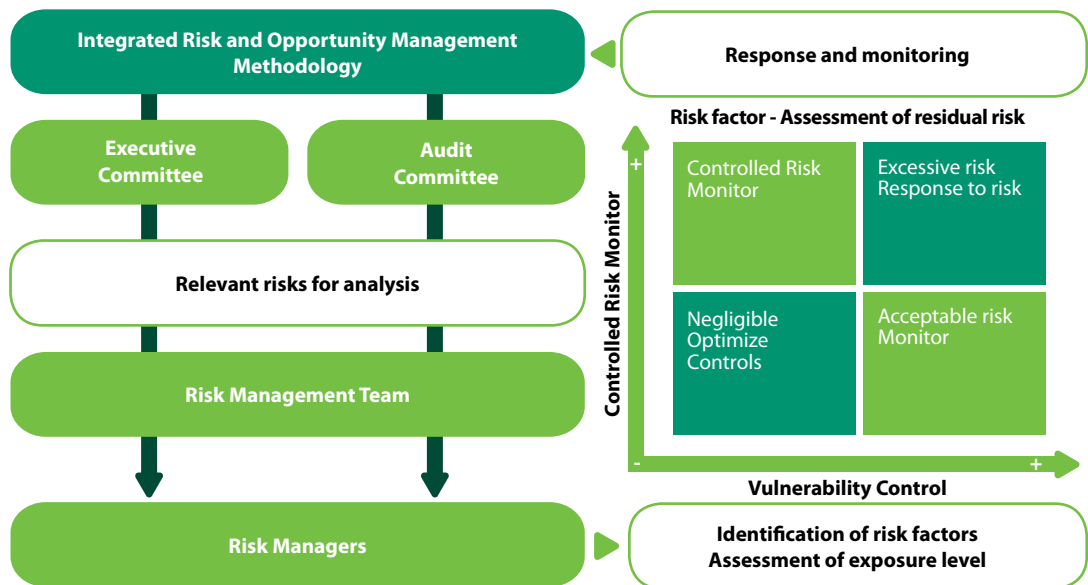
In this table, the risks designated as environment, ethics, Hygiene & Safety, business discontinuity, development of products and services, talent development and retention, fraud, information security, quality of service and social environment, and relationship with stakeholders, constitute the main sustainability risks. The identification and management of these risks are explained as follows.

05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY

The operationalization of the Risk and Opportunity Management model in terms of sustainability is carried out in conjunction with the Sustainability Management Committee having the support of a number of Subcommittees that address the main issues identified in this critical area. The approach allows for defining the operational strategy, procedures and action plans suitable for a continuous improvement of the management systems in the following areas:

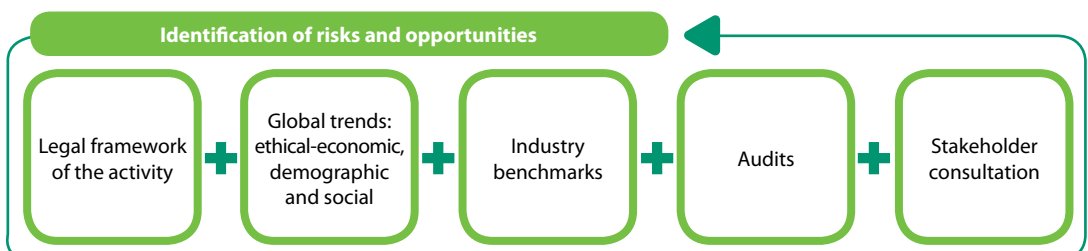
- i) Energy and Environment;
- ii) Labour relations, Human Rights, Health and Safety at Work;
- iii) Relationship with stakeholders and suppliers;
- iv) Communication, branding and marketing of products and services;
- v) Innovation and development of services and solutions;
- vi) Citizenship and Personal Responsibility;
- vii) Sharing sustainability practices with International Holdings.

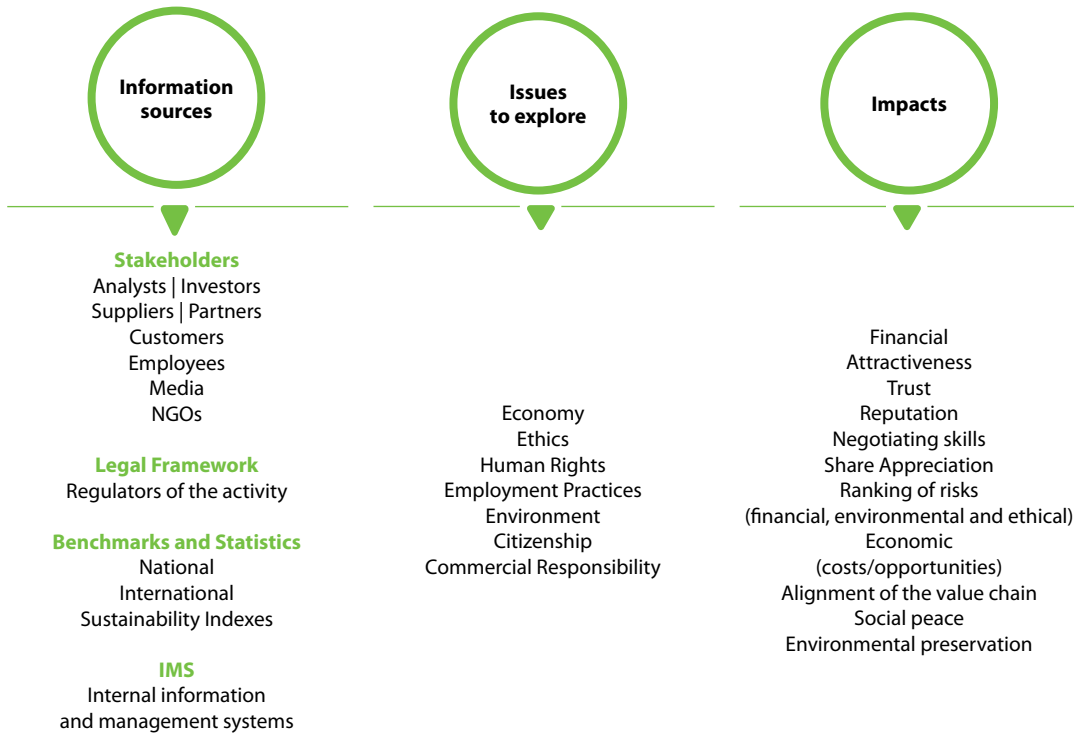
Integrated Risk and Opportunity Management Methodology



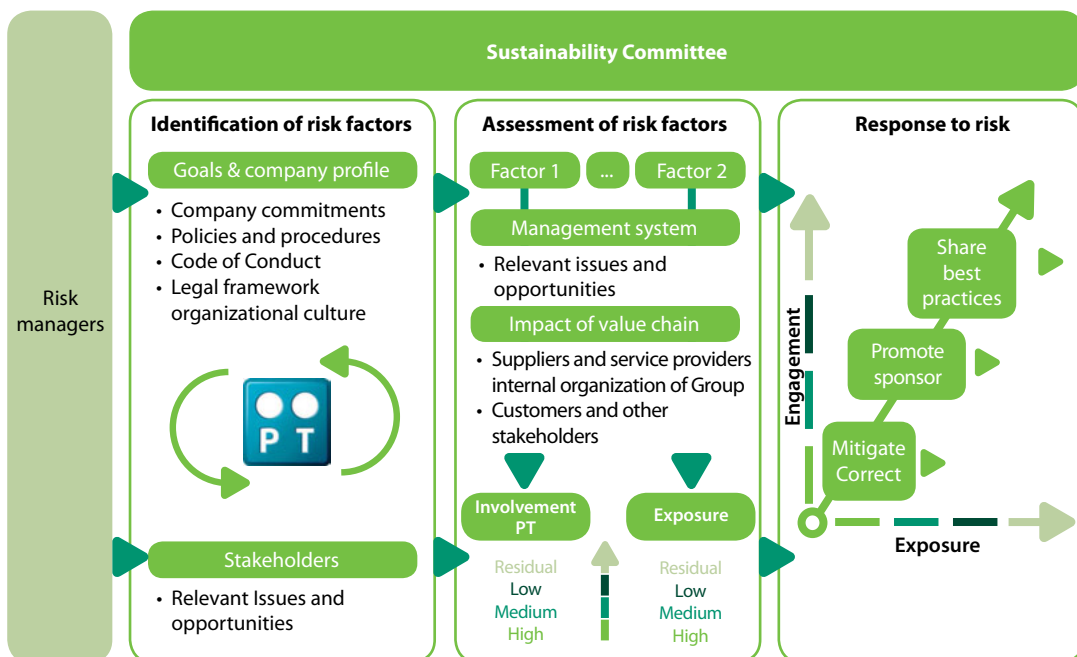
Identification

In the context of the Sustainability Committee, the identified risks are the result of a multidisciplinary analytical process, since it integrates the issues deemed critical by the international community, industry-related issues, issues of concern to stakeholders and issues included by the company management.





The impact assessment considers the evolution of the main Sustainability indicators, as well as the trends and criticality of the issues established through the various sources of information. The response to identified risks is defined in terms of the level of exposure/impact and the level of risk mitigation mechanisms owned by PT, as detailed in the diagram below:



05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY

The impact assessment of each issue has the following profile by type of information source:

Relevant issues	Identified impacts		
	Stakeholders	Benchmarks & audits	Company
Economic dimension			
Economic performance of PT for the country	High	High	High
Volume of purchases from suppliers	High	High	Medium
Innovative service offer	High	High	High
Services prices adjusted to national market and sophistication of marketed services	High	High	High
Ethical dimension			
Clear, rigorous and transparent communication with the market	High	High	Medium
Anti-corruption - Communication channels	High	High	High
Correct and accurate information on marketed products and services	High	High	Medium
Environmental dimension			
Energy efficiency of equipment	High	High	High
Appropriate waste routing	High	High	High
Greenhouse gas emissions	High	High	Medium
Sell ecological products and services	High	High	High
Suppliers ensuring environmental respect and balance	Medium	High	Medium
Preservation of country's environment and biodiversity	Medium	High	High
Human Rights dimension			
Non-discrimination by promoting equal opportunities	High	High	Medium
Combat child labour and any other improper working conditions	High	High	High
Preservation of personal data privacy	High	High	High
Suppliers respecting Human Rights	High	High	Medium
Have and defend the right to social dialogue	High	High	Medium
Employment practices dimension			
Respect for labour rights and decent work, by the company and by the suppliers	High	High	Medium
Respect and promotion of Occupational Health and Safety, by the company and by the suppliers	High	High	Medium
Training for employees	High	High	High

High Medium Low

Relevant issues	Identified impacts		
	Stakeholders	Benchmarks & audits	Company
Products and services dimension			
Customer information on correct use of equipment and services	High	High	Medium
Correct routing of equipment at end of lifecycle	Low	High	Low
Service offering suited to all population layers irrespective of location, income level, race or country of origin	Medium	High	High
Communication channels for suggestions, clarifications or complaints	Medium	High	High
Citizenship dimension			
Provision of tools to promote safe ICT use by the most vulnerable population layers especially minors	Medium	High	Low
Electromagnetic radiation	Low	Medium	Low
Conscious and responsible choice and use of services	High	High	Medium
Provision of communication services to competent authorities in emergencies: natural disasters, etc.	High	Medium	High
Constructive dialogue with bodies representing the interests of customers and society	Low	High	Medium
Cybercrime combat – provision of knowledge to customers and general public to promote responsible ICT use	High	High	Medium
Communication solutions adapted to persons with special needs	High	High	Low

High Medium Low

Action plans

The mitigation of risks and the addressing of opportunities identified year after year have an action plan that complements the three-year sustainability plan contained in the chapter about Strategy and Commitments, whose results will be presented annually and at the end of each triennium.

Action plan 2013

Economic

- Cost control: Identify the fundamental | Negotiation for fair trading;
- Inclusion of assessment of environmental impacts of each supply: energy and waste production efficiency; and social impacts: suitability to targets, health and inclusion;

05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY

- Pricing plans tailored to all segments of population | services tailored to all population profiles.

Ethical

- Maintain the levels of accuracy and transparency in communication;
- Create a new channel for complaint of Corporate Social Responsibility situations/ incidents, related to Human Rights, ethics in dealings, Data Privacy, labour rights and environmental preservation;
- Provide clear information on the provision of products and services online and in stores.

Environmental

- Collect information about energy efficiency gains on the new equipment to be acquired;
- Specialized teams to identify, treat and route activity waste | Provide information about routing packaging and devices for the consumer market;
- Opt for power supply incorporating renewable energy sources | Opt for 100% renewable energy supply for the new Data Centre;
- Redirect successively market offer to become a green offer | Adjust offer to demand and to market perception;
- Include contractual clauses related to good environmental practices in accordance with the type of acquisition to make;
- Contribute to the balance of nature, whenever an occurrence is identified, with corporate volunteering initiatives and with telecommunication services.

Human Rights

- Greater gender balance in trainee recruitment; Definition of pay bands per professional category and level of development;
- Increment supplier audits and assessment criteria | Create a communication channel for online reporting of CSR-related occurrences;
- Maintain the levels and rigour of already implemented procedures;
- Awareness campaign on Human and labour rights in suppliers.

Labour practices

- Increment supplier audits and assessment criteria | Create a communication channel for online reporting of CSR-related occurrences;
- Prepare management instruments for gathering OSH information in suppliers;
- Training plan.

Products and services

- Marketing campaigns | "Communicate in Safety" Action;
- Provide information on the appropriate routing of packaging waste and equipment;
- Maintain a commercial offer adjusted to the entire population;
- Maintain dialogue tools with customers and an improvement and feedback process.

Citizenship

- Maintain the implemented procedures | Strengthen the awareness campaign;
- Provide information on radiation levels of antennas and terminal equipment;
- Extend and systematize the outcome of dialogue with new organizations;
- Identify new models of campaigns to raise the awareness of the population.

06

ECONOMIC DIMENSION



REPORT PROFILE	04		
01 ORGANIZATIONAL PROFILE	06		
02 STRATEGY AND COMMITMENTS	15		
CHAIRMAN AND CEO'S MESSAGE	16		
03 GOVERNANCE MODEL	35		
04 ETHICS AND INTEGRITY	51		
05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY	67		
06 ECONOMIC DIMENSION			
07 ENVIRONMENTAL DIMENSION	111		
08 SOCIAL DIMENSION	137		
09 CORPORATE CITIZENSHIP	171		
DISCLOSURE MANAGEMENT APPROACH SYSTEMATIZATION OF REPORT CONTENTS	177		
GRI INDEX	183		
UNGC COP ADVANCED CRITERIA	191		
EXTERNAL AND INDEPENDENT VERIFICATION	193		
		1. PERFORMANCE	96
		2. PRACTICES	102
		2.1. R&D and innovation	102
		2.2. Procurement and suppliers	105
		2.3. Digital inclusion	106

06 ECONOMIC DIMENSION

1. PERFORMANCE

Economic value generated and distributed (*)

Consolidated income statement ⁽¹⁾

(Euro million)

	2013	2012	y.o.y
Operating revenues	2,911.2	3,079.0	(5.4%)
Portugal ⁽²⁾	2,559.6	2,700.5	(5.2%)
Residential	721.1	711.7	1.3%
Personal	655.2	688.1	(4.8%)
Enterprise	790.8	896.0	(11.7%)
Wholesale, other and eliminations	392.5	404.7	(3.0%)
Other and eliminations	351.6	378.5	(7.1%)
Operating costs ⁽³⁾	1,748.8	1,788.9	(2.2%)
Wages and salaries	399.3	413.6	(3.5%)
Direct costs	458.8	457.4	0.3%
Commercial costs	310.0	318.6	(2.7%)
Other operating costs	580.7	599.3	(3.1%)
EBITDA ⁽⁴⁾	1,162.4	1,290.1	(9.9%)
Post retirement benefits	40.5	57.5	(29.7%)
Depreciation and amortisation	726.3	765.3	(5.1%)
Income from operations ⁽⁵⁾	395.6	467.3	(15.3%)
Other expenses (income)	50.3	(24.5)	n.m.
Curtailement costs, net	127.1	2.4	n.m.
Net losses (gains) on disposal of fixed assets	(3.4)	(3.5)	(3.2%)
Net other costs (gains)	(73.4)	(23.4)	213.6%
Income before financ. & inc. taxes	345.4	491.8	(29.8%)
Financial expenses (income)	(104.6)	56.1	n.m.
Net interest expenses (income)	257.4	213.0	20.8%
Equity in earnings of affiliates and joint ventures, net	(440.6)	(207.3)	112.6%
Net other financial losses (gains)	78.6	50.3	56.1%
Income before income taxes	450.0	435.7	3.3%
Provision for income taxes	(62.0)	(125.6)	(50.6%)
Income before non-controlling interests	388.0	310.1	25.1%
Losses (income) attributable to non-controlling interests	(57.0)	(84.3)	(32.4%)
Consolidated net income	331.0	225.8	46.6%

⁽¹⁾ 2012 figures were restated in order to reflect the impacts of the adoption of the IFRS 11 Joint Arrangements and of the revised version of IAS 19 Employee Benefits, as explained in more detail in the Note 4 of the Financial Statements of the Annual Report (G4-22). ⁽²⁾ Businesses in Portugal include wireline and MEO (previously named TMN). ⁽³⁾ Operating costs = wages and salaries + direct costs + commercial costs + other operating costs.

⁽⁴⁾ EBITDA = income from operations + post retirement benefits + depreciation and amortisation. ⁽⁵⁾ Income from operations = income before financials and income taxes + curtailement costs + losses (gains) on disposal of fixed assets + net other costs (gains).

(*) Economic data are detailed in the Financial Statements included in the Annual Report 2013.

PT's consolidated financial statements are prepared in accordance with IFRS adopted by the European Union, where adoption of IFRS 11 is mandatory only from January 1, 2014. Advance adoption is however allowed. In accordance with IFRS 11, proportional consolidation of jointly controlled entities is prohibited, so it is necessary to consolidate by the equity method. PT decided to anticipate the adoption of IFRS 11, since the application of this standard is mandatory from January 1, 2013 for the purpose of reporting on the New York Stock Exchange, NYSE. The impacts of early adoption of this standard consist in registering joint ventures by the equity method, applicable to all periods presented in these financial statements.

Financial implications and other risks and opportunities for the Company's activities related to climate change

The financial implications of the risks and opportunities related to climate change are inconsequential in the activity of the company.

However, from the point of view of risks and opportunities, ICT activity is recognized by international studies, as a good lever for reducing the carbon footprint in the following situations:

- For customers of its services, as ICT activity dematerializes many daily activities of individuals and families, in particular those relating to movements in professional activities, in access to health, education, and security services, among others;
- For businesses as the energy needed for information storage and management can be transferred to telecommunications operators in the provision of Data Centre services;
- For cities, since the intelligent remote management of urban equipment allows for rationalizing energy consumption and consequently CO₂ emissions.

In this sense, PT has built a new Data Centre with sustainable features targeting Leed (Leadership in Energy and Environmental Design) Gold certification, deployed in a total area of 75,500 square meters, consisting of four blocks with capacity of up to 12,000 square feet of IT space. This Data Centre opened in 2013 and the full investment stood at 90 million euros.

It is also identified the risk of natural disasters, including forest fires and floods caused by storms and excessive rains, and there is an action plan for this purpose that aims to ensure an interrupted provision of communications services.

06

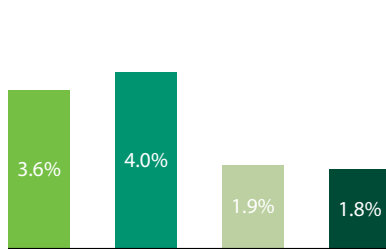
ECONOMIC DIMENSION

Impacts of the Company's activity in the country

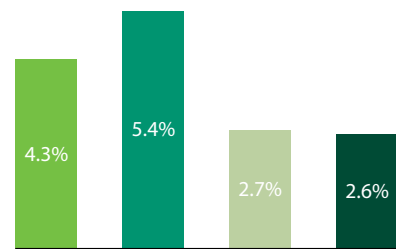
Consolidated revenues of PT represent 1.8% of Portugal's GDP and the investment made by the company represents 2.6% of total investment in Portugal in 2013. In terms of employability, PT maintains a weight of 0.25% vis-à-vis national employability.

Revenues of PT vs. domestic GDP *

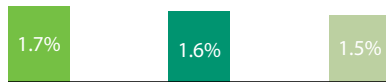
■ 2011 ■ 2012 ■ 2012 w/o Brazil ■ 2013



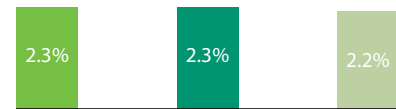
Consolidated revenues of PT vs. domestic GDP



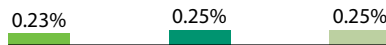
Consolidated investment of PT vs. total investment in the country



Revenues of PT in Portugal vs. domestic GDP



Investment of PT in Portugal vs. total investment in the country



PT employees in Portugal vs. domestic employability

* For better comparability, Brazil-related data were removed from the 2012 figures.

Impacts of the company's activity on the sector and in the country

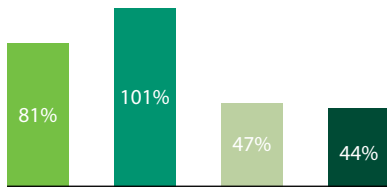
PT continues to have a significant impact on the sector.

In Portugal, PT revenues contribute 39% to industry revenues, and costs represent 25%. With regard to investment in the sector, PT contributed 44% in 2013, slightly below the previous year, less 2 p. p compared to 2012.

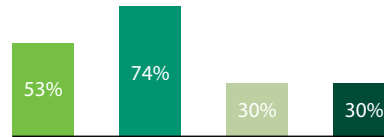
As to employment in the sector, PT employs 80% of the workforce, and this figure decreased 13 percentage points vis-à-vis 2012, as there was an increase in the number of employees in the sector.

Revenues, costs and investments in the sector

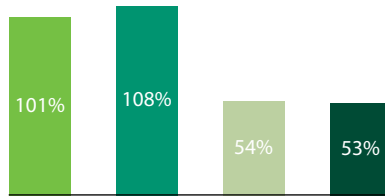
■ 2011 ■ 2012 ■ 2012 w/o Brazil ■ 2013



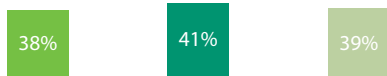
Consolidated operating revenues of PT vs. operating revenues of the sector in the country



Consolidated operating costs of PT vs. operating costs of the sector in the country



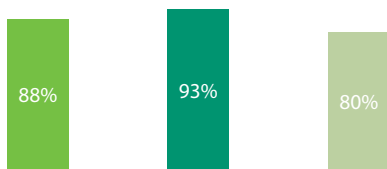
Consolidated investment of PT vs. sector investment in the country



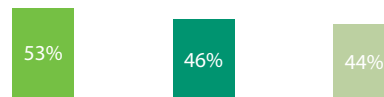
Operating revenues of PT in Portugal vs. sector revenues



Operating costs of PT in Portugal vs. sector operating costs



PT employees in Portugal vs. sector employability



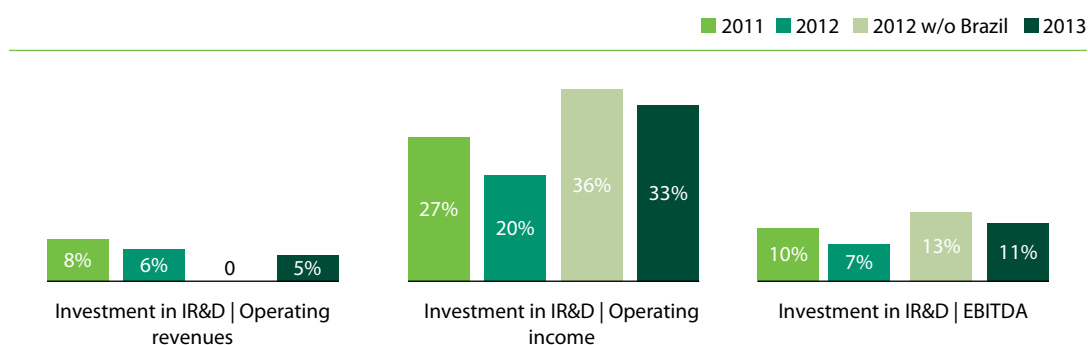
PT investment in Portugal vs. sector investment

06 ECONOMIC DIMENSION

Investment in R&D

PT invested in R&D more than Euro 500 million over the last 3 years.

All the investment indicators in IR&D decreased due to the economic contraction that is felt at the moment in Portugal and in Europe. Anyway, in line with the trend but clearly not significantly reducing R&D investment, there was an allocation of 5% of operating revenues to R&D.



Impact of the Company's activity on stakeholders

Operating revenues decreased by 5% and operating costs 2%. EBITDA decreased by 10%, and net income increased by 47%. Shareholders earned a dividend of 0.3 €/share.

Shareholders	2011	2012	2012 w/o Brazil	2013	2012-2013 evolution
Operating revenues (million euros)	6,147	6,599	3,079	2,911	-5%
% Operating income from operation in Portugal (million euros)	47%	41%	88%	88%	0
Operating costs (million euros)	3,959	4,330	1,789	1,749	-2%
% Operating costs of the operation in Portugal (million euros)	40%	35%	83.8%	84.0%	-0.2
Operating Income (million euros)	803.9	819.8	467.3	395.6	-15%
EBITDA (million euros)	2,188	2,269	1,290	1,162	-10%
EBITDA generated by the operation in Portugal (million euros)	1,306	1,201	n.a.	1,091	-9%
Income before tax (million euros)	531	473	436	450	3%
Net income (million euros)	339	230	226	331	47%
Shareholder remuneration (Euros)	1.3	0.7	-	0.3	-50.0%

Investment increased by 5% y. o. y. and the average level of satisfaction of corporate customers increased between 3 and 4% compared to the previous year.

Customers	2011	2012	2012 w/o Brazil*	2013	2012-2013 evolution
Investment - CAPEX (million euros)	647	468	-	490	5%
CAPEX as a percentage of operating revenues	22%	20%	21%	20%	-1%
Residential customer satisfaction index (1 to 10)	7.9	7.9	n.a.	7.9	0
Personal customer satisfaction index (1 to 10)	8.8	8.1	n.a.	8.1	0
Business customer satisfaction index - fixed service (1 to 10)	7.6	7.7	n.a.	8	0.3
Business customer satisfaction index - mobile service (1 to 10)	7.6	7.7	n.a.	7.9	0.2

*Evolution was calculated based on 2012 values, removing the values concerning Brazil.

2013 saw the number of employees decrease by 3%. Investment in training, as well as the average hours of training per employee decreased by 32% and 30% not due any disinvestment in employee training, but because the current program has already approached the required skills to the necessary identified development level. About 90% of the employees received training in 2013.

The employee satisfaction index was not been assessed this year as it was decided to do this survey every two years. Conducting the survey every year does not provide results with material differences, susceptible of adding value.

Employees	2011	2012*	2013	2012-2013 evolution
Employees in Portugal	11,180	11,359	11,073	-3%
Post-Retirement Benefits - PRBs (million euros)	54.0	51.8	40.3	-22%
Investment in training (million euros)	3.5	2.6	1.7	-34%
Average hours of training per employee	50.0	33.0	23.0	-30%
Employee Satisfaction Index	76%	75%	n.a.	0

*Adjusted to reflect the impacts arising from the adoption of IFRS 11 Joint Agreement and the revised version of IAS 19 (G4-22).

Distribution of wealth to suppliers increased by 23% year on year, as well as the total sum paid to Portuguese suppliers, which in 2013 amounted to a total of Euro 909,1 million, plus 26% compared with the previous year. The environmental and social alignment of suppliers amounted to 84% in 2013, an increase of 4 percentage points in comparison to 2012.

Suppliers	2011	2012	2013	2012-2013 evolution
Distribution of wealth to suppliers (million euros)	792.0	843.0	1,035.0	23%
Distribution of wealth to domestic suppliers (million euros)	717.5	723.3	909.1	26%
Registered vendors on Suppliers Club	1,217	1,269	1,157	-9%
Percentage of national suppliers registered in the Suppliers Club	87%	85%	87%	2
Average alignment scoring of suppliers with CSR practices advocated by PT	75%	80%	84%	4

The benefits of the environmental management system increased 26% in 2013 year on year. The consumption of renewable energies increased 12 percentage points compared to the previous year. The total power consumption had a slight increase of 1% compared to 2012 and the corresponding carbon emissions had a slight increase of 0.1%.

There were reductions in water consumption and consumption of materials of 16% and 23%, respectively.

Environment	2011	2012	2013	2012-2013 evolution
Investment and spending on environmental protection	2,789,299.0	2,793,929.0	1,032.815.0	-63%
Benefits of Environmental Management System (million euros)	3.1	4.5	5.6	26%
Carbon emissions (tons) - scopes 1 and 2	219,286	199,866	200,025	0.1%
Energy consumption (Gj)	1,779,798	1,636,725	1,646.863	1%
Energy obtained from renewable sources	26%	37%	49%	12%
Water consumption (m ³)	295,950	284,509	239,599	-16%
Materials consumption (tons)	24,066	21,600	16,608	-23%
Waste production (tons)	2,980	3,317	3,921	18%

06 ECONOMIC DIMENSION

Over the last 3 years, PT invested more than 500 million euros in R&D, being recognized as one of the Portuguese companies that invest most in research and innovation through established partnerships with universities, research institutes and with partners and suppliers.

The 7% increase in corporate investment in the community continues to express the investment that the company makes in mitigating impacts and development of society. It should also be highlight a 24% increase in hours of volunteering practiced by employees during 2013.

Society	2011	2012	2012 w/o Brazil*	2013	2012-2013 evolution
Tax payments (million euros)	108.2	147.6	125.6	62.0	-51%
Investment in R&D (million euros)	219	167	-	130	-22%
Corporate community investment (million euros)	4,4	4.2	-	4.5	7%
Hours of corporate volunteering	4,354	3,585	-	4,432	24%
PT Volunteers	573	958	-	1,267	32%
Recipients of corporate volunteer programs	19,175	29,186	-	65,889	126%
Recipients of corporate and family volunteer programs	n.a.	261,684	-	327,606	25%

* Evolution took into account 2012 data by removing the values of Brazil.

Contribution of each subsidiary to the economic development of the respective countries

	2011	2012	2013
Unitel - Angola	2%	2%	nd
MTC - Namibia	2%	2%	2%
CVT - Cape Verde	6%	5%	5%
Timor Telecom	9%	9%	7%
CST - São Tomé and Príncipe	8%	7%	8%

2. PRACTICES

The measurement of the materiality of the issues that most potentially interfere in business sustainability and in the balance of its relationship with society and the environment will allow PT perform a more rigorous risk management based on the definition of preventive actions, which anticipate and mitigate the possible negative impacts, and corrective actions, which create the opportunity to innovate at the organizational, technological, cultural / behavioural, relational and/or environmental levels.

Throughout the year of 2013, various initiatives were implemented with the firm aim of reconciling the interests of various stakeholders and to leverage the socio-economic and environmental balance of the society in which we operate.

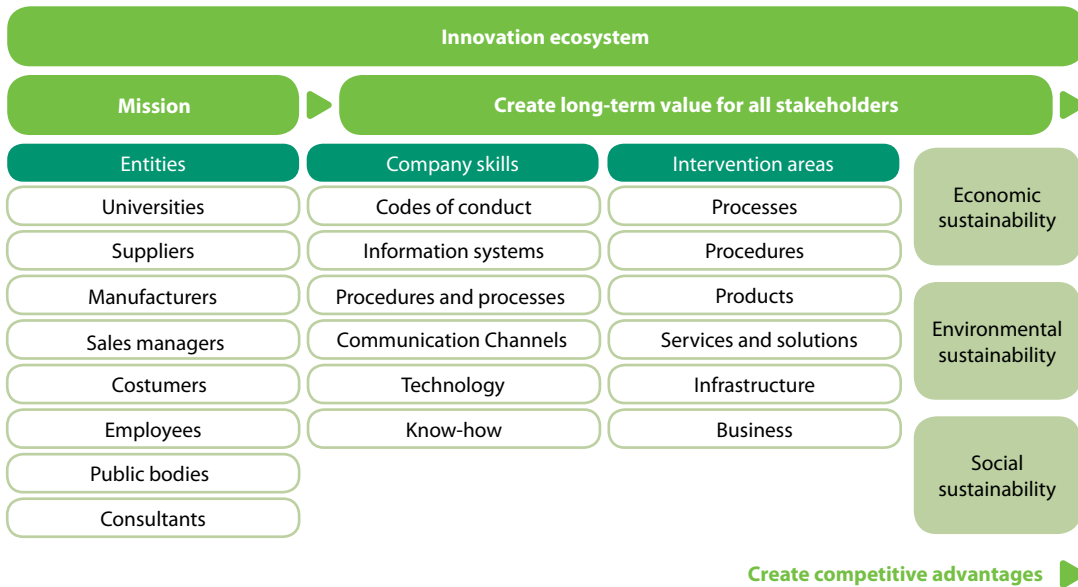
These are aspects that we will describe and share with you.

At the beginning of each topic, the elements of the value chain for whom the issue takes on greater relevance and impact will be highlighted.

2.1. R&D and innovation

In the competitive context of the telecommunications universe, and taking into account the economic and social framework that we are experiencing in Europe, investment in Research and Development (R&D) and

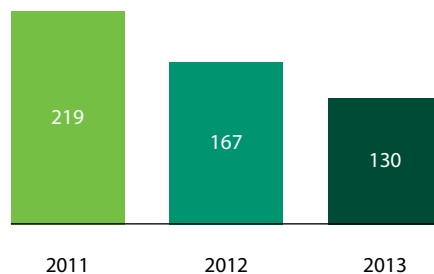
subsequent implemented innovations have revealed to be factors for the creation of value for the companies of the Group, creating positive impact on shareholders, customers, employees, suppliers and the environment and society at large.



Research & Development along with the established partnerships with national and international entities associated with science and knowledge are fundamental building blocks for PT in the re-creation of economic, social and environmental conditions capable of ensuring, with each passing day, a balanced future. The last three years, revealed to contribute to facing the socio-economic situation proactively, by leveraging the current levels of competitiveness in the provision of products and services to the market and greater efficiency and sustainability in the infrastructure, processes, distribution and use.

Investment in R&D and innovation

(million euros)

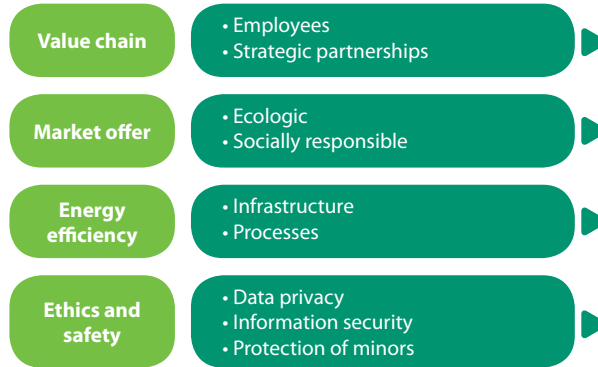


In 2013, PT was identified as Portuguese leader in investment in innovation by a European Commission study “The 2013 EU R&D Industrial Investment Scoreboard”. In 2013, PT invested Euro 130 million in R&D representing 4.5% of revenues. This value represents a slight reduction compared with the previous year, an evolution that is aligned with the overall strategy of consolidation of investments initiated in previous years, in order to develop the full potential over next-generation networks and infrastructure.

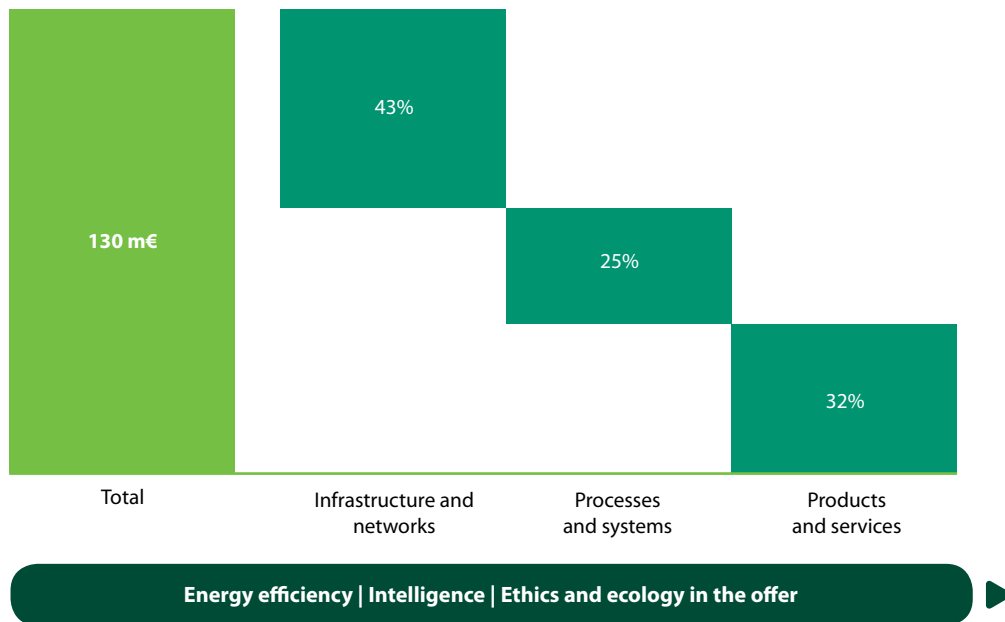
06 ECONOMIC DIMENSION

The areas of intervention of R&D and Innovation based on developments of ICT-based functionalities, on the completion of the construction of the new Data Centre, one of the largest in the world, with sustainable features, and on procedural innovations that facilitate the formation and the alignment of the value chain.

Issues addressed



The breakdown of investment in R&D had the following configuration:



Intellectual Property

In terms of Intellectual Property, three national patents were granted on behalf of the PT Group during 2013:

- **National Invention Patent No. 105.235**, on behalf of PORTUGAL TELECOM INOVAÇÃO, S.A., NATIONAL CENTRE FOR SCIENTIFIC RESEARCH “DEMOKRITOS” and the UNIVERSITY OF AEGEAN:
 - “Managing Link Layer Resources for Media Independent”
 - Date of grant: 15/05/2013
- **National Invention Patent No. 105.765**, on behalf of PORTUGAL TELECOM INOVAÇÃO, S.A. and the UNIVERSITY OF AVEIRO:
 - “Método de Equalização Não-Linear do Canal Ótico no Domínio da Frequência”
 - Date of grant: 02/09/2013
- **National Invention Patent No. 105.392**, on behalf of PORTUGAL TELECOM INOVAÇÃO, S.A. and the UNIVERSITY OF TRÁS-OS-MONTES E ALTO DOURO:
 - “Sistema de informação para atendimento ao público”
 - Date of grant: 14/01/2013

PT also filed the following patent applications during the year:

- **International Patent Application No. PCT/PT2013/000007**, on behalf of PORTUGAL TELECOM INOVAÇÃO, S.A.
 - “Method and apparatus for allowing channels to be changed”
 - Date of application: 08/02/2013
- **Japan Patent Application No. 2013-523120** – This application corresponds to the submission in the national phase in Japan of International Patent Application No. PCT/PT2011/000026, on behalf of PORTUGAL TELECOM INOVAÇÃO, S.A., NATIONAL CENTRE FOR SCIENTIFIC RESEARCH “DEMOKRITOS” and UNIVERSITY OF AEGEAN.
 - “Managing link layer resources for media independent handover”
 - Date of submission: 04/02/2013
- **U.S. Patent Application No. 13/814143** – This application corresponds to the submission in the national phase in the USA of International Patent Application No. PCT/PT2011/000026, on behalf of PORTUGAL TELECOM INOVAÇÃO, S.A., NATIONAL CENTRE FOR SCIENTIFIC RESEARCH “DEMOKRITOS” and UNIVERSITY OF AEGEAN.
 - “Managing link layer resources for media independent handover”
 - Date of submission: 11/06/2013

2.2. Procurement and suppliers

The capture and management of suppliers at PT is based on the following assumptions:

- Sustainability as a mandatory requirement in the process of capture and selection of suppliers;
- Acceptance of the commitment to operate in accordance with socially responsible principles;
- Dialogue and knowledge sharing;
- Verification and assessment of fulfilment of commitments and contractual requirements;
- Incident resolution procedures related to social responsibility.

In 2013, the purchases made by PT had the following profile:

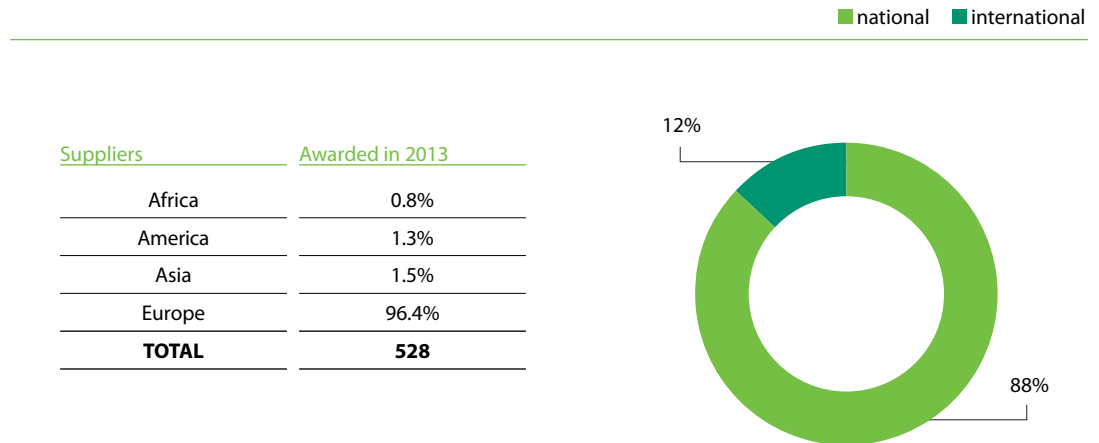
Suppliers with awarded contracts	528
Purchase volume (million euros)	1,035
Purchases to national companies (i)	88%
Purchases to companies in other countries (i)	12%

(i) According to the activity log and the respective tax identification

06

ECONOMIC DIMENSION

During the year of 2013, 528 suppliers were awarded contracts, among those pre-selected and registered on the platform that PT has created specifically for this purpose. There were contracts with companies with registered activity in the following geographies.



Volume of purchases during the year – **Euro 1,035 million**

Purchase category	Distribution of purchases by category
Terminal equipment	23%
Telecommunications networks	12%
Services, media and marketing	9%
Services, works and market products	46%
Information systems	10%

A significant proportion of purchases during the year related to the construction of the new Data Centre – one of the largest and more sustainable in the world.

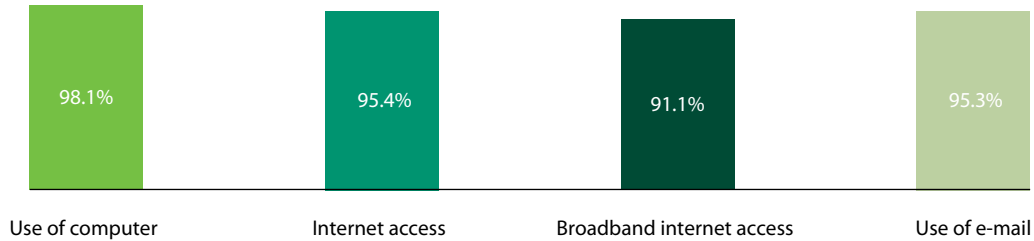
2.3. Digital inclusion

The application of new technologies and in particular the next-generation networks, to the universe of education, health and digital inclusion, enables the creation and use of solutions that promote sustainability of society that will meet the legitimate expectations of the public with whom the company interacts.

Areas of intervention to ensure digital inclusion



Portugal is one of the European countries with better infrastructure for access to broadband, both fixed and mobile, to the internet and television services, accessible from several devices: mobile phone, TV, PC, tablet, etc. The national and business profile of internet use according to the data published by the National Institute of Statistics is as follows:



PT has contributed heavily to this reality since, being a leader in various platforms of broadband internet access, has maintained a high level of investment in the upgrade of the network and the launch of services adapted to the various consumer profiles. And this, in turn, has contributed to the accelerated growth of users and the use that we make of these new information and communication technologies.

The investment had the following profile:

CAPEX (million euros)



The investment made in 2013 accounted for 19% of revenue.

06

ECONOMIC DIMENSION

The profile of coverage and scope of services provided by the company is as follows:

Area of intervention	Scope
• Networks and infrastructure	
Networks (fiber optics and Long Term Evolution)	Coverage of more than 90% of national population
Public payphone network	1 for each 4 km ² (average)
WiFi network (Broadband) for free access	15 for each 4 km ² (average)
• Services	
Provision of services: Telephone, broadband, mobile, TV	100% of the country
Needs-oriented communication services for emigrants (minorities)	Available in 100% of the country
Services and equipment adapted to seniors, people with special needs (vision, hearing, speech, motor, cognitive, neuro-motor etc.), and/or long-term unemployed	Used by about 1% of total population
• Emergency and support services	
Environment: forests natural disasters: fires, floods, etc.	112 - National emergency; 117 – Forest Hotline Emergency plan
Human Rights: violence protection of minors	116000 - Free number, missing children 116111 - Child support line

In the context of promoting digital literacy and knowledge access, PT has focused its activity on three key areas: Education, Health and ICT Access.

- **Education** – PT is involved in a wide range of initiatives in all the geographies where it operates, which aim to promote access to education, e-inclusion and talent generation, using communication technologies like a lever of change and progress.

Networks	National Broadband Network Broadband Link for Schools
Equipment and platforms	Tele-class adapted to people with long-term illnesses Educational programs adapted to the development of new projects
Training	Awareness-raising and promotion of good practices in the use of computers and online content. Safety in ICT use Using the computer and the internet Entrepreneurship Music for social integration of misfits

- **Health** – we are pioneers in the introduction of pilot solutions that strengthen the relationship between doctor and patient, which eliminate the geographic factor as an element of social discrimination in Healthcare access and introduce new valences of diagnosis, clinical follow-up and simplification of processes.

Telemedicine	Online management of consultations and patients
Teleconsultation	Remote consultation with voice and image
Teleassistance	Assistance to the elderly in situations of isolation
Neonatal monitoring	Remote monitoring of premature neonates
Health portal	Contents about health

- **ICT Access** – ensuring equal access to ICT has been a priority for PT. The initiatives that the company has been developing are so varied and they range from providing a nationwide network, ensuring service to every citizen regardless of the geographical area where they are, to the products and services dedicated to citizens with special needs.

Accessibility	Access to communications for all
Network	National Broadband Network
Disaster recovery	Contingency plan for disaster recovery
Pricing plans	Adapted to all profiles of the population
Services	Adapted to all including persons with special needs
Equipment	Inclusive design

The portfolio of services can be presented according to the table below:

Areas of action

Services	Education	Health	Mobility	Smart cities	Smart work	Ecological solutions	Child safety
Smart M2M PT Service: Fleet management			○	●	●		
MEO Drive			○	●		●	
SAPO Transport			○	●			
Smart M2M PT Service: Managed Connectivity				○			
2020 Action				○			
Senior Age Portal	●	○					
DoctorMobil Project	●	○					
Khan Academy	○				●		
Tele-class	○	●		●	●		
Formare	○			●	●		
Teleconference					○		
Telemedicine - "True-Kare"		○		●	●		
Tele-assistance		○		●	●		
Tele-consultation		○					
Baby Care		○		●			
MEO Cloud					●	○	
MEO Energy				●		○	
MEO Boxes				●		○	
SAPO Kids	●						○
MEO Kids	●						○
Communicate in Safety	●						○
SAPO Mail Kids	●						○
MEO Lock service	●						○
Localizz			●	●			○

● main area ○ secondary area

07

ENVIRONMENTAL DIMENSION



REPORT PROFILE	04		
01 ORGANIZATIONAL PROFILE	06		
02 STRATEGY AND COMMITMENTS	15		
CHAIRMAN AND CEO'S MESSAGE	16		
03 GOVERNANCE MODEL	35		
04 ETHICS AND INTEGRITY	51		
05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY	67		
06 ECONOMIC DIMENSION	95		
07 ENVIRONMENTAL DIMENSION			
08 SOCIAL DIMENSION	137		
09 CORPORATE CITIZENSHIP	171		
DISCLOSURE MANAGEMENT APPROACH SYSTEMATIZATION OF REPORT CONTENTS	177		
GRI INDEX	183		
UNGC COP ADVANCED CRITERIA	191		
EXTERNAL AND INDEPENDENT VERIFICATION	193		
		1. MATERIALS	116
		2. ENERGY	117
		3. WATER	122
		4. BIODIVERSITY	122
		5. EMISSIONS	126
		6. WASTE	129
		7. PRODUCTS AND SERVICES	132
		8. COMPLIANCE	134
		9. TRANSPORT	134
		10. INVESTMENTS IN ENVIRONMENTAL PROTECTION	135
		11. ENVIRONMENTAL ASSESSMENT OF SUPPLIERS	135
		12. COMMUNICATION CHANNELS	136

07 ENVIRONMENTAL DIMENSION

Environmental preservation

Climate change is considered by international experts the greatest environmental threat of the 21st century, and it is expected that, if nothing is done, it will have profound economic, social and environmental consequences in various areas of society.

Many studies indicate that we will all be affected by this issue: companies, economy, ordinary citizens, and, most important of all, nature. Natural disasters are an example of the often devastating consequences for businesses, economy and families, whether due to periods of extreme drought or by storms, fires, floods and hurricanes have happened each time more often and with greater levels of impact.

At the heart of these changes are the greenhouse gases, whose emissions have had a sharp rise. CO₂ (carbon dioxide) is the main greenhouse effect gas, and is a direct consequence of using/burning fossil fuel such as coal, oil and gas for energy production.

According to Quercus, Portugal ranked in 6th place (the 3 first places remained unassigned) in terms of best performance in relation to climate change policies in a ranking comparing 58 countries that account in total for over 90% of the carbon dioxide emissions associated with energy.

Climate change performance index for EU member countries:

Climate change performance index for EU member countries

Ranking	Countries	Score	Ranking	Countries	Score
4	Denmark	75.23	22	Spain	60.37
5	United Kingdom	69.66	23	Luxembourg	60.27
6	Portugal	68.38	25	Slovenia	59.19
7	Sweden	68.10	27	Latvia	58.73
9	Malta	66.05	28	Cyprus	57.61
10	France	65.90	29	Austria	57.19
11	Hungary	65.17	31	Holland	56.99
12	Ireland	65.01	32	Finland	56.57
14	Belgium	64.65	37	Bulgaria	54.87
16	Romania	63.73	40	Czech Republic	53.93
17	Slovakia	63.17	44	Croatia	52.79
18	Italy	62.90	45	Poland	52.69
19	Germany	61.90	47	Greece	51.50
21	Lithuania	60.94	55	Estonia	45.52

In this framework, PT has established its priorities and defined a strategy of intervention which will tend to rationalize the environmental footprint of its value chain and create greater energy efficiency in developing its activity.

Strategic approach

Climate change has repercussions in enterprise business and its potential financial implications are on the agenda of the community and investors. Therefore, PT has this issue identified in the daily management of the company, anticipating impacts and initiatives that contribute to preserving the balance of its activity, the environment and society in general.

We know that the systematic search for solutions that minimize the impacts of our activity on society along with the contributions that the new information and communication technologies can directly induce in our customers, will be in the genesis of a better environmental quality in the future.

Over the past few years, PT has dedicated itself to advancing the implementation of good environmental practices in its organization, among suppliers and customers, having defined an environmental management policy and system that earned the recognition and the progressive certification of each of its business areas according to the international standard ISO 14001.

This three-year term of office is being marked by a paradigm shift where we want to put ICT at the service of the environment. It will be a long path, whose effects will feel over the next few years: contribute to reducing CO₂ emissions and energy consumption of our customers, looking to do more with fewer resources and assess the impacts of each initiative, product or service are the main purposes of the strategy that we pursue.

Climate changes strategy



Technological evolution, the less energy dependence of the new equipment, the progressive introduction and availability of renewable energy, the home automation remote control, waste segmentation and collection and the most appropriate routing for reuse and/or recycling, has enabled PT to optimize the relationship between its environmental impacts and the provision of increasingly sophisticated services to the market over the last few years.

On the other hand, the new information and communication technologies and next-generation networks already allow us to provide services to customers that contribute to mitigating their environmental impacts, in particular carbon dioxide emissions and thus contribute indirectly to the balance of the ecosystem.

07 ENVIRONMENTAL DIMENSION

However, this balance is not achieved overnight. It is a path whose results are neither linear nor immediate. The telecommunications industry is in profound change and not all operators are offering the same type of services: PT, in addition to offering four play services -TV, internet, telephone and mobile phone – via IPTV (which requires large amounts of information storage), also offers smart cloud services that, in turn, require data centres and next-generation networks, with increasingly larger capacity and hence higher energy needs for power and proper air conditioning of their respective equipment.

In this context, the topics listed by PT for environmental management are summarized in the table below:

Environmental topics on the agenda

Energy – consumption, sources and gas emissions



Water – consumption, source and destination



Materials – consumption, source and proper routing



Value chain – from suppliers to customers

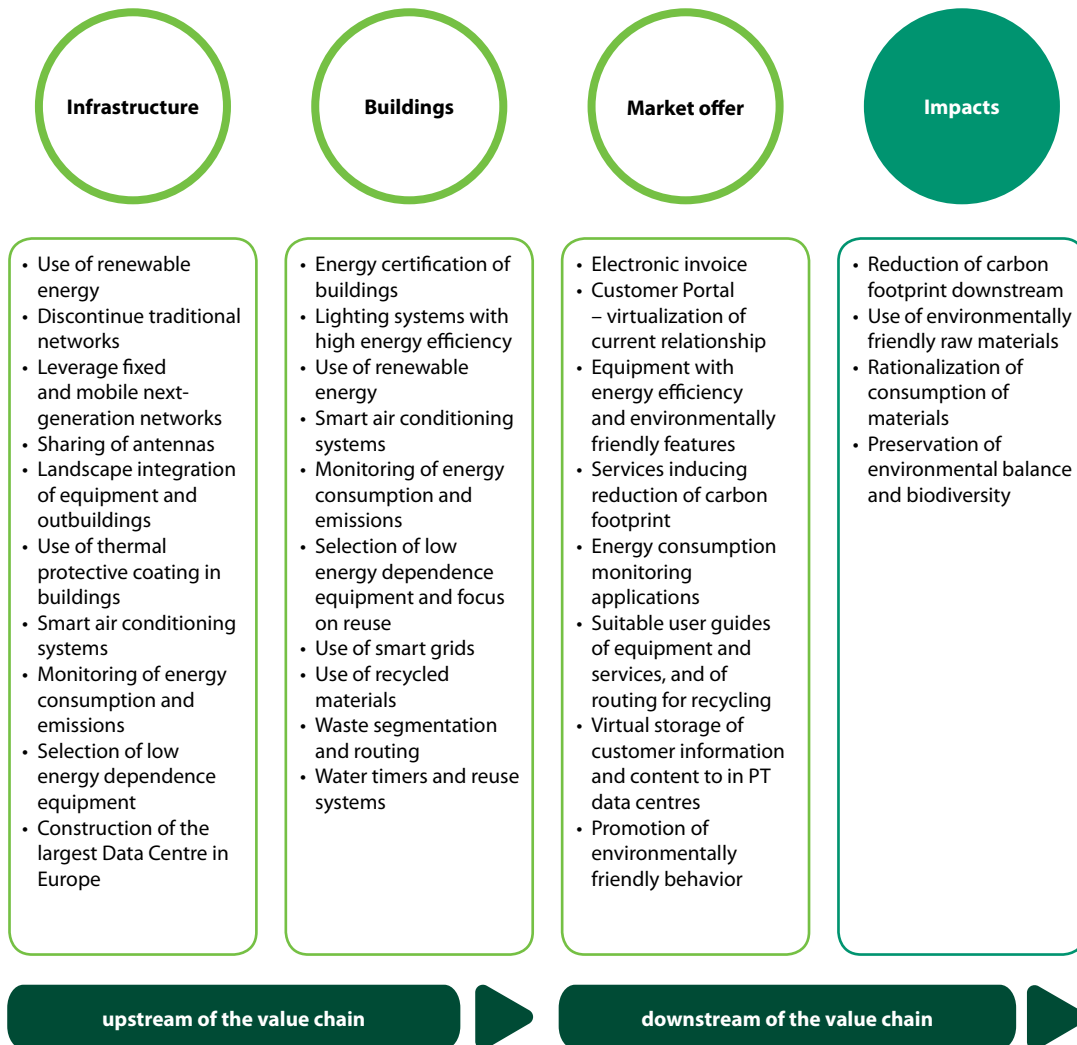


Activity impacts – direct and indirect (suppliers, customers and community at large)



The intervention of the company takes place at various levels: networks, data centres, equipment, information systems, air-conditioning, buildings and new services to market, being essential the full involvement of the entire value chain: suppliers, partners, employees, customers and NGOs.

Current intervention areas and expected impacts:



The Green Touch initiative, presented in England, consisting of a consortium of industry-leading partners, research institutions and non-governmental organizations, of which PT is a member, aims to develop solutions to increase ICT network efficiency by a factor of 1,000 compared to 2010, and respective carbon footprint.

The telecommunications industry has a marginal contribution (about 1%) of the total of current CO₂ emissions, however it may have a key role in the overall reduction of domestic emissions. According to the study “Smart 2020 Portugal”, the indirect foreseen impact in this sector will meet by itself the objectives defined by the European Union, and this impact represents approximately ten times the direct carbon footprint in the industry.

07 ENVIRONMENTAL DIMENSION

The aforementioned studies indicate that the adoption of services based on the new features of the next generation networks, potentiate the reduction of total CO₂ emissions by about 15%. The areas of health, education and home automation have already begun to form the basis of this new paradigm and, though still not significant, are already a new window of opportunity for environmental preservation.

To serve current and future generations, the company, with this strategy, considers to be launching the foundations for new ways to live, work and communicate in the next 100 years.

1. MATERIALS

Consumption of materials

Consumption of materials (T)	2011	2012	2013
Batteries (Distribution network)	70	74	99
Batteries (Network infrastructure)	198	133	208
Electrical and electronic equipment	2,750	2,540	1,984
Activity support infrastructure *	17,402	15,613	13,040
Paper paperboard	1,629	1,540	961
Plastics	1,998	1,699	300
Toners and cartridges	3	1	0.30
Wood	16	0.04	16
Total	24,066	21,600	16,608

* Includes leaded copper cable, self-supported copper cable, copper cable with plastic, reinforced copper cable, fibre optic cable, TEDS and TE1SE cable, telephone poles and metals (iron, copper, zinc and aluminium alloys).

The consumption of materials registered a decrease of 23% in 2013, a consequence of strong reduction in the consumption of paper/paperboard, plastics, toners and ink cartridges and activity support infrastructures.

Material consumption data is a direct measurement as it is extracted from applications where this is recorded.

Paper

PT has been replacing the use of recycled paper for FSC-certified paper. The purchase of this paper brings direct benefits to forest areas, such as biodiversity, protection of rights of indigenous peoples, of rights of workers and of areas with significant environmental and cultural importance.

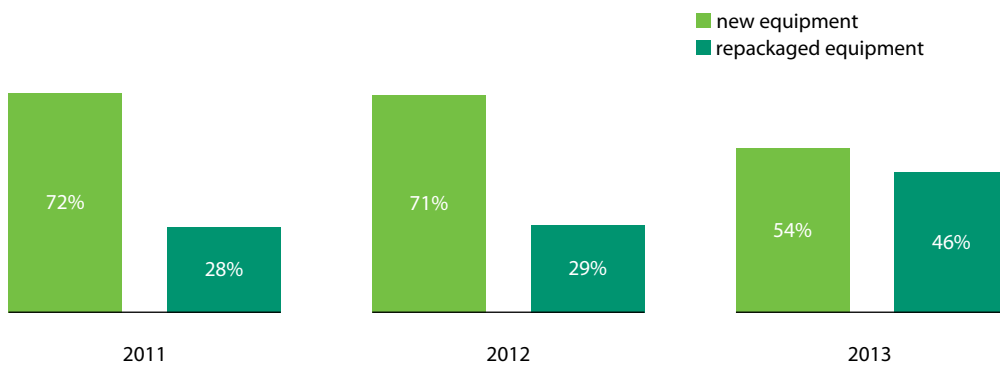
FSC certification can have a positive impact on workers and communities, modify the processes of global governance and change economic and environmental conditions in the forest. It also improves other aspects related to forest management, such as conflicts over the possession and use of land, the health and safety of workers, the conservation of biodiversity, protection of endangered species and participatory forest policies.

Acquiring paper with FSC certification, PT seeks to influence the way in which the world's forests are managed, encouraging the owners and forest managers to follow the best social and environmental practices. An environmentally appropriate forest management ensures that in exploiting wood and non-timber products the biodiversity, productivity and ecological processes of the forest are maintained.

Equipments

The re-use of equipment avoids the consumption of materials, saves costs and reduces waste production. Therefore, PT has carried out the assessment, recovery and re-use of equipment returned by customers for migration to other solutions or services. In 2013 was repackaged 46% of the equipment of the triple-play offer – MEO.

Total percentage of new equipment versus repackaged equipment



Raw materials from recycling and reuse

- Ecological packages: creation of recyclable and reusable packages with user guides on the forwarding of materials made available online.



2. ENERGY

Energy consumption within the company

Electricity consumption decreased by 11% in 2013 compared to 2011. This trend remained in 2013 vis-à-vis 2012, with a consumption reduction of 1%.

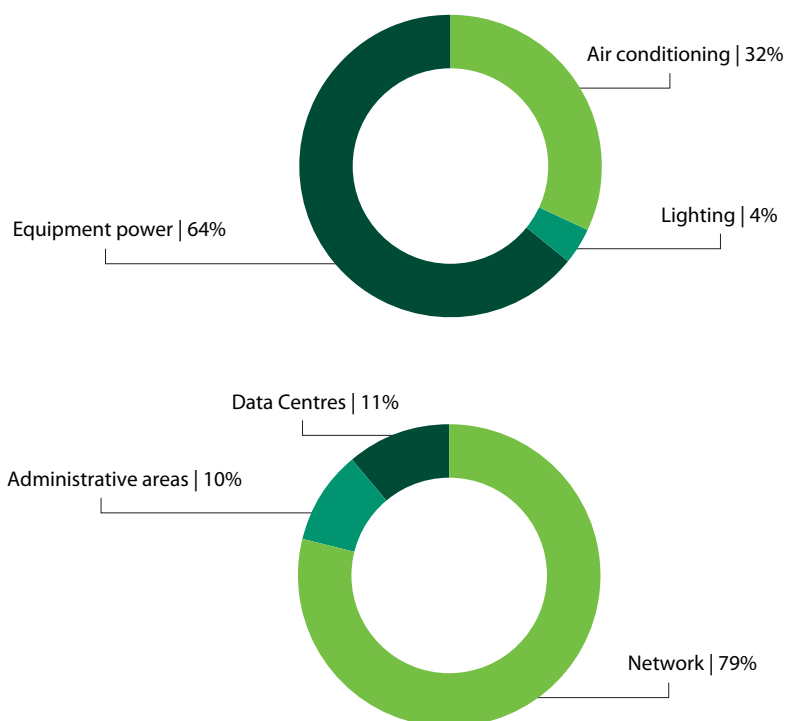
Fuel consumption increased by 9%.

07 ENVIRONMENTAL DIMENSION

Energy consumption (Gj)	2011	2012	2013
Power consumption (electric)	1,550,573	1,396,632	1,386,361
Natural gas consumption	0	1	4
Fuel consumption (petrol)	10,524	13,396	12,308
Fuel consumption (diesel)	218,671	226,697	248,190
Total	1,779,798	1,636,725	1,646,863

In 2013, the global consumption of energy had a slight increase of 1%. This increase was due primarily to increased fuel consumption, as a result of the incorporation into PT of functions previously performed by suppliers.

The breakdown of energy consumption (electricity) had the following profile throughout the year



In relation to energy produced from renewable sources, the table below shows the use of energy by type of source:

Renewable energy used (Gj)	2011	2012	2013
Energy produced by PT from renewable sources	127	318	462
Electricity supplied to PT by traders obtained from renewable sources *	402,663	512,436	685,179

* Source : ERSE/ EDP Distribuição
<http://www.erse.pt/pt/desempenhoambiental/rotulagemenergetica/informacaodesuporte/Paginas/default.aspx>

This year, and comparing to 2012, not only PT increased by 45% the production of renewable energies, but it also benefited from the increased consumption of renewable energy by 34% through the composition of the energy mix of primary energy sources of the national network.

Energy consumption outside the company

With the aim of reducing energy consumption and consequent reduction of the total emissions, PT has raised the awareness of its suppliers to the importance of reducing emissions as well as the development of equipment that consume less energy, thus allowing a reduction of carbon footprint in the downstream of the value chain.

The results are evident as there was an overall reduction in energy consumption by 9% in 2012.

Energy consumption (Gj)	2011	2012
Category 1 and 2 - Purchased goods and services and Capital goods	77,784,023	68,263,353
Category 4 - Upstream transportation and distribution	665,817	388,042
Category 5 - Waste generated in operations	1,327	1,837
Category 6 - Business travel	1,437,283	4,885,734
Category 7 - Employee commuting	342	352
Category 11 - Use of sold products	0.15	0.18
Category 13 - Downstream leased assets	16,261	15,109
Total	79,905,054	73,554,426

Energy intensity

Reducing energy consumption in 2013 alongside the significant increase of traffic on PT networks significantly boosted the efficiency of network traffic. That is, the amount of traffic per unit of consumed energy increased by 22%.

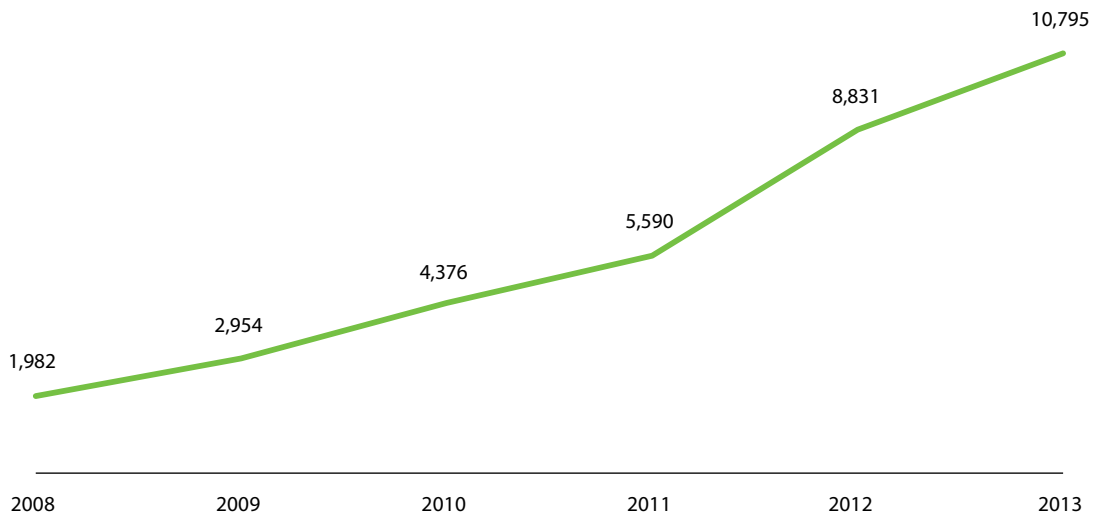
The calculation of the energy intensity considers all internal energy consumption, namely electricity (fossil and renewable energies) and fuel consumption.

Year	Annual traffic volume by service (GBytes)			Annual energy consumption (Gj)		Total	bit/joule
	Wireline	Wireless	Total	Electricity	Other		
2011	1,142,470,798	15,673,344	1,158,144,142	1,550,573	229,195	1,779,768	5,590
2012	1,664,588,934	17,988,608	1,682,577,542	1,396,632	240,094	1,636,726	8,831
2013	2,049,620,603	20,048,640	2,069,669,243	1,386,361	260,502	1,646,863	10,795

07 ENVIRONMENTAL DIMENSION

Network traffic efficiency vs. consumed energy

■ Bit / Joule



Reduction of energy consumption

2013 saw the implementation of several improvements in conservation and efficiency of processes, structures and equipment that resulted in a consumption reduction of GJ 52,322.

Measures (*)	Consumption reduction (GJ)
Pliers Operation (**) (Removal of obsolete network equipment)	3,782
Analogue TV shutdown (Transmitters and Re-transmitters)	6,349
Shutdown of TMN switches	5,013
Freecooling on TMN sites	37,180
Total	52,324

(*) Includes data from initiatives held in 2012, but whose impacts in terms of reducing consumption were felt in 2013. | (**) Initiative suspended in July 2013.

In 2013, 3 PT buildings were certified energetically. With the energy certification of buildings, energy performance and indoor air quality are optimized.

NIC	Building
1255	Barcelos Residence, Unit B
8	Apartment Bldg. Av. 5 Outubro no. 75, 8th Floor
21	10 Units Bldg. Av. Conde Redondo

Less energy dependency of equipment and services

PT's market offer contains services that save time, unnecessary travel, fuel expenses and materials.

The studies carried out – Smart 2020 - indicate that the adoption of services based on the new features of the next-generation networks, leverage the reduction of total CO₂ emissions by about 15%. The areas of health, education and home automation have already begun to form the basis of this new paradigm and, although still little significant, they are already a new window of opportunity for environmental preservation.

In fact, the reduction of the environmental footprint of customers is achieved through improved efficiency of traffic networks, energy dependence of the equipment, materials used and the remote management and control software.

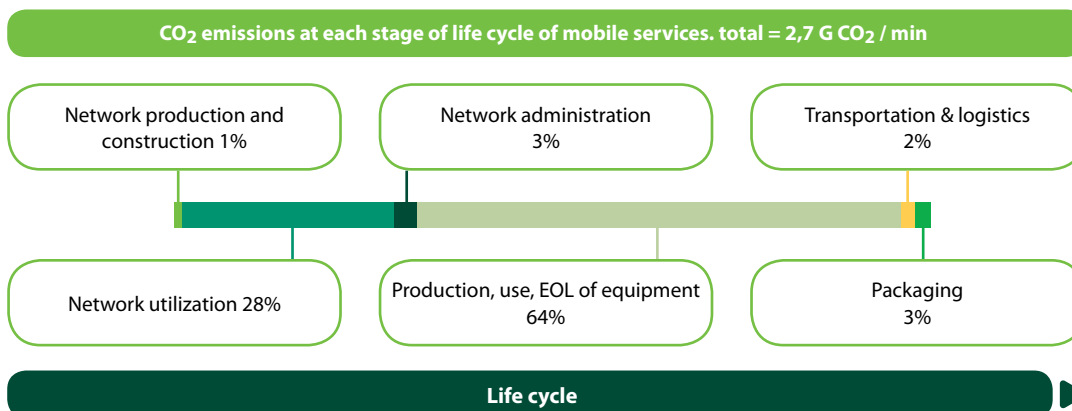
Less energy dependence of equipment and services

Service	Solution	Results
IPTV, internet and telephone access boxes	Reduce the energy dependency of the terminal equipment	IPTV, Internet and telephone access boxes reduced the energy consumption on average 54% , between 2007 and 2013.
Smart Cloud	Enhance IT cost savings, increase productivity and reduce energy consumption	Energy savings estimated in the corporate use of the Smart Cloud solution over 36 months amounts to 40,000 KW, taking the year 2013 as the reference.
MEO Energy	Maximize the smart and efficient electricity consumption of customers in their homes	It is estimated that each family can reduce its user consumption up to 36%.
Mobile Phones	Reduce the energy dependency of the mobile equipment, at a time when usage patterns of these devices are changing with increasingly intensive and diversified use.	Despite the intensification of the use of these devices, their average consumption in 2013 showed a 26% decrease on the MEO network compared to 2012.

Carbon footprint of a minute of talk time in Portugal through mobile services

In order to allow customers to make choices based on accurate information, PT monitored the carbon footprint of the mobile service lifecycle, and presented the values related to the average carbon emissions for each minute of conversation.

At the same time, it also provides average emission values, of means of transport (car, train and plane), so that customers can evaluate the impacts of their choices.



07 ENVIRONMENTAL DIMENSION

3. WATER

Total water consumption

Water consumption at PT fulfils essentially two goals: air conditioning of technical areas and hygiene and comfort of employees in administrative areas.

Water consumption (m ³) *	2011	2012	2013
Total consumption	295,950	284,509	239,599

* The water consumed is entirely from the public network.

In 2013, water consumption at PT decreased by 16%.

Water sources significantly affected by water consumption

PT's water consumption is negligible in terms of volume and is totally from the public network and therefore the impact on water resources is minimal.

4. BIODIVERSITY

Location and size of land owned, leased or managed by the organization in protected or biodiversity-rich areas, or adjacent to same

PT's activity extends throughout the national territory, and the area used in biodiversity-rich habitats is not significant.

Area used in biodiversity-rich habitats (m ²)	2011	2012	2013
Total area*	11,450	11,850	12,290

* Refers to PT websites that lie within protected and biodiversity-rich areas.

There was in 2013 a 4% increase in the area used in biodiversity-rich habitats. This increase is due to the installation of 11 new MEO sites.

Description of significant impacts of activities, products and services on protected or biodiversity-rich areas

PT conducts every year a survey of environmental aspects and respective impacts with assessment of their significance in order to mitigate their impacts.

Below are the significant environmental aspects, with the specification of the respective form of control to mitigate their impacts.

Designation	Environmental impact	Form of control	Direct	Indirect
Electric power consumption	Decrease in the availability of natural resources. Air pollution due to CO ₂ emission in the production with the increase of the greenhouse effect.	Environmental training and awareness-raising actions. Reduction of the number of TMN/PTC sites. Concentration of equipment/infrastructure on only one site, whenever possible. Implementation of system that will allow readings of the real-time consumption information for (i) a correct energy management (ii) reduction of movements of operational teams. Removal of obsolete network equipment. Analog TV shutdown (Transmitters and Re-transmitters). Free-cooling on TMN sites.	✓	
Production of waste of electrical and electronic equipment (WEEE)	Soil occupation and contamination. Contamination of surface water and groundwater, through seepage.	Environmental training and awareness-raising actions. Removal of wiring, antennas and obsolete/inactive equipment from Broadcasting Radio stations.	✓	
Fuel consumption-diesel and petrol	Indirect depletion of renewable and non-renewable resources	Environmental training and awareness-raising actions. Outbound phone control of fuel consumption. Placement of compressors in the parks with pools.	✓	
CO ₂ emissions due to fuel consumption	Air contamination through the burning of fuels with CO ₂ emission. Contribution to global warming due to CO ₂ emissions, acidification and deterioration of local air quality.	Environmental training and awareness-raising actions. Outbound phone control of fuel consumption. Placement of compressors in the parks with pools.	✓	
Fuel consumption-diesel and petrol	Indirect depletion of renewable and non-renewable resources	Raise awareness of identified suppliers of Customer Operation and Infrastructure with a view to greater rationalization of fuel consumption and associated emissions concerning PT activities.		✓
CO ₂ emissions due to fuel consumption	Air contamination through the burning of fuels with CO ₂ emission. Contribution to global warming due to CO ₂ emissions, acidification and deterioration of local air quality.	Raise awareness of identified suppliers of Customer Operation and Infrastructure with a view to greater rationalization of fuel consumption and associated emissions concerning PT activities.		✓
Consumption of paper and paperboard	Indirect depletion of renewable and non-renewable resources	Environmental training and awareness-raising actions. Digital distribution of information about projects and reduction of physical file.	✓	

07 ENVIRONMENTAL DIMENSION

Designation	Environmental impact	Form of control	Direct	Indirect
Consumption of electrical and electronic equipment (EEE)	Indirect depletion of renewable and non-renewable resources	Surveys to mobile equipment suppliers on the non-use of mineral materials from conflict zones and on ecological conception. Entry into contract with mobile equipment suppliers of eco-design ecological conception requirements of non-use of conflict zone materials.	✓	
Existence of Antennas	Reduction in the quality of the natural and urban landscape	Implementation on mobile network of: <ul style="list-style-type: none"> • Shared stations with other operators; • Hidden stations. 	✓	
Production of environmental noise	Discomfort in the surrounding community.	Ambient noise measurements and analysis of possible actions to take.	✓	
Emission of electromagnetic radiation	Degradation of intrinsic quality of natural habitats	Monitoring of electromagnetic radiation level.	✓	

The results of monitoring aspects that showed greater concern on the part of stakeholders are detailed below:

Electromagnetic radiation

Under regulation 609/2011 of 25 November, in 2013 the plan was fulfilled and was monitored 349 stations classified as TFE (Top or Building Façade), 30 I (indoor projects/antennas inside buildings) stations and 84 DTT stations. All stations showed to be below the levels established by the ICNIRP (International Commission on Non-Ionizing Radiation) recommendations.

The electromagnetic radiation levels are available through a website of an independent entity with which PT associated itself and whose address is <http://www.faqtos.pt>.

Evaluation results

Terminals marketed by PT that comply with the value of recommended radiations	100%
Equipment marketed by PT with information on the respective SAR - in the manual and online	100%
Antennas shared with other operators	24%

* Only mobile phones.

Noise

The sources of noise likely to cause discomfort are varied in nature and intensity. According to the World Health Organization, regular exposure to high levels of noise can have negative impacts on public health.

Aware that telecommunication stations cause noise and can have an impact on the quality of life of the surrounding communities, PT makes monitors emitted noise randomly. In 2013, PT monitored the noise of 31 MEO stations and 38 sites of PT Comunicações.

Whenever there are levels of discomfort and complaints, with origin in excess of the legally defined values, PT prepares contingency plans for mitigation of the respective impact.

Landscape impact

PT seeks, in the context of the construction activities of the mobile network, to align its processes with biodiversity conservation.

As a measure to minimize landscape impact, in 2013 PT camouflaged 17 MEO antennas and shared 23 with other operators.

Protected or restored habitats

Due to the natural climate hazards verified in the most adverse seasons, many green spaces are destroyed and it is difficult to restore them naturally without human intervention.

In order to preserve and reclaim this heritage, PT has led and participated in several projects and initiatives:

“Buçaco Digital Project: Seeds for the Future”

Between 18 and 20 January 2013, cyclone Gong hit the National Forest of Buçaco causing deep damage to the natural and built heritage, exacerbating the already severe budgetary constraints that the Buçaco Forest Foundation had available for the management of all assets.

The SAPO Portal in conjunction with the University of Aveiro are in the genesis of a project for the rehabilitation of the Buçaco Forest with the development of a digital platform through which any person may contribute with a specific donation to plant a tree.

This digital platform, called Buçaco Digital, emerges in this context as a strategy for acquiring and planting trees in order to occupy the destroyed forest areas.

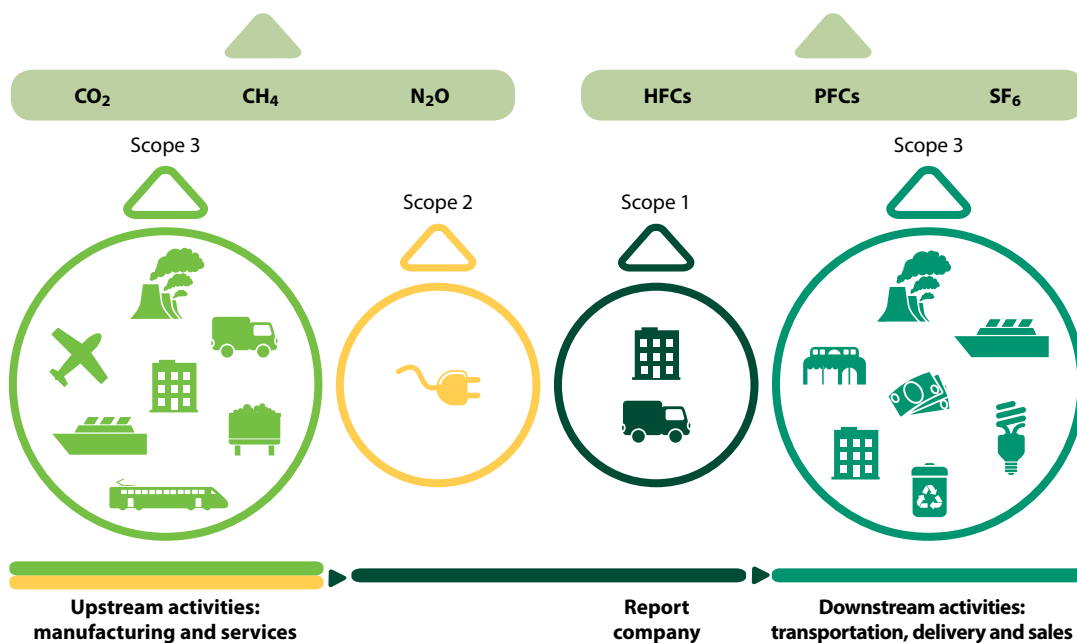
“Eco Movement”

Portugal is a country with a very close relationship with the forest, representing this 35% of its territory. As opposed to weather conditions observed in winter, hot and dry climate of summer every year triggers a high number of fires, many as a result of negligent acts (more than 50%).

To try to minimize the number of fires registered annually, PT is one of the companies involved in the ‘ECO Movement’ enterprise movement, which aims to raise awareness in civil society and business community to prevent risk behaviours (“Don’t make bonfires”, “Don’t throw rockets” and “Don’t throw cigarettes to the floor”), as a way to appeal for a change of attitudes and behaviours that contribute to a reduction in the burned area and number of fire occurrences.

07 ENVIRONMENTAL DIMENSION

5. EMISSIONS



Total of greenhouse gas emissions, Scope 1 and Scope 2

Greenhouse gas emissions often have an irregular behaviour, because they depend more heavily on the weather conditions in the country than the energy efficiency of the activity of the company. In fact, in years of higher amounts of wind and rain the mix of energy consumed (wind and water) is more favourable and therefore with lower emission levels.

In addition to the weather conditions, the calculation of emissions is determined by the conversion factor used. Over the past few years, PT used the conversion factor of Energias de Portugal, national company from which it used to buy energy. With the liberalization of the energy market, PT has diversified its portfolio of suppliers, and since the current energy consumption of PT is done through three distinct suppliers, all of them with different conversion factors, PT judged more relevant to use the conversion factor legislated in Portugal in the Order No. 17313/2008 (G4-22).

To maintain the consistency in the presentation of the figures shown, PT presents values for this year based on the conversion factor and recalculated the values presented in previous years. The basis for conversion is the factor legislated in Portugal.

CO ₂ emissions (t)	2011	2012	2013
Scope 1	16,850	17,528	19,028
Petrol	728	918	843
Diesel	16,122	16,610	18,185
Scope 2			
Indirect (electricity)	202,436	182,338	180,997
Total (Scope 1 + 2)	219,286	199,866	200,025

The total of indirect emissions decreased by 11% compared to 2011 and 1% vis-à-vis 2012.

Direct emissions showed an 8% increase as a result of the incorporation into PT of functions performed by suppliers during 2013.

Overall emissions decreased 9% compared to 2011 and do not exhibit any significant variation vis-à-vis 2012.

Comparing the level of emissions of 2013 with the level of emissions of 2008 (year in which the company started the process of managing carbon emissions), we note an increase of 1% since then.

Total greenhouse gas emissions, Scope 3

Focused on achieving the goal of reducing total emissions by 20% until 2020, PT changed the paradigm of analysis of total emissions, giving special focus to indirect emissions related to its activity.

With the breakdown of Scope 3 emissions into their respective Categories, PT breaks with the old paradigm of analysis and focuses on the study, observation and consequent effort in reducing these emissions, which in 2012 accounted for 98% of the total emissions of the value chain of its activity.

CO₂ emissions (t)

	2011	2012
Category 1 and 2 - Purchased goods and services and Capital goods	10,142,366	8,899,848
Category 4 - Upstream transportation and distribution	49,297	28,783
Category 5 - Waste generated in operations	97	135
Category 6 - Business travel	100,900	342,988
Category 7 - Employee commuting	25	26
Category 11 - Use of sold products	0	0
Category 13 - Downstream leased assets	2,123	1,973
Total Scope 3	10,294,808	9,273,753

The total Scope 3 emissions showed a decrease of 10% in 2012 – the only data available. The largest reductions were observed in the categories Purchased goods and services, Capital goods and Upstream transportation and distribution.

Greenhouse gas emission intensity

Comparing the values of 2012 to 2013 regarding the Scope 1 and Scope 2 emissions, we improved by 23% the efficiency of network traffic per unit of CO₂ emitted into the atmosphere. This significant improvement is partly due to the fact that the energy consumed throughout the year has incorporated a substantial percentage of renewable alternative energies - wind and water – since we benefited from a rainy and windy year, and to the facts that we have achieved higher levels of efficiency in networks and the improvements introduced in air conditioning systems.

07 ENVIRONMENTAL DIMENSION

Year	Annual traffic volume by service (GBytes)			GHG emissions (T)		GByte / Ton CO ₂	
	Wireline	Wireless	Total	Scope 2	Total		
2011	1,142,470,798	15,673,344	1,158,144,142	16,850	202,436	219,286	5,281
2012	1,664,588,934	17,988,608	1,682,577,542	17,528	182,338	199,866	8,419
2013	2,049,620,603	20,048,640	2,069,669,243	19,028	180,997	200,025	10,347

With the change of Scope 3 emissions analysis, a dynamic collection of indicators that will be improved is underway. Until PT is able to aggregate all the Scope 3 indicators adequate to its activity, the efficiency of network traffic per unit of CO₂ will be presented separately in the respective Scope 1 and Scope 2 emissions, a result of the constant insertion of new indicators that make comparability inconsistent.

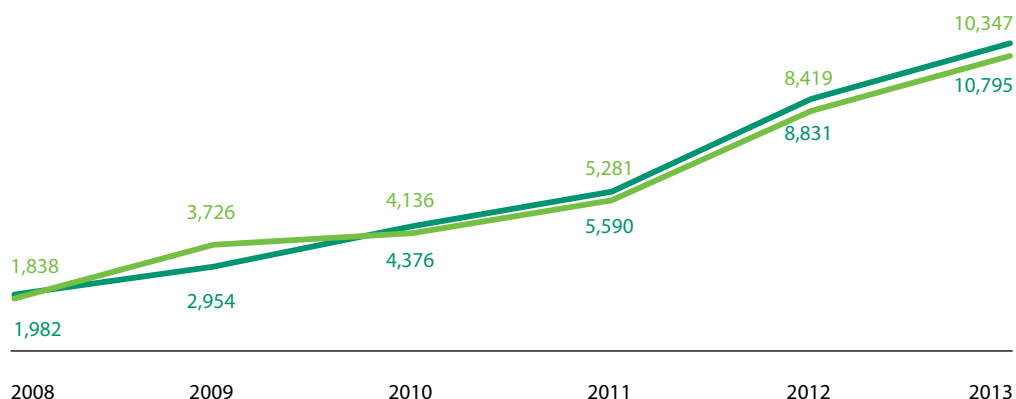
Annual traffic volume by service (GBytes)

Year	Wireline	Wireless	Total	Scope 3	GByte / Ton CO ₂
2011	1,142,470,798	15,673,344	1,158,144,142	10,294,808	112
2012	1,664,588,934	17,988,608	1,682,577,542	9,273,753	181
2013	2,049,620,603	20,048,640	2,069,669,243	-	-

As a result of the favourable evolution of Scope 3 emissions that showed a 11% reduction in 2012, the efficiency of network traffic per unit of CO₂ emitted into the atmosphere increased by 62%.

Network traffic efficiency

■ GByte / Ton CO₂ ■ Bit / Joule



Initiatives to reduce of Greenhouse Gas emissions and reductions achieved

Measures (*)	Consumption reduction (Gj)	GHG emissions avoided (tCO ₂ E)
Pliers Operation (**) (Removal of obsolete network equipment)	3,782	494
Analogue TV shutdown (Transmitters and Re-transmitters)	6,349	829
Shutdown of TMN switches	5,013	654
Freecooling on TMN sites	37,180	4,854
Total	52,324	6,831

(*) Includes data from initiatives held in 2012 but whose impacts in terms of reducing consumption were felt in 2013. | (**) Includes data from initiatives held in 2012 but whose impacts in terms of reducing consumption were felt in 2013.

Emissions of ozone-layer depleting substances by weight

PT does not produce, import or export ozone layer-depleting substances.

NO_x, SO_x and other significant air emissions by type and weight

Under EU and international commitments undertaken, Portugal shall submit annually, through the Portuguese Environment Agency, the inventory of greenhouse gases (GhG) and other air pollutants. Based on this information, the compliance with the targets agreed is checked under the Burden-Sharing Agreement and the Kyoto Protocol.

The values of NO₂ and NO_x emissions of PT originated in the air emissions of the car fleet reported in the table below, are calculated on the basis of the factors indicated in the Portuguese Informative Inventory Report 1990-2009.

NO _x and SO _x emissions and other significant air emissions (T)	2011	2012	2013
NO ₂	70	73	78
SO ₂	0.46*	0.48	0.11

* Value replaced in this report as it was calculated incorrectly in the 2011 report (G4-22).

The table below identifies the atmospheric emissions from leakage of PT's refrigeration, air conditioning, heat pump equipment and fire protection systems.

Other significant air emissions	2011	2012	2013
Greenhouse gases (tCO ₂ eq)	1,450	1,701	3,231
Ozone depleting gases (tR22)	0.40	0.30	0.02

6. WASTE

Total water discharge by quality and destination

Wastewater discharges are mostly made in municipal collectors, having an essentially domestic use. During the year there were no unplanned discharges and there was a 14% decrease in volumes discharged in relation to the previous year.

Domestic water discharge (m ³)	2011	2012	2013
Domestic water discharge *	236,760	223,312	191,679

* Estimated value according to the established in the Regulatory Decree No. 23/95 of 23 August.

Wastewater is treated in municipal systems, not being PT's responsibility the respective treatment. Therefore, PT has nothing to declare on the reuse of treated water.

07 ENVIRONMENTAL DIMENSION

Total amount of waste by type and method used at the end of the line

The implementation of PT's activities requires the incorporation of new or reused materials and/or equipment (M&E) and hence its subsequent withdrawal is also required.

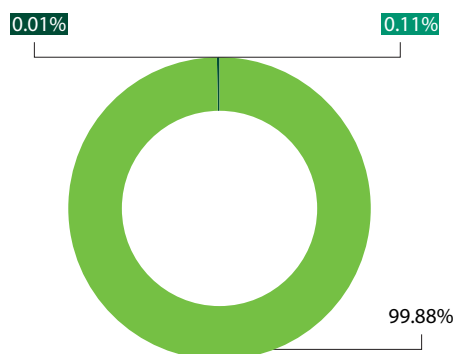
Thus, PT must ensure that generated waste is properly identified, registered and monitored as to its final destination. Whenever a M&E is taken out of service, it is classified by the company as for "Reuse" or "Waste".

The M&E classified as "Waste" are delivered to municipal entities or licensed waste management operators and routed to their final destination.

In 2013, of the waste sent to an appropriate final destination, 99.99% went to recovery operations, and only 0.01% destined for disposal operations. Of 99.99% of the waste sent to recovery 99.88% are accumulated for later recovery and 0.11% are subject to recycling/reclamation operations.

Final destination of waste

■ recovery R13 ■ recovery ■ elimination



Production of hazardous waste (t)

	2011	2012	2013
Waste batteries (other)	96	107	39
Waste fluorescent lamps	1	1	0.3
Waste oils	0	3	0.3
Hygiene waste	9	9	9
Total	106	120	49

The production of hazardous waste had a significant reduction of 59%.

Production of non-hazardous waste (t)

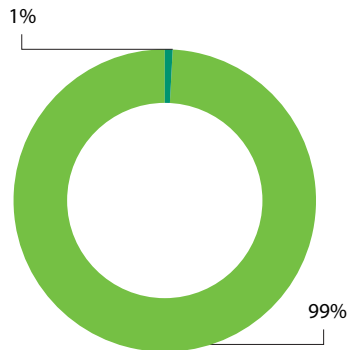
	2011	2012	2013
Waste paper/paperboard	364	308	433
Glass waste	9	0	7
Plastic waste	84	110	89
Unsorted municipal waste	99	107	194
WEEE	482	584	497
Waste of activity support infrastructure (*)	1,632	1,900	2,495
Waste toners and cartridges	8	17	5
Wood waste	196	171	153
Total	2,874	3,197	3,873

(*) Includes leaded copper cable, self-supported copper cable, copper cable with plastic, reinforced copper cable, fibre optic cable, TEDS and TE1SE cable and metals (iron, copper, zinc and aluminium alloys).

The production of non-hazardous waste registered an increase of 21%

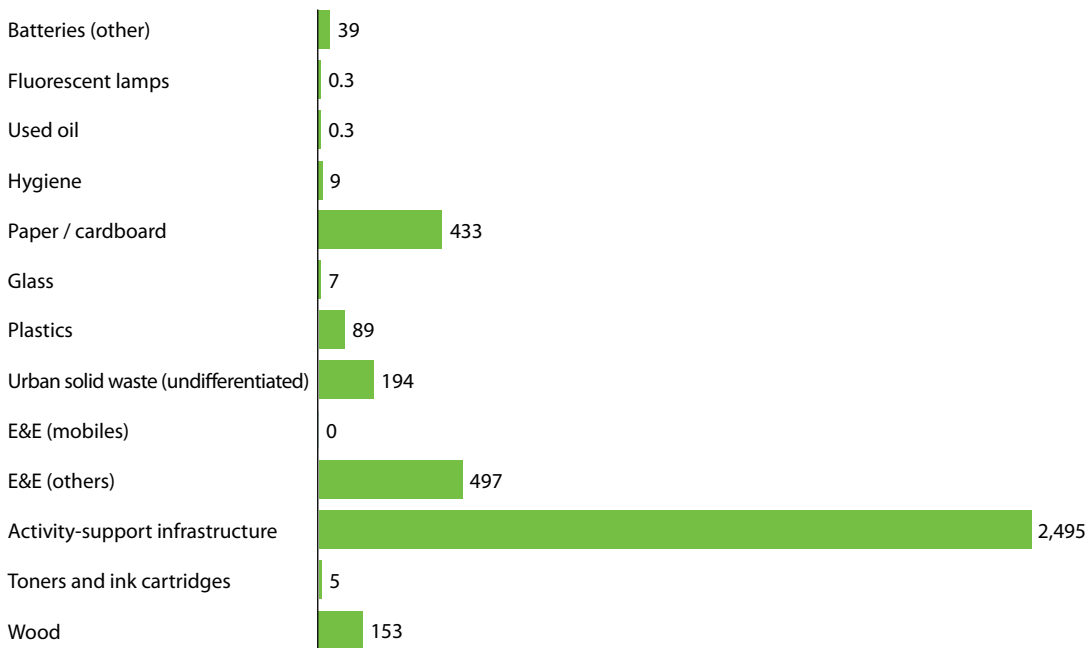
Production of hazardous and non-hazardous waste (%)

■ non-hazardous ■ hazardous



As regards the type of existing waste at PT, in 2013 and as reflected in the chart below, most corresponds to waste from infrastructure of support to the activity:

Waste generated by type (t)



In order to assess the implementation of an efficient waste management, PT started in 2012 the 3R6 certification process in the 87 MEO TMN stores.

07 ENVIRONMENTAL DIMENSION

After the audit process at the different stores, the 3R6 certificate was awarded to the MEO TMN stores in October 2013.

Number and total volume of significant spills in 2013

1*

*In 2013, no spillages occurred that required the application of the environmental liability insurance. Only one spillage occurred (battery electrolyte, during a replacement). In addition to waste generated for spillage containment, no negative impacts are identified, with the spillage occurring over a non-permeable surface.

7. PRODUCTS AND SERVICES

Percentage of recovery of sold products and their packaging by category

The reuse and recycling of materials have deserved special attention of PT, whether in what regards directly the company's activity or in respect of information and programs made available to customers.

Packaging

Concerned about the environment and materializing one of its strategic goals, PT started the process of creation and production of ecological packages, with a view to improving the sustainability of the life-cycle of products.

- 100% Recycled Plastic Packages: creation of recyclable and reusable packaging with 100% recycled user guides on routing the materials made available online.

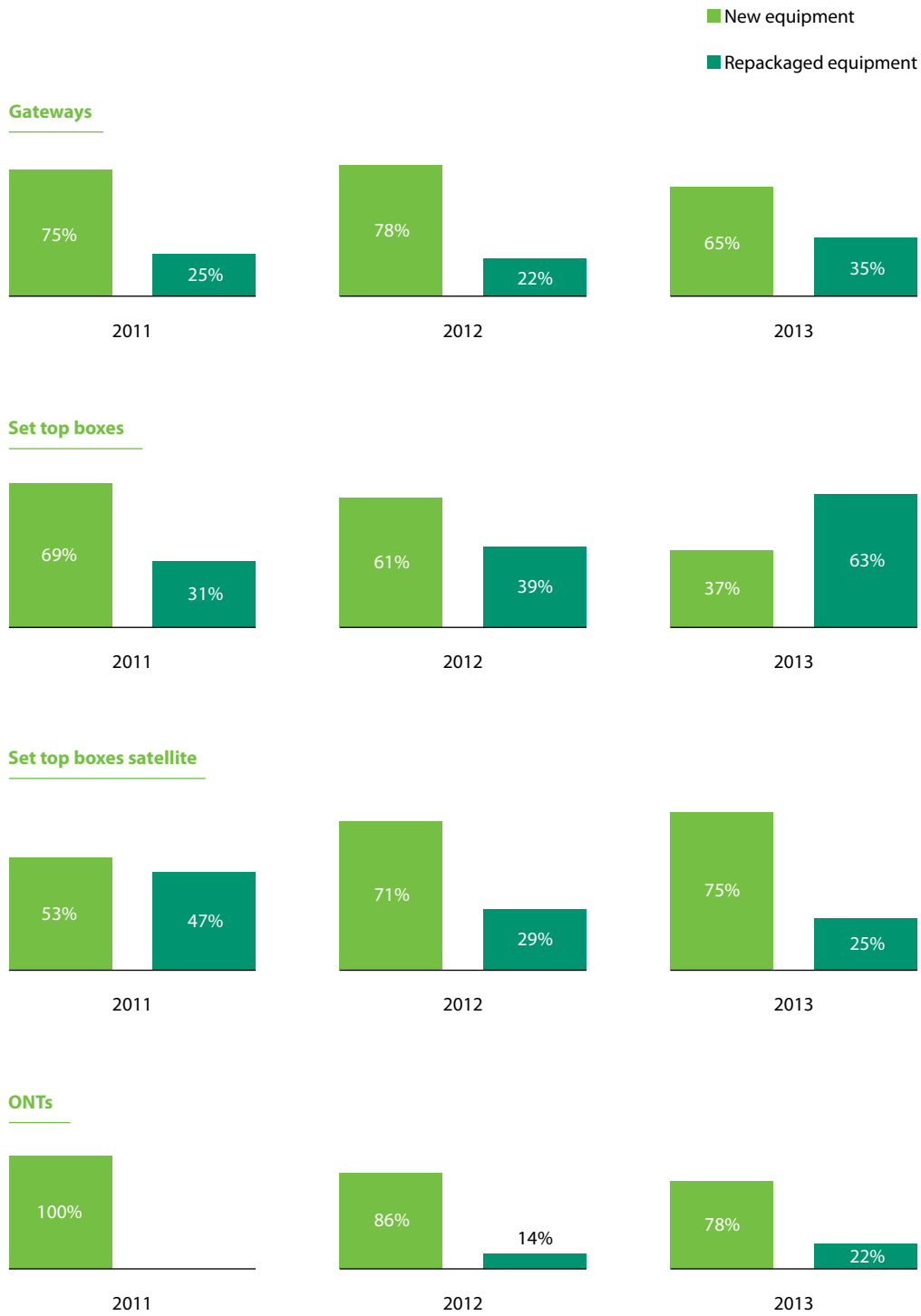


With the extension of eco-friendly packaging to new ranges of mobile phones with the Moche brand and the new mobile line with the MEO brand, there was a 17% increase in the acquisition of ecological packaging in 2013. With the aim of reducing the consumption of these materials, from 2014 mobile phones sold in PT stores will be sold in their original boxes.

Equipment repackaging

PT continues to bet on the evaluation, recovery and re-use of equipment returned by customers for migration to other solutions or services. In 2013, as mentioned earlier, 46% of the total equipment of the triple-play offer – MEO - was refurbished.

Percentage of new equipment vs. equipment repackaged



07 ENVIRONMENTAL DIMENSION

The gradual increase verified in the purchase of new equipment for the Satellite Set Top Boxes was the consequence of the reuse of the remaining Digital Terrestrial Television equipment for the Satellite customers segment, since the base technology of the equipment is the same.

8. COMPLIANCE

Amounts involved in the payment of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

Costs with fines resulting from environmental legal non-compliances (Euro)	2011	2012	2013
Costs with fines resulting from environmental legal non-compliances	-	-	-

There was no payment of any fines associated with environmental legal non-compliances or was received any complaint thereof on the part of PT in 2013.



9. TRANSPORT

Significant environmental impacts resulting from the transport of products and other goods or raw materials used in the operations of the organization, as well as the transport of employees

PT Sistemas de Informação is the only PT Group company in Lisbon, which is located outside the city centre. To streamline, simplify and optimize the travel to PT SI, corporate transportation is available to all PT employees on every business day of the year, with various circuits distributed throughout the day.

Kms traveled/year	Emissions (tCO ₂ E)*
56,224	4.6

*The emissions represented here were prepared separately from the Commuting topic, included in the Scope 3 Emissions.

To mitigate significant environmental impacts resulting from the transport of employees, PT develops constantly internal awareness campaigns calling for the adoption of environmentally responsible behaviours and to communicating the availability of bicycle parking spaces in its buildings.

10. INVESTMENTS IN ENVIRONMENTAL PROTECTION

PT has been increasingly assuming its environmental responsibility through continuous investment in the Environmental Management System, which allows the monitoring of various environmental impact indicators generated by its activities.

From 2009, and following the standardization of data, it became possible to determine the environment-related costs and benefits of the various PT companies.

Total invest and spending on environmental protection

	2011*	2012*	2013*
Internal costs	405,199	547,557	453,456
External costs	2,384,100	2,246,372	579,359
Total	2,789,299	2,793,929	1,032,815

(*) Incorporated data from PT Inovação. The incorporated costs of PT Inovação concern the integrated management system of PT Inovação. The management system of PT Inovação is an integrated management system that encompasses Quality, Environment, Occupational Hygiene and Safety, Innovation and CMMI. It is not possible to identify specific environmental costs because even system audits are integrated so that all costs are general.

However, in the global balance of costs and revenue, environmental management showed a positive result, as can be seen in the table below.

Benefits associated with the EMS (euros)

	2011	2012	2013
Total revenue	5,842,094	7,270,762	6,668,900
Earnings	3,052,795	4,476,833	5,636,085

This result is due mainly to revenue from the recovery of waste.

11. ENVIRONMENTAL ASSESSMENT OF SUPPLIERS

All new suppliers were selected taking into account the criterion of environmental performance.

The evaluation of new suppliers always has an underlying analysis of environmental criteria and non-compliance with same is an exclusion factor.

This evaluation is made to all new suppliers and implies an analysis of compliance and respect for environmental standards and principles, of the efforts to ensure that environmental legislation is respected and to obtain certifications applicable to the works and/or supplies concerned.

07 ENVIRONMENTAL DIMENSION

Current and potential significant negative environmental impacts verified in the value chain and implemented correction actions

Supplier assessment

Environmental Management Assessment Score	83
Number of on-site audits	18
Benchmark	Low Risk (except for 1% of suppliers in the areas Media and Marketing and Administrative Services, and 3% of suppliers in Information Systems area)
Supplier pre-selection	✓
Contractual clauses	✓

Environmental performance of suppliers

Energy consumption	12% reduction
Fuel consumption	33% reduction
Waste	Compliance with legislation
Raw materials *	0 (zero) incidents

* No use of conflict minerals

12. COMMUNICATION CHANNELS

Communication channels

Code of conduct	✓
Supplier portal	✓
Evaluation and feedback meetings	✓
Audits	✓
Expert team for dialogue and negotiation	✓
Confidential complaint channels	✓
Team specialized in environmental management	✓

Methodological notes

Calculation of environmental indicators

For calculating energy consumption and GhG emissions, the following conversion factors were used:

	Conversion factors	Source
Electricity	1KWh= 0.0036GJ	International Energy Agency
	Emission factor 0.47 kgCO ₂ e/kWh	Order No. 17313/2008 of 26 June
Natural gas	PCI = 0.03846 GJ/m ³	Portuguese Environment Agency Portuguese
	Emission factor 56.10 KgCO ₂ /GJ	Environment Agency
Petrol	PCI = 45 GJ/t	Order No. 17313/2008
	Emission factor 69.2 KgCO ₂ /GJ	Order No. 17313/2008
	Emission factor 0.1163 Kg NO ₂ /GJ	Portuguese Environment Agency Portuguese
	Emission factor 0.0005 Kg SO ₂ /GJ	Environment Agency
Diesel	PCI = 43.3 GJ/t	Order No. 17313/2008
	Emission factor 74.0 KgCO ₂ /GJ	Order No. 17313/2008
	Emission factor 0.3139 Kg NO ₂ /GJ	Portuguese Environment Agency Portuguese
	Emission factor 0.0004Kg SO ₂ /GJ	Environment Agency

08

SOCIAL DIMENSION



REPORT PROFILE	04	1. LABOUR PRACTICES	138
01 ORGANIZATIONAL PROFILE	06	1.1. Employability	139
02 STRATEGY AND COMMITMENTS	15	1.2. Labour relations	142
CHAIRMAN AND CEO'S MESSAGE	16	1.3. Occupational Safety and Health at Work	144
03 GOVERNANCE MODEL	35	1.4. Training	146
04 ETHICS AND INTEGRITY	51	1.5. Diversity and equal opportunities	150
05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY	67	1.6. Supplier assessment	153
06 ECONOMIC DIMENSION	95	1.7. Communication channels	153
07 ENVIRONMENTAL DIMENSION	111	2. HUMAN RIGHTS	154
08 SOCIAL DIMENSION		2.1. Investment	155
09 CORPORATE CITIZENSHIP	171	2.2. Non-discrimination	156
DISCLOSURE MANAGEMENT APPROACH SYSTEMATIZATION OF REPORT CONTENTS	177	2.3. Human Rights in the value chain	157
GRI INDEX	183	2.4. Supplier assessment	159
UNGC COP ADVANCED CRITERIA	191	2.5. Communication channels	159
EXTERNAL AND INDEPENDENT VERIFICATION	193	3. PRODUCTS LIABILITY	160
		3.1. Health and safety	160
		3.2. Information products and services	162
		3.3. Marketing communication	165
		3.4. Customer privacy and safety	166
		3.5. Compliance	170

08

SOCIAL DIMENSION

1. LABOUR PRACTICES

The people who are part of the organization are of supreme importance to management, to the extent that their ability to adapt to market changes and to innovate in the use of work instruments contribute decisively to the differentiation of our activity and consequently for the positioning of the company in the market.

Through an in-depth knowledge of the strengths and weaknesses of the profile of each employee and the organization itself, is it possible to develop management methodologies to optimize the alignment between personal valences and business objectives and thereby contribute to adding value to their business.

Integrated model of human resource management *

Codes of principles and agreements entered into:

- Code of Ethics
- Code of Ethics for Financial Officers
- Collective Labour Agreement
- Principles of United Nations Global Compact
- Social Responsibility Agreement with UNI - Union Network International
- ETNO Sustainability Charter
- Universal Declaration of Human Rights

Codes of principles and agreements entered into:

- Recruitment Model
- Welcome Programs
- Mobility Programs
- Training Programs
- Business Intelligence System
- Talent Retention Programs
- Internal Social Responsibility Programs
- Corporate Intranet
- Professional Development Model

Management and evaluation tools

- Organizational Climate Survey
- Performance Appraisal System (Goals/ Technical and Management Skills)
- Employee Portal
- Feedback Meetings
- Personal Development Plan

Codes of principles and agreements entered into:

- Flexibility of Work Schedules
- Health Plans
- Cultural, Leisure and Catering spaces
- Communication Channels
- PT Club
- Plan of Discounts on Purchase of Services
- Social Support Association
- Support at the End of Career
- Internal Social Responsibility

* The HR model ensures equal opportunities, fairness of remuneration for identical functions, Health and Safety protection and the minimum periods of time stipulated legally in the Company Agreement or in the General Labor Law for warning of any work-related amendment, to all PT employees.

Five strategic priorities

1. Increase productivity;
2. Complete the implementation of the career model;
3. Improve the Performance Appraisal Process;
4. Attract and Develop Talent;
5. Strengthen the Internal Social Responsibility.

1.1. Employability

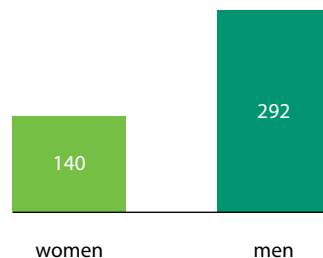
PT's recruitment strategy relies essentially on the attraction, selection and development of young people starting their professional activity.

The Trainees Program and the Portugal Telecom Academy are strategic programs of attraction, capture and integration of young people into active life, resulting from partnerships with the school community, including universities and technical-professional schools of reference at national level.

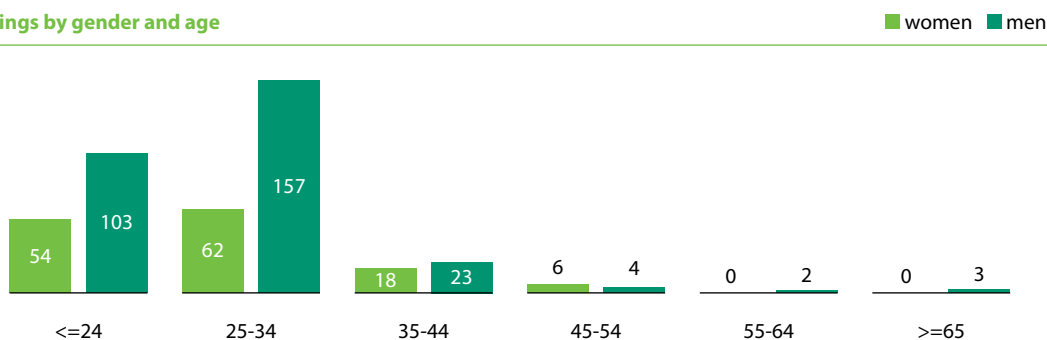
Attraction and capture	<ul style="list-style-type: none"> Recruitment of young graduates with high potential for development in the telecommunications market Promotion and capture in major universities in the country
Assisted integration	<ul style="list-style-type: none"> High sponsorship of top management Constant monitoring by various entities in the organization
Growth and development	<ul style="list-style-type: none"> Alignment between personal and professional goals Development of behavioral and professional skills Retention of who showed higher capacities and adaptation
Investment in the future	<ul style="list-style-type: none"> Strengthening the innovation capacity of teams, differentiation of perspectives and creativity in solutions to meet the current and future challenges

PT continues to bet on a recruitment strategy in view of further qualification of the labour force, so a total of 432 new employees were recruited in 2013.

Hirings in 2013



Hirings by gender and age

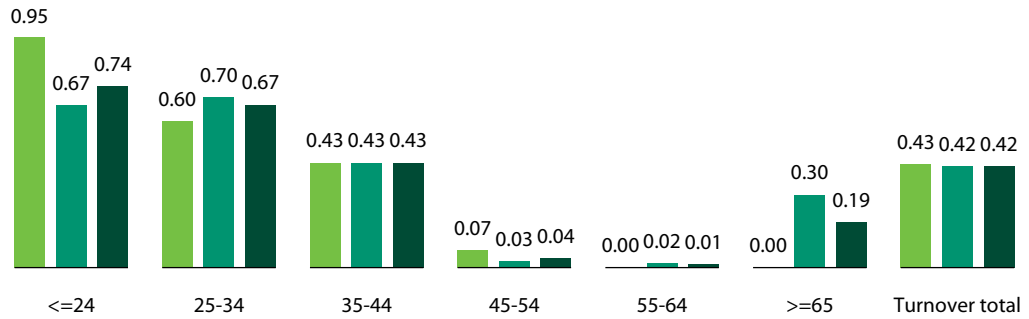


08

SOCIAL DIMENSION

Turnover by age

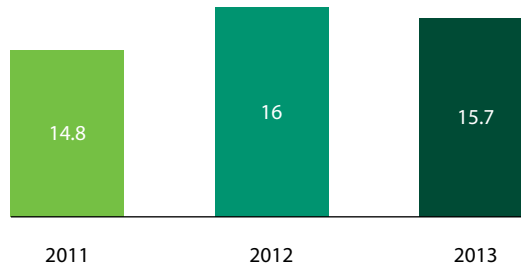
■ women ■ men ■ total



The average term in service of PT employees is 15.7 years, which confirms the long-term strategy of human resource management in an especially difficult context.

Average term in service

(years)



Employee benefits

Benefits for both permanent and fixed-term contracts: Health Care Plan and Communications Benefit.

Benefits for all employees: PT's internal social responsibility area promotes a number of initiatives to support employees and their families, promoting social values, welfare, culture, healthy habits and special moments and supporting the development of employee children through study aid for households with lower per capita incomes and stimulating leisure activities.

éConsigno program

Grow	Initiatives of digital inclusion, school skills acquisition and occupation of leisure time
Support	Initiatives to support employees and their families with particular needs
Live	Initiatives to support employees in Health, Prevention, Screening and Wellness

Health

In terms of health, PT has a network of Healthcare providers for employees and if they so wish, the remainder of the household, in favourable conditions relative to other Healthcare systems.

At the same time, screening programs are carried out to better address the identified risks and thus be able to contribute to the promotion of healthy living habits – view in OSH.

The Healthcare Plan of PT covers 49,136 beneficiaries.

Dining spaces

PT offers its employees a network of dining and snack spaces that it wants to associate with healthy eating and a balanced price/quality ratio. Those responsible for these spaces are supported by nutritionists for the preparation of the respective menus.

Support for studies of employee children

PT has a program of support for studies - grants and awards for excellence – for employee children. It allows to support the education of children from households with lower per capita income and reward academic excellence among young people – **3,358 grants were awarded (+12% compared to 2012).**

Celebrating birth

The birth rate has dropped in Europe and particularly in Portugal. So PT celebrates birth by sending employees who receive the blessing of motherhood or fatherhood, a gift kit with products for the baby and a message of tribute to the parents. – 388 kits were distributed (+6% compared to 2012).

Holiday camps for employee children

During school holidays, PT organizes (by age) programs in camps for employee children. These programs contain educational, sports and entertainment activities and they are always very popular, since it contributes to the occupation of leisure time of children and for the tranquillity of their respective parents – **2,191 participants (+13% compared to 2012).**

Social support for employees

Support for employees and families in difficulty (health, economic, etc.) – **2,022 requests received (+7% compared to 2012).**

Family volunteering

PT organizes volunteer programs outside working hours that allow employees to participate individually or together with their families. These voluntary programs are often activities related to outdoors, and/or social support (for needy young and/or elderly). – **Family volunteering programs had 1,467 participants (+44% compared to 2012).**

Bookpoint – literacy

PT employees have a network of internal media libraries where they can order to their homes and for a given period different formats and different types of content appropriate for various ages and interests.

08

SOCIAL DIMENSION

Benefits in purchasing services and products

PT employees and their families also benefit from discounts and special conditions for the purchase of goods and services in various stores, through protocols established between PT and the respective brands:

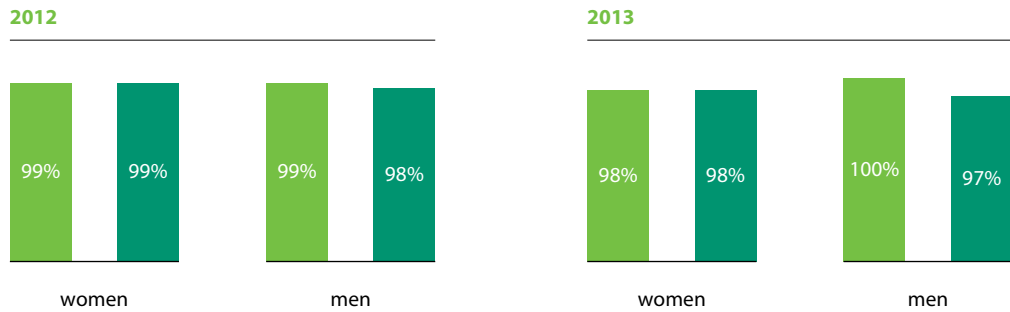
- Telecommunications;
- Electronic equipment;
- Health and wellness;
- Restaurants;
- Travel, tourism and leisure;
- Sport and physical activity;
- Fuel.

Parental leave

All employees are covered by the right to parenthood license. In 2013, the rate of return after parental leave and the retention rate at the end of a year are as referred to in the following graphs.

Rate of return and retention after parental leave

■ return rate ■ retention rate



1.2. Labour relations

Policies and the employees' management model are the result of the dialogue between the PT and the structures responsible for collective representation of workers.

The management model integrates the dialogue between the company's management structures and the collective representative structures of employees, namely, unions and works council.

Structures of collective representation of workers (SCRW)

Unions	18
No. Trade Unions that signed the Company agreement	12
Works Council	1
Subcommittees of workers	38
No. meetings with the SCRW	107

Issues treated with the SCRW

	Unions	Works council and Subcommittees
Changes of schedules and workplaces		
Presentation of results		
Assessment of working conditions		
Performance appraisal		
Tools, work materials and equipment		
Vocational training		
Car fleet		
Satisfaction survey		
Climate changes strategy		
Integration in the new career model		
Internal mobility		
Healthcare plan		
Social Policy		
Monthly bonuses		
Early retirement		
Advancements/Promotions		
Restructuring in the company		
Work schemes		
Analogue television signal and DTT introduction		

Notifications according to the labour law

- Notice to the Works Council and Trade Union in which the employee is affiliated of the conclusion of a fixed-term employment contract (art. 144, paragraph 1 of the Labour Code) – 5 working days after concluding the contract;
- Notice to the Works Council and Trade Union in which the employee is affiliated of the termination of fixed-term employment contract (art. 144, paragraph 1 of the Labour Code) – 5 business days after termination;
- Notice of commencement of work of temporary worker to the occupational safety and health services, to the workers' representatives for occupational safety and health, to the workers with specific functions in this area and to the Works Council (art. 186, paragraph 8 of the Labour Code) - 5 business days after beginning the activity;
- Notice to the Works Council of commencement of use of worker under an occasional provision regime (article 293º, paragraph 2 of the Labour Code) – 5 business days.

08

SOCIAL DIMENSION

Notifications according to the collective labour agreement

- Final relocation involving a change of residence upon a prior written notice of at least 60 days to the employee;
- Final relocation upon a prior written notice of at least 30 days to the employee;
- Final relocation within the same locality upon prior written notice of at least 8 days to the employee;
- Temporary relocation upon prior written notice of at least 8 days to the employee;
- Relocations in the interests of the service upon prior notice to the union representing the worker.

1.3. Occupational Safety and Health at Work

Occupational Safety and Health management model

Occupational safety

Minimize occupational hazards preventing accidents at work. Combat occupational diseases from a non-medical point of view through the identification of factors that can affect the working environment and the worker

Occupational health

Monitor the health of the worker, whose technical responsibility lies with the occupational physician

Objectives

- Improve the quality of life of employees
- Decrease the number and severity of occupational accidents
- Improve human relations in the workplace
- Contribute to ensuring productivity levels of the company
- Rationalize the costs

Implementation of the occupational Safety and Health model

- Develop prevention plans
- Identify the hazards and assess the risks of workplaces and activities
- Participate in the control of occupational risks, proposing the respective measures of mitigation/elimination
- Participate in and monitor the implementation of control measures of occupational risks
- Cooperate in the design of workplaces
- Analyze the causes of incidents and define the respective measures to take
- Participate in the definition of the information program, in the execution and implementation of information campaigns for workers in terms of OSH
- Participate in the design of the training program in OSH and in the development of the respective content and training supports
- Participate in the activities of certified OSH management systems, particularly in internal and external audits

Occupational safety, health at work are ensured through specialized organizational units by workers' representatives for occupational safety and health, as well as by all employees who are active in the continuous improvement of their working conditions and their quality of life. in particular through participation in the identification of hazards and risk assessment and in the definition and implementation of appropriate control measures to each situation

In order to gain the recognition of procedures and practices implemented, PT has certified all management systems according to OHSAS 18001.

Representation of employees on Occupational Safety and Health

The OSH committees represent more than 75% of the Group's employees, and as they act in 99% of the buildings of the PT Group, collaborating and overseeing the development and implementation of health and safety programs, which in reality makes that the entirety of workers represented can be considered superior to the value referred to above.

The OSH programs undertaken by PT cover all active employees, and during the year of 2013 stand out the following activities and respective outcomes:

Labour accidents and occupational diseases

Accidents	Men	Women	Total
Accidents on the job, with medical leave	107	30	137
Days lost* due to accidents on the job, with medical leave	3,707.1	756.4	4,463.5
No. of hours potentially worked	10,813,298	6,087,777	16,901,075
Number of hours worked	13,003,659.1	7,298,038.0	20,301,697.1
Accident rate	1.65	0.82	1.35
Days lost rate	68.57	24.85	52.82

* Lost days: accounting of worked days from the day following the occurrence of the accident at work.

Practices that ensure workers' safety and health

The existence of procedures of continuous identification of dangers and assessing OSH risks associated with workplaces and developed activities enables the organization to develop controls to eliminate or reduce the hazards and affect the needed resources for effective risk management. The activities developed in this context were embodied, inter alia, in the process of assessing working conditions.

Working conditions assessments

Number of risk assessments (in PT activities and buildings)	133
Number of risk assessments (on site)	944

The assessments of working conditions carried out in permanently occupied spaces, include the analysis of aspects such as thermal environment (temperature and relative air humidity), indoor air quality (carbon monoxide and carbon dioxide) and lighting.

In order to prepare the response to emergency situations, prevent or mitigate their adverse consequences for the safety and health of workers, there are regular simulation exercises of response to emergency situations, designated by CPX (Command Post Exercise), wishing to recreate these pressure situations similar to those of a real emergency situation, testing the state of operational readiness and responsiveness of different media involved in emergency control operations

Emergencies stress tests

No. of simulations	41
No. of in situ simulations	14

08

SOCIAL DIMENSION

Preventive measures adopted

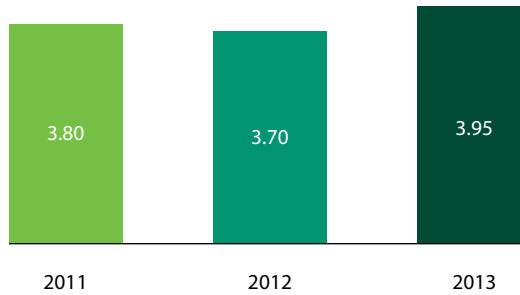
Comprehensive plan for improvement of the equipment used in PT Group companies
(Individual protection inspected equipment – 5,461 | Verified work equipment – 719)

Training actions “STAP - Safety in work at height - Wooden and concrete poles” and “STCVP - Work safety in permanent manholes”

Absenteeism

The rate of absenteeism at PT, calculated between the potential of working hours and the number of hours of absenteeism, remained constant throughout the three-year term of office between 3 and 4%, and increased slightly in 2013. On the other hand, women’s absenteeism decreased to 5.5% while men’s absenteeism increased to 3.1%.

Absence rate



Absenteeism rate by gender

■ men ■ women



1.4. Training

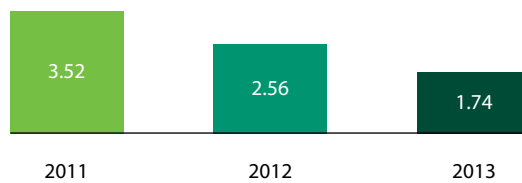
Talent retention

- Training and development
- Performance management and appraisal
- Career model
- Participation in innovation
- Communication channels for dialogue
- Satisfaction assessment surveys

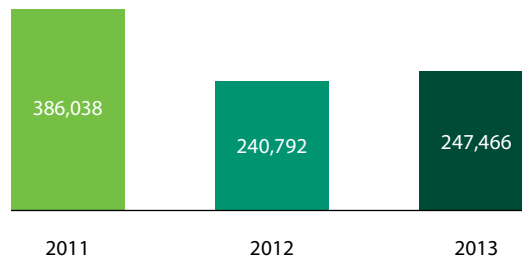
Employee training is considered a priority for the PT's management. Only through an appropriate training plan is it possible to anticipate solutions and add value to human resources, business, the environment and society. Over the last three years, PT invested approximately 8 million euros in training actions of its team, and 2011 was the year with highest investment in the area, within a strategy of intensive and specialized training of PT staff. Once completed this training cycle, the subsequent years have been a complement to the previous strategy and consolidation of training in specific areas.

Investment in training

(million euros)

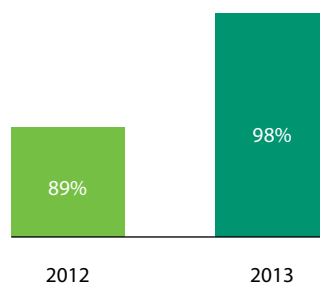


Number of training hours



Despite the investment in training have been declining throughout the three-year term of office, it is important to stress that, on the contrary, it has been possible to cover an increasingly greater number of employees in training actions. In 2013, 98% of PT employees participated in training actions within PT's training plan.

Participants in training actions vs. universe of employees

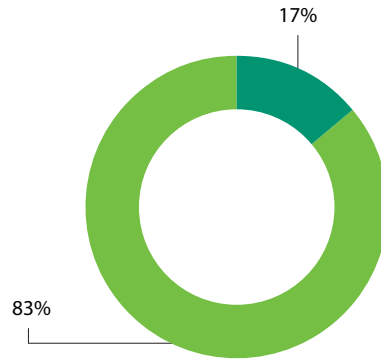


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SOCIAL DIMENSION

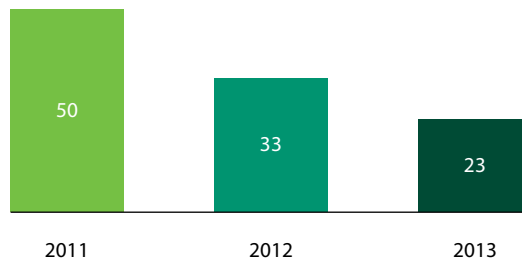
Training support (%)

■ face-to-face ■ e-learning



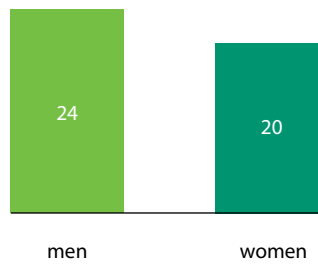
Average time of training per participant

(hours)

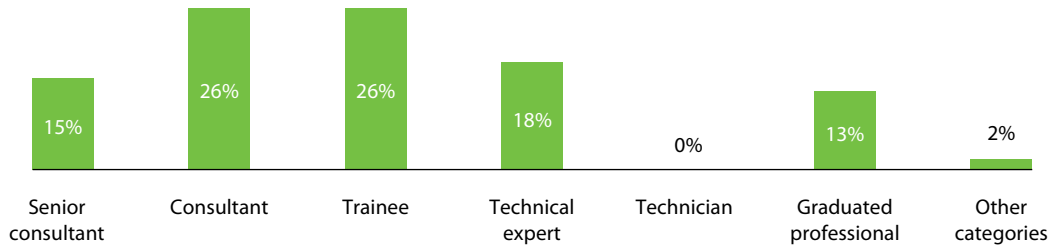


Distribution of average training time by gender

(hours)



Distribution of average training time by occupational category



Performance management and appraisal model

The performance appraisal is a key element of the human resources management process having been improved in 2011 and 2012 in line with the current market trends, with the strategic direction of the company and with the best practices at the international level.

Main targets of the appraisal model

Motivate – motivate people by establishing objective criteria that allow to reward their contribution to the performance of the organization.

Develop – monitor the performance of employees, providing them with a clear direction.

Establish future commitments.

Improve results – analyze the level of achievement of objectives and the level of proficiency and competence.

A process of behavioural skills assessment and evaluation of the achievement of results has been defined and implemented, which involves all employees and which is based on a set of transversal skills, systematized on a common scale, distinguished by assessment profiles, in order to allow an assessment suited to the functions and skills of each.

Areas of appraisal

Knowledge	✓
Attitude	✓
Initiative	✓
Rigour	✓
Teamwork	✓

The model comprises top-down appraisal, self-appraisal and the existence of feedback meetings between appraiser and appraised, resulting in joint development of a personal development plan for each employee, in which there is a joint and constructive analysis to developing and maximizing the employee's strengths as well as an identification of development actions on areas to improve. The performance appraisal is supported on an application resident on the internal portal, and its main features are the ease of access by all employees and implementation of associated actions.

08

SOCIAL DIMENSION

This management tool allows:

Areas of appraisal

Company	Employees
Deepen the knowledge of employee skills	Greater knowledge of what the management appreciates in their work
Increase the level of alignment with the company's strategy	Awareness of their strengths and areas of expertise to improve
Strengthen the direction towards the achievement of objectives	Creating opportunities for direct communication with the respective manager, with a view to finding the best solutions for meeting the defined goals
Encourage upward and downward communication	Identification of vectors for the improvement of their performance and development

In order to ensure transparency in the process, once stabilized the completion of appraisals in the system, the self-appraisals are made available on the intranet to appraisers as well as the appraisal and respective personal development plan to the appraised. Then there are feedback meetings, closing this cycle, which includes **100% of employees**.

End of career management

The end of PT's employees professional life, either due to termination of their contracts or to retirement, is monitored and supported by PT as follows:

End of career

From PT	From PT and from active life
<ul style="list-style-type: none"> • Notice • Identification of skills • Training and technical and behavioural development plan • Identification of work opportunities in the value chain 	<ul style="list-style-type: none"> • Communication channels between active and retired employees • Healthcare Center and Plan • Club for Cultural Activities and Sports • Company's dining spaces (diet by segment of need) • Volunteer programs – Active Citizenship • Packages of communication and multimedia services with preferential conditions

1.5. Diversity and equal opportunities

Diversity is a strategic priority in the company. It is a natural consequence of its globalization worldwide. The Code of Ethics that guides its conduct also promotes and defends diversity and equal opportunities.

The policy calls for respect for differences, the combat against any form of discrimination, and the promotion of equal opportunities. All policies that guide the company's conduct advocate equal opportunities at work, irrespective of gender, age, race, religion, disability, and/or sexual orientation of each.

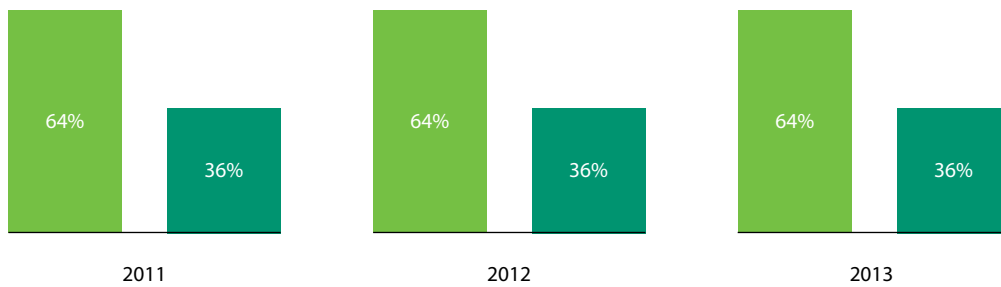
PT, apart from being committed to complying with national labour legislation, believes that it should ensure equal opportunities to all employees and candidates to its recruitment programs. Knowing that ICT areas have revealed to be less attractive to women, PT has sought to stimulate the interest of this population layer through a recruitment program with the universities and schools of reference.

In addition to specifically including this issue in its Code of Ethics, PT is also a signatory to the principles of the United Nations Global Compact, Social Responsibility Agreement with UNI (Union Network International), is a signatory to the European Code of Best Practices for Women in ICT, in 2013 became also a signatory to the Enterprise Forum for Gender Equality, an initiative of the Committee for Equality in Work and Employment.

The distribution between men and women has remained stable over the three-year term of office – on average, in every 10 employees, there are about 6 men and 4 women.

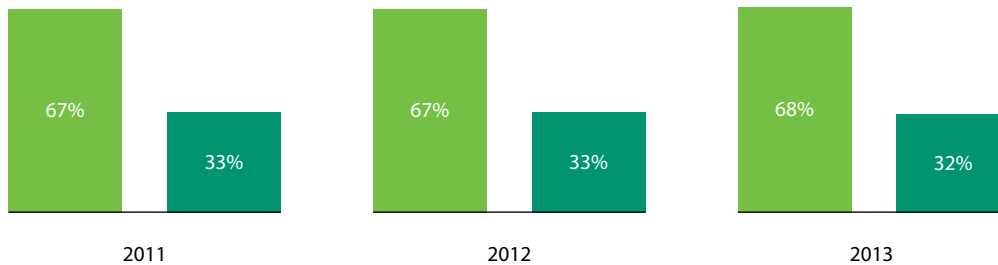
Gender diversity

■ men ■ women



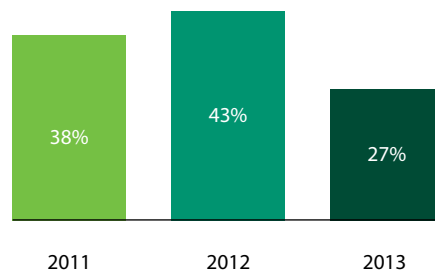
Management positions by gender

■ men ■ women



The Trainees programs have been incorporating increasingly more women, however in 2013 this trend was reversed, with only 27% of women in trainee programs.

Women in trainee programs



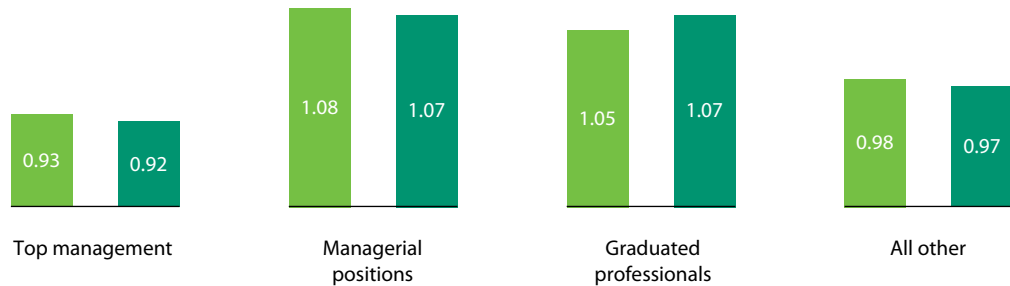
08

SOCIAL DIMENSION

The average remuneration of the top management positions and non-graduated professionals is slightly higher among female employees. The average remuneration of other management positions and graduated professionals is in general slightly higher among male employees. This trend has remained stable.

Proportion of remuneration between men / women

■ 2012 ■ 2013

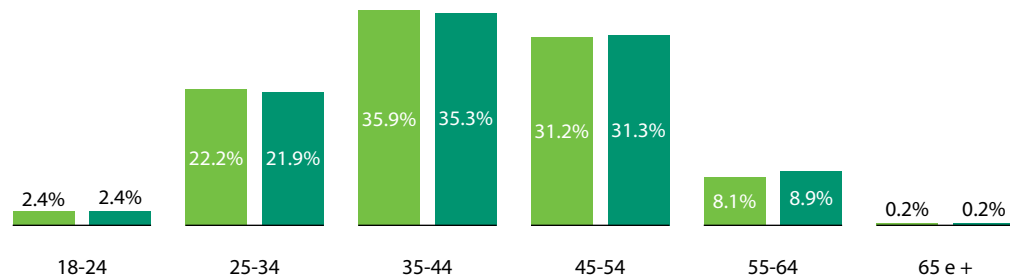


The lower wages paid by PT is 2% above the national minimum monthly remuneration guaranteed by law.

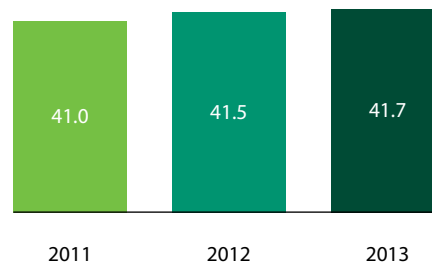
The distribution of employees per age group shows a balanced distribution from the younger to the senior age groups.

Distribution by age

■ 2012 ■ 2013

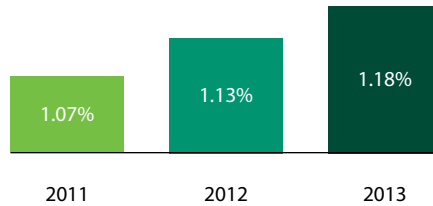


Average age of employees



PT incorporates in its structure employees with disabilities.

Employees with disabilities



1.6. Supplier assessment

The supply chain is assessed according to an integrated model that includes 4 complementary stages: pre-selection, survey of practices and performance assessment, random audits and complaint channels (confidential).

PT’s model of pre-selection of potential suppliers implies the acceptance of PT’s Code of Conduct of Social Responsibility (which includes ethical, employment, Human Rights, occupational health and safety and environmental aspects) and the presentation of documentation demonstrating compliance with the legislation and PT’s sustainability practices. The evaluation of awarded suppliers is made by conducting an annual survey and on-site audits to a random sample of suppliers.

With regard to labour practices in 2013, the assessment profile obtained had the following configuration:



The segments of vendors that show poorer alignment are subject to an improvement plan that includes phases of dialogue and identification of goals that allow an increasingly better alignment with subsequent benefits for all stakeholders.

1.7. Communication channels

The available communication channels are diverse in nature, in order to allow not only a better identification and management of risks and opportunities as well as the preparation of plans aimed at mitigating any negative impacts on the company and/or stakeholders in what it relates to labour practices.

08

SOCIAL DIMENSION

Employees	Code of Conduct Social dialogue with employee representatives Confidential complaint channels Employee portal Organizational climate survey Company agreement Corporate intranet Performance appraisal and feedback Training
Suppliers & partners	Code of Conduct Supplier portal Assessment and feedback meetings Audits Expert team for negotiation and dialogue Confidential complaint channels International benchmarks and rankings
NGOs	Participation in working groups: Human Rights; occupational safety and health; minors; electromagnetic radiation; Ethics in communication; value chain and alignment Rationalization of GHG emissions Strategic philanthropy Impacts on society Surveys International statistics Benchmarks

2. HUMAN RIGHTS

PT is committed to the development of an organizational culture based on policies that support and promote Human Rights, seeking to avoid any complicity with those who somehow violate any of its principles.

We support the principles contained in the Universal Declaration of Human Rights, the OECD guidelines for multinational companies and ILO's core conventions on labour.

Our support for these principles is reflected in policies and actions towards our employees, suppliers, customers and the countries in which we operate, from whom we require the same pattern.

PT treats its employees with respect and dignity, ensuring that they work freely, willingly, and that are properly remunerated for their efforts, in fulfilment of their contracts and in compliance with the laws and regulations of the countries in which we operate.

PT respects the sovereignty of Governments worldwide, considering that each nation should protect the Human Rights of its citizens. However, knowing that the legal framework of some of the countries where we operate is unclear with regard to aspects related to Human Rights, PT ensures compliance with local legislation and adds a strong promotion for companies to adhere to the principles reflected in our corporate policies.

The commitments of PT to respect for Human Rights is embedded in the social and labour policies of the Group and its criteria and results are shared in the annual reports of the company. Human Rights are part of the non-financial risk assessment of operations.

Equality

PT prohibits any distinction in the enjoyment of Human Rights on grounds of race, colour, sex, language, religion, political or other opinion, national or social origin, wealth, birth or any other situation.

Life and safety

PT endorses the right to life, freedom and safety, by guaranteeing the right to be free from slavery, bondage, torture or cruel, inhuman or degrading treatment, and developing the notion of personal dignity and safety.

Personal freedom

This company supports the rights that protect:

- Right to personal privacy in matters relating to family, home, correspondence, reputation, honour and freedom of movement;
- Right of asylum, to a nationality and the right to personal property;
- Freedom of thought, conscience and religion and freedom of opinion and expression are defined along with the right to peaceful assembly and association.

Economic, social and cultural freedom

PT further endorses the following:

- Right to human dignity and free development of the personality of each individual;
- Right to work and equal pay for equal work, fair pay that guarantees for the worker and family a life compatible with human dignity;
- Right to form and join trade unions, the right to rest and leisure, and to periodic paid vacation.

2.1. Investment

All partners or suppliers with whom PT relates are subject to a pre-selection that requires the signature and commitment with the Code of Conduct of Social Responsibility that seeks to ensure the alignment of suppliers and partners in 3 major areas: Human Rights, Working Conditions and Environmental responsibility. It is required also to suppliers and partners to provide documents proving their responsiveness and alignment with PT's Code of Conduct and values. All contracts include clauses regarding environmental issues, Human Rights, working conditions and occupational health and safety.

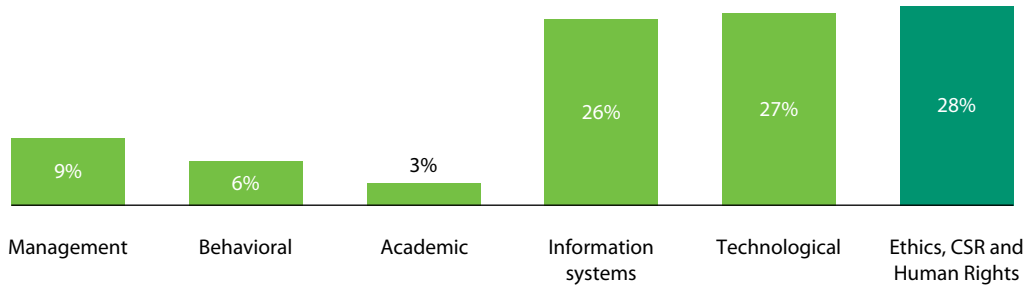
Human Rights areas of investment

		Suppliers	PT
Online information and awareness campaigns	HR	✓	✓
	LR	✓	✓
	OSH	✓	✓
Training	HR		✓
	LR		✓
	OSH		✓
Contractual clauses	HR	✓	✓
	LR	✓	✓
	OSH	✓	✓
Commitments between the entities	HR	✓	✓
	LR	✓	✓
	OSH	✓	✓

08

SOCIAL DIMENSION

Thematic areas of training

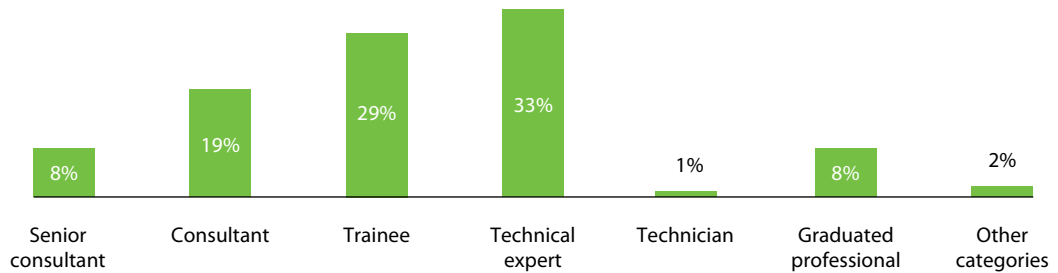


By the end of 2013, the training of employees in the areas of CSR and Human Rights took the listing below, and in 2014 it will start a new cycle of training based on the Code of Ethics review - which specifies better the aspects related to Human Rights and the adoption of anti-corruption policy.

This year we made 46,405 hours of training in Human Rights and Social Responsibility, having assumed the following proportion by job category:

Human Rights training

(hours)



2.2. Non-discrimination

Through the whistleblower reporting channels provided by PT, in 2013 there was only one complaint related to discrimination, which is currently resolved.

PT has defined a methodology that should be applied to the social responsibility concerns or detected events coming from employees, customers, audits or any other source. This methodology follows 4 distinct phases:

i) Detection and reporting

Any element of the organization or any external entity can express a concern or detect a social responsibility instance, which they consider relevant.

Occurrences are recorded in a Log Table of Concerns and Occurrences.

If an employee or an external entity wishes to report a situation confidentially and/or anonymously, they may do so through the specifically created channels on the corporate website and intranet.

All the recorded situations are reported to top management and employee representatives.

This report will be held monthly, or whenever deemed necessary, taking into consideration the criticality of the situation.

During the year, there were no violations of indigenous rights.

ii) Definition of corrective and preventive action

After registration of the occurrences, the following steps are guaranteed:

- Analysis and classification of occurrence;
- Identification and analysis of the causes associated with the report made;
- Definition of corrective or preventive actions as appropriate;
- Definition of who is responsible for the implementation of actions and associated deadlines.

The information associated with this step is also recorded.

iii) Implementation of corrective and preventive actions

This step is performed by those responsible identified in the previous step and involves the implementation of corrective and preventive actions, and should also be ensured compliance with the defined deadlines.

iv) Monitoring and Evaluation of corrective and preventive actions

This step aims to evaluate the effectiveness of the implemented actions and check if the occurrence has not recurred or if the concern was effectively mitigated.

If the occurrence took place once more or the concern has not been mitigated, a new root-cause analysis is carried out, actions are implemented and the process is replicated.

Corporate Forum for gender equality - iGen

2013 saw PT join iGen that aims at sharing among companies a common social responsibility culture that incorporates in day-to-day business the principles of equality between women and men, in a commitment to promoting professional equality and combating all forms of gender discrimination at work.

2.3. Human Rights in the value chain

PT, in addition to supporting, promoting and defending internally Human Rights-related principles and codes of conduct, seeks to scrupulously capture suppliers that share the same values in this matter. Apart from this basic principle, PT has also aimed to ensure that these suppliers are companies available to innovate

08

SOCIAL DIMENSION

and cooperate in order to ensure greater efficiency in production processes and delivery of products and/or services on the market with a view to social valuation of employees, customers and the community at large.

For PT, the issues concerning freedom of association and collective bargaining, child labour, forced labour and respect for local communities are of great importance and require a constant monitoring of operations and suppliers with a view to the compliance with the international principles and codes of conduct related to these topics.

The table below shows the performance of Suppliers and of PT during the year of 2013:

		Suppliers	PT	Customers and general public
Freedom of association and collective bargaining	Occurrences	Zero occurrences	Zero occurrences	n/a
	Risk	Low	Low	n/a
Child labour	Occurrences	Zero occurrences	Zero occurrences	n/a
	Risk	Low	Low	n/a
Forced labour	Occurrences	Zero occurrences	Zero occurrences	n/a
	Risk	Low	Low	n/a
Violations of the rights of local people	Occurrences	Zero occurrences	Zero occurrences	n/a
	Risk	Low	Low	n/a
Data privacy	Occurrences	Zero occurrences	Zero occurrences	Zero occurrences
	Risk	Low	Low	Low
Labour relations	Occurrences	Zero occurrences	Two occurrences	Zero occurrences
	Risk	Low	Low	Low

Conflict minerals

The PT is not an equipment manufacturer. Whenever needed, whether for own use or for its customers, it consults the market and attempts to identify the equipment most adjusted to the needs in terms of efficiency, price, environmental footprint and ethics in its manufacture.

In addition to the streamlining the consumption of materials, PT has increasingly sought further and more rigorous information about the raw materials incorporated in equipment purchased for own use or for placing on the market, in order to progressively ensure two situations considered fundamental:

- That equipment manufacturers reject and undertake not to use minerals from conflict zones, namely tantalum, tungsten and coltan (usually referred to as 3tG);
- That existing information provide correct indications about the routing best suited to each component of the equipment at the end of the respective life cycle.

PT's supply chain is composed of entities subjected to a very strict pre-selection process and after selected, the suppliers not only make themselves available to receiving and participating in random face-to-face audits and/or documentary validation surveys on their environmental performance.

The Global e-Sustainability Initiative (GESI) in partnership with the Electronic Industry Citizenship Coalition (EICC) are striving for the tracking of ore sources used by the telecommunications industry. The Conflict-Free Smelter (CFS) program has enabled us to conduct a self-assessment about the use of conflict sources in the value chain www.conflictreesmelter.org.

2.4. Supplier assessment

The model of pre-selection of potential PT suppliers implies the acceptance of PT's Code of Conduct of Social responsibility (which comprises ethical, employment, Human Rights, occupational health and safety and environmental aspects) and the presentation of documentation demonstrating compliance with the legislation and the company's sustainability practices. The assessment of suppliers awarded is performed by conducting an annual survey and on-site audits to a random sample of suppliers. There are also benchmarks that allow a comparison between PT suppliers and industry best practices.

With regard to labour practices in 2013, the profile of assessment of suppliers in relation to Human Rights had the following configuration:

Assessment	Human Rights	Areas to improve Based on survey results
Pre-selection	100%	Information systems Administrative services Media and marketing
Survey	82.4%	
Face-to-face audits	65%	
Benchmarks	Low risk	

2.5. Communication channels

The communication channels available are of diverse nature in order to allow not only a better identification and management of risks and opportunities, but also the preparation of plans aimed at mitigating any negative impacts on the company and/or stakeholders in what concerns Human Rights.

08

SOCIAL DIMENSION

Customers	Call Centres Customer portal Network of stores and agents and sales managers Telephone and online channels available 24/7 and 365 days/year Market surveys Marketing campaigns Electronic invoice Channels for complaints and suggestions
Employees	Code of Ethics Social dialogue with employee representatives Whistleblower channels Employee portal Organizational climate survey Company agreement Corporate intranet Performance appraisal and feedback Training
Suppliers Partners	Code of Conduct Supplier portal Appraisal and feedback meetings Audits Expert team for dialogue and negotiation Whistleblower channels International rankings and benchmarks
NGOs	Participation in working groups: Human Rights; occupational safety and health; minors; electromagnetic radiation; Ethics in communication; value chain and alignment Rationalization of GHG emissions Strategic philanthropy Impacts on Society Surveys International statistics Benchmarks
General public	

3. PRODUCT LIABILITY

PT's market offer seeks to incorporate products and solutions adapted to market expectations, at the forefront of innovation, at prices adjusted to each market segment and that, at the same time, contain socially and environmentally-friendly features that contribute to the development of a modern, informed, conscious and responsible citizenship.

In the perspective of PT, the social responsibility of its market offer lies in providing a portfolio comprising the communication needs of the entire population, the budget profiles of all households, the materials, services, features that respect Human Rights, the protection of minors and of the most vulnerable layers of population, and above all that be based on ensuring quality, broadband, and sustainable communications over the next 100 years.

All solutions placed on the market are subject to a number of studies that allow to assess the compliance of each equipment, product or service, with the legislation, the policies adopted in the company and the commitments undertaken with stakeholders. Only the equipment, products and services that comply with these assumptions are placed on the market.

Among the subjects seconded by stakeholders in the consultation carried out, stand out the concern for the impact of electromagnetic radiation on health, for marketing information and for customer privacy and safety. And so, we now detail these topics.

3.1. Health and safety

The equipment and services marketed by PT are subject to prior evaluation in order to preclude any negative impact on the health and safety of users.

Mobile equipment

The increased use of mobile phones has sparked concerns in public opinion regarding the effects that electromagnetic fields from mobile telecommunications may cause on the population's health.

PT has sought over time to monitor and publicize the evolution of existing knowledge on this subject, whether with regard to scientific research on the effects of non-ionizing radiation emissions on human health, or with regard to European and domestic conclusions and recommendations on the safety limits for radiation levels.

The European Commission, WHO (World Health Organization) and ICNIRP (International Commission for Non-Ionizing Radiation Protection) as well as other national and international bodies have been working to deepen the knowledge about the possible health consequences, caused by exposure to radio frequency fields emitted by mobile phones and their network stations and of course to identify best practices to apply in this domain.

The European Union has established limits for the radiation level through the 1999/519/EC recommendation. This is to identify the maximum level of energy to absorb by the mobile phone user's head, which is defined by means of the SAR (Specific Absorption Rate). SAR is the pace at which energy is absorbed per mass unit of body tissue and is expressed in watts per kilogram – maximum value of 2.0 W/kg over 10 grams of tissue.

Terminals marketed by PT which meet the radiation value recommended by EC – below 2.0 W/ Kg	100%
Equipment marketed by PT with information about the respective SAR – in the manual and online	100%*
Antennas shared with other operators	24%

* Only mobile phones.

Radio stations

The National Communications Authority adopted reference levels established by the European Union through the Council recommendation 1999/519/EC. These reference levels are applicable to all radio stations, set up under a station or network license.

Moreover, according to national legislation, all mobile operators have to deliver, in all municipalities of the country, a series of documents to obtain municipal consent inherent in installing and operating radio communications support infrastructures and respective accessories. This legislation also adopted mechanisms for fixing reference levels for exposure of the general public to electromagnetic fields.

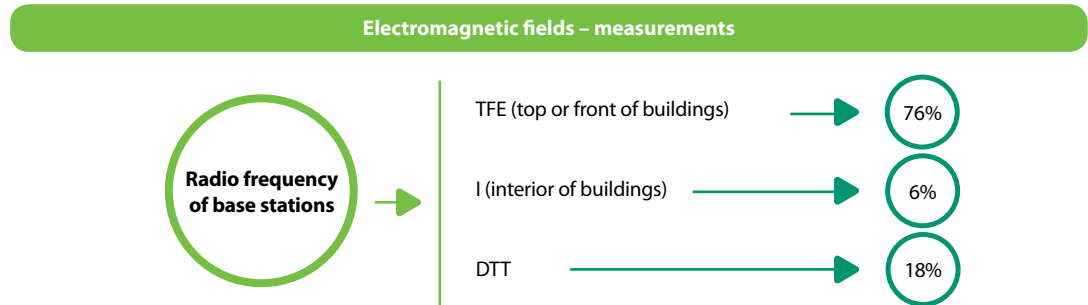
There is a strict supervision, pledging the national regulatory authority to carry out the checks and tests to check the compliance with the regulations.

PT, in addition to monitoring the evolution of the knowledge produced on this topic and sharing the use of antennas with other operators at domestic level, monitors its network regularly and randomly, besides performing the measurements and clarifying the questions raised by the competent authorities or directly by the users.

08

SOCIAL DIMENSION

It should be noted that to date measurements made to the network showed lower levels than the EU recommendation. However, in the event of any case with values above those contracted, PT will trigger a correction plan defined for this purpose.



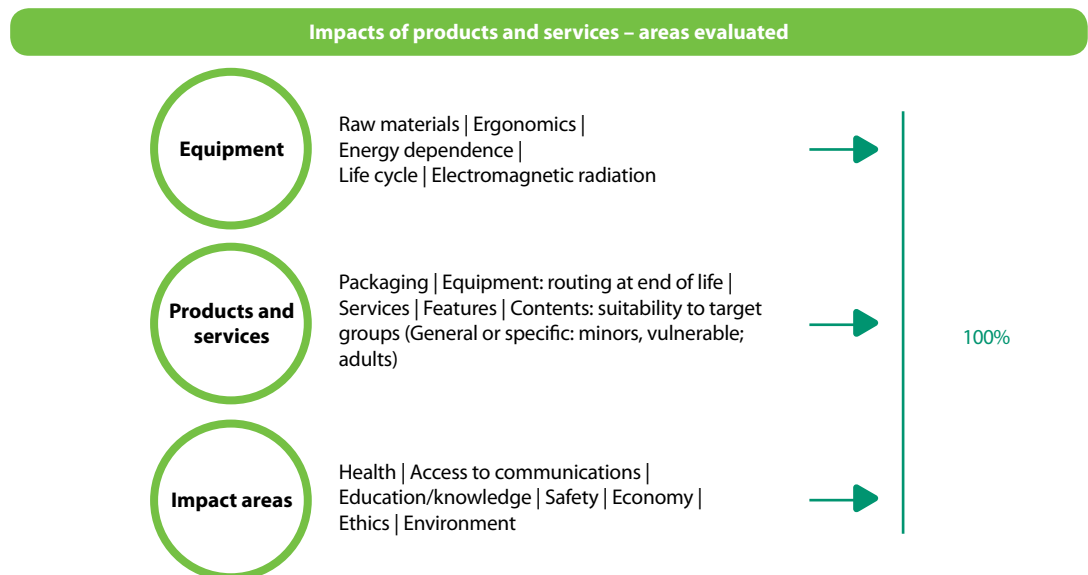
Apart from this aspect there are other measured aspects related to the ergonomics of equipment, component materials and to their features to ensure that they do not present threats with likely impact on the health and/or safety of users.

During the year of 2013 there were no complaints or disputes about these topics.

3.2. Information on products and services

Over the past few years, attributes have been added to the equipment, products, services, solutions and features made available to the market to improve the sustainability of the commercial offer. To do so, the successive involvement of the entire value chain has been instrumental, namely suppliers and business partners, upstream of the activity and customers downstream of the process in their capacity of subscribers and users.

The areas evaluated in each equipment, product or service, are as follows:



All marketed solutions are subject to a number of studies that allow for assessing the compliance of each equipment, product or service, with the legislation, the policies adopted in the company and with the commitments undertaken with stakeholders. Only the equipment, products and services that comply with these assumptions are placed on the market.

The evaluation of each area occurs in the following phases

Product development	✓
Research and development	✓
Acquisition of equipment	✓
Production	Not applicable
Marketing and promotion	✓
Distribution	In progress
Use	✓
Reuse and recycling	✓

Equipment

In this sense, PT has sought to offer equipment with less energy dependence and has provided services and features that allow each customer to monitor and benefit from better management of their energy consumption and their spending.

PT is not an equipment manufacturer. Whenever needed, whether for its own use or for its customers, PT consults the market and attempts to identify equipment more adjusted to its needs in terms of efficiency, price, environmental footprint and ethics in its manufacture.

In addition to the rationalization of consumption of materials, PT has increasingly sought information and is increasingly rigorous about the raw materials incorporated in equipment purchased for own use or for marketing, in order to progressively ensure two situations considered fundamental:

- That equipment manufacturers reject and undertake not to use minerals from conflict zones, namely tantalum, tungsten and coltan (usually referred to as 3TG);
- That existing information allow correct indications about the routing best suited to each component of the equipment at the end of the respective life cycle.

Conflict minerals



The supply chain of PT is composed of entities subjected to a very strict pre-selection process and once selected, the suppliers not only make themselves available to receive and participate in random face-to-face audits and/or documentary validation surveys about their environmental performance.

08

SOCIAL DIMENSION

Packaging

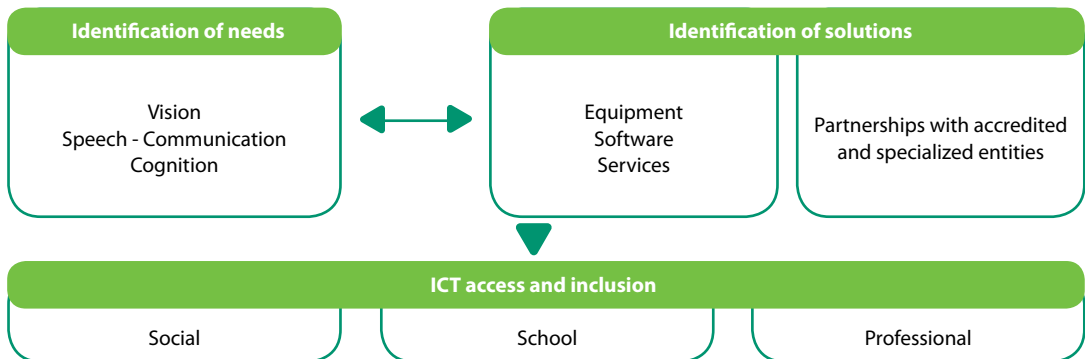
The reuse and recycling of materials have deserved special attention of PT in what directly regards the company's activity, and in respect of information and programs made available to customers. The re-use of equipment avoids the consumption of materials, saves costs and reduces waste production. Therefore, PT carried out the evaluation, recovery, and re-use of equipment returned by customers due to migration to other solutions or services.

Communications access

As the largest telecom operator in Portugal, one of the central concerns of PT is to ensure access to telecommunications services to as many people as possible, regardless of their motor skills, geographic location, or social condition. In this sense, PT has ensured the provision of services and pricing plans adjusted to all customer profiles.

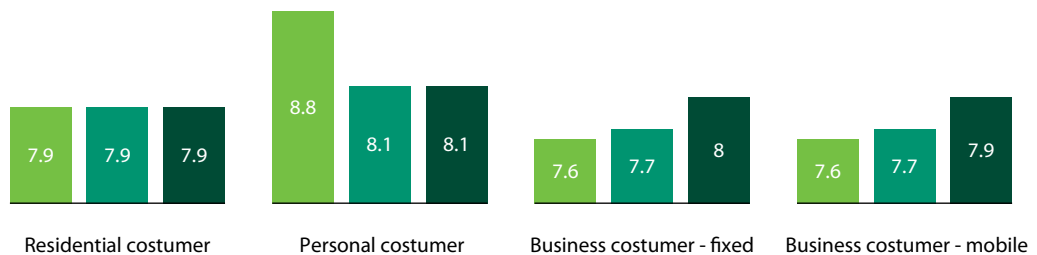
ICT access and skills for its use are differentiating factors in social opportunities and consequently of the utmost importance at the present time. They are a powerful instrument for social and professional inclusion that opens new horizons to the economy and the environment.

PT has developed and made available to persons with special needs, on a case-by-case basis, a solution -equipment, software and services (special solutions) – adapted to the disability, incapacity or limitation of each person.



The level of customer satisfaction is considered crucial to the company's performance in the future. The market survey is carried out every year and the average rating has had the following evolution over the last years:

Customer satisfaction index (1 to 10)



Source: Residential | Personal: Markttest; Business: DataE

The average satisfaction level of residential customers remained at the same level of previous year while the average satisfaction level of business customer has improved.

During the year of 2013 there were no controversies related to these issues.

3.3. Marketing communication

Aware of the influence of marketing communication on stakeholders, in particular in terms of perceptions, attitudes and ways of life, PT took on the challenge of having communication practices consistent with its commitments to business sustainability.

The responsible communication adopted in the company now incorporates the following principles:

- Law enforcement;
- Compliance with the codes of marketing and advertising, media and telecommunications;
- Respect for the environment and for the people;
- Clarity and truthfulness as starting points;
- Leading trends in responsible communication.

PT does not sell products banned on other markets, nor products or services that have been in public debate or deserved high concern on the part of its stakeholders.

In addition, responsible communication is based on the evaluation of its impacts at various levels, in particular, the risks and the environmental and social opportunities of the used media and conveyed messages. Therefore it has been reoriented towards:

- Privileging eco designed means and using ecological arguments only when it is justified and it is true;
- Refusing to promote behaviours that impact negatively on the quality of the environment and social relations;
- Promoting the positive development of the ways of thinking and living of society and the change of behaviours and attitudes.

To support the path to responsible communication at its various levels, two voluntary and self-regulatory guidebooks have been created that aggregate a number of good practices and recommendations to be adopted by the entire value chain either internally or with external suppliers and partners. These guidebooks are dynamic and subject to revisions that reflect the development of the market and of new services.

Guide to responsible communication

Cross-Cutting Challenges
Environment | Human Dignity | Protection of Children

Industry Challenges
Information security and Privacy Guarantee | E-Inclusion

Communication Challenges
Rethink | Reduce | Reuse | Recycle | Communicate

08

SOCIAL DIMENSION

Guide for activities in social networks

- Reject messages and/or material related to sex and/or pornography;
- Reject messages that promote hatred or physical or psychological violence;
- Reject racist messages or those that foster discrimination against any particular group;
- Reject malicious or subversive messages or those consciously intended to denigrate someone or something in particular;
- Respect copyrights;
- Publish only updated and true information.

Objectives to pursue in the three-year term of office

Ethics in communication with the stakeholders

Trust relationships should be encouraged through the permanent willingness to interact and comply with the expectations of all:

- i) Rigour and transparency in all interactions;
- ii) Respect and enforce personal data privacy.

Infrastructure for the next 100 years

We are building the foundation that will support the evolution of forms of working, living and communicating in the next 100 years:

- i) Investing in next-generation networks and ensuring global coverage of the country - FTTH (Fiber-To-The-Home) and 4G/ LTE (Long Term Evolution) – with high-capacity broadband;
- ii) Creating strong convergence and interaction between content, communications and electronic equipment.

Have and encourage responsible behavior in ICT

Knowledge and ethics are the primary influencers of each one's attitude:

- i) Stimulate the responsible consumption/ use of equipment and services;
- ii) Provide information for the Protection Of Minors in ICT use;
- iii) Respect and enforce Human Rights;
- iv) Align the value chain;
- v) Digital inclusion: access and literacy.

Climate change and energy efficiency

The systematic search for solutions about the impacts of ICT activity on society together with the contributions that their use may induce on the market, will certainly be the guarantee of a better environmental balance in the future:

- i) Stimulate energy efficiency;
- ii) Rationalize carbon emissions;
- iii) Rationalize and reroute waste to suitable destinations;
- iv) Preserving biodiversity and landscape balance.

Development of ecological and inclusive services and solutions

Diversify market offer by incorporating environmental and social sustainability in developed and marketed equipment, services and solutions:

- i) Cloud Computing;
- ii) Geo-tagging;
- iii) Safety;
- iv) Health;
- v) Education;
- vi) Assistance to people with special needs;
- vii) Electronic payments (mobile electronic wallet).

During the year there were no controversies about marketing communication.

3.4. Customer privacy and security

Customer privacy and security in general



The information security policy in terms of information and communication technologies and systems was prepared and adopted in this three-year term of office, most of the employees was subject to specific training and the respective contents were promoted among customers and users.

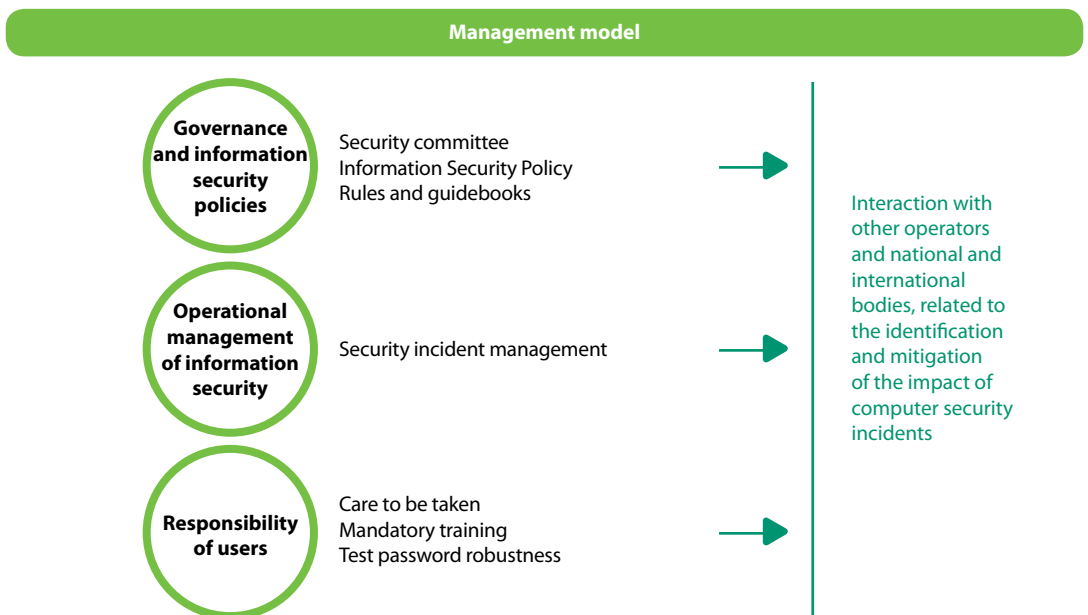
Human Rights and freedom of speech

The confidentiality and security of customer data, the protection of database information access and traffic as well as the confidentiality of communications contents are safeguarded by PT in order to ensure the freedom and fundamental rights of every individual.

Transparency and compliance

PT follows scrupulously the national legislation, which is very detailed and specific with regard to this issue, and also the European and American legislation. Being listed in European and North American stock exchanges, PT is monitored by entities from various sectors, in addition to the periodic analyses that it performs in all situations likely to undermine the protection of personal data conducted by lawyers and security experts.

When we refer to personal data, we mean any information, of any nature whatsoever and regardless of the respective support, including sound and image, relating to an identified or identifiable natural person: it is considered the person who can be identified directly or indirectly, in particular by reference to an identification number or to one or more specific factors of their physical, physiological, mental, economic, cultural or social identity.



Information Security Policy

2010 saw PT prepare and adopt its Information Security Policy in terms of Information and Communication Technologies and Systems. This policy contains a large number of procedures for which most employees have had specific training.

Knowing however that this is a sensitive area and where there are quick developments, it has been participating in discussion forums on this topic and implementing the measures regarded as best practices in safeguarding data protection and customer privacy.

08

SOCIAL DIMENSION

The rules set out in this Privacy Policy shall complement the provisions on personal data, provided for in the contracts that customers conclude with PT Group companies, as well as the rules laid down in the Terms and Conditions governing the supply of various products and services that are advertised as appropriate on the respective websites.

PT makes available customer-related data to third parties solely upon request of judicial authorities as provided by law.

Operational management of information security at PT, in the country and in Europe

At international level:

PT is part of the national network of CSIRTS – Computer Emergency Response Team – which in turn is part of the European network of CSIRTS, a name that designates teams that manage security incidents.

At national level:

Participation in the national network is through PT's information security team, by analogy called csirtPT, which is validated by the Trusted Introduces and which ensures: Treatment of IS incidents, security incident coordination and dissemination of alerts.

Participation in the 31st International Conference on Data Protection and Privacy in 2009:

- Following the 31st International Conference on Data Protection and Privacy held in Madrid, 50 countries agreed upon new joint measures of data protection and privacy, agreeing that some of the measures already developed and implemented in the EU should extend to outside its borders;
- The Madrid Resolution, as the document was known, intends to establish international standards to ensure more privacy and reservation in access to personal data and may give rise to the development of legislation in this area in countries where this does not already exist;
- PT is a member of the Working Group, which involved representatives from about 50 countries and companies associated with the ICT universe;
- The approved document defines the basic principles for the use of personal data: loyalty, legality, proportionality, quality, transparency and accountability. It also recognizes the need for supervisory authorities;
- The principles set out in this resolution are already part of the "standard" applied in the EU and in Portugal, but authorities have been advocating the importance of its generalization to other countries as transactions and services are increasingly global, and could undermine the protection of data of Portuguese citizens in the absence of rules in other States.

A Committee was created, which is responsible for the implementation and verification of the Privacy Policy applicable to the Group as well as by setting clear rules for processing personal data, ensuring that all that entrust us with their personal information are aware of the way how it is treated and what rights they have in this matter.

During the year there were no controversial situations associated with these topics.

Privacy and safety of minors



Minor protection

The ease with which nowadays contents are accessed and made available is truly stimulating and contributes unequivocally to bringing people together and closer to more diverse levels of knowledge. However, we know that this reality raises concerns related to the misuse of this potential on the part of less critical sections of population and/or less able to select content as appropriate to their interests.

Conscious of this fact, PT has triggered initiatives that aim to the awareness of the population to the responsible consumption of content, offers guides on equipment use and parental control software, follows the recommendations of international bodies on this issue and signed a Memorandum of Collaboration in 2009 with a scientific computing body for monitoring of content and network security.

Code of Conduct

PT signed in 2008 the Code of Conduct for its content provision activities that aims to protect minors from exposure to harmful content when using mobile communications services.

Memorandum of collaboration for computer security and safe internet use

2009 saw PT sign a Memorandum of Collaboration with the Foundation for National Scientific Computing (FCCN), for the areas of computer security and safe internet use.

In terms of computer security are safeguarded situations related to an action or number of actions taken against a computer or computer network which results, or may result in the loss of confidentiality, integrity, or performance of a data communication network or system, including unauthorized access, alteration or removal of information, interference or denial of service on a computer system.

As to the safe internet use, it addresses the identification and denunciation of manifestly illegal content, in order to removing and disabling access to content relating to child pornography or violation of Human Rights, in particular violence and racism.

Charter of principles to ensure greater safety of children and youth in ICT use

pT is also a signatory of a number of guiding Principles to ensure greater safety of children and young people in ICT use published in January 2012 - the "Principles for the Safer Use of Connected Devices and Online Services by Children and Young People in the EU"- and a founding member of the industry Alliance that developed them and which brings together players representing the entire ICT value chain: operators, manufacturers, social media, gaming and content providers.

"Communicate in Safety" Program

In order to raise the awareness of the school community for the proper use of the content accessible through electronic communication equipment, PT prepared through its corporate volunteering programs an initiative to bring to a large number of schools nationally that aims in classroom environment to:

- i) Promote the safe and responsible use of electronic content and equipment;
- ii) To raise the awareness of educators to the currently available parental control tools;
- iii) The program has been prepared and tested in some schools and has been running for the last 3 years in schools across the country.

08

SOCIAL DIMENSION

The awareness-raising campaigns carried out by PT in schools over the past 3 years have already covered about 100,000 children.

Guides of good practices for use of services and parental control

the interactivity of the new media not only opens doors, but also, as in other aspects of everyday life, requires care to preserve the safety of each, of their personal data and the information or content that they want to access and share with others.

It is therefore essential to know the most ethical and correct ways of using these services in order to ensure that the experiences in the current digital universe are more enriching and responsible. PT, aware that this path is the best suited to safeguard its customers, in particular the youngest, offers to parents and young people a number of services and guides that tend to promote safe ICT use and that can be found online on its website:

<http://www.telecom.pt/InternetResource/PTSite/UK/Canais/SobreaPT/Security/Secure+Children/securechildrenhome.htm>.

Help line

In order to better support minors in terms of protection and safety when using ICT, PT started a dialogue with child support Associations to enable them to, in conjunction with PT, receive complaints or requests for clarification and support their resolution mitigating any negative impacts. This agreement was prepared in 2013 and will be available in 2014.

Equipment and software for parental control

PT has sought in conjunction with the ICT industry to have equipment with parental control features and, specifically for mobile devices, has sought to provide services and applications that make it possible to manage on a case-by-case basis the access to content and sharing of personal information.

3.5. Compliance

During the year of 2013, PT paid a monetary value in fines related to non-compliance with laws and regulations concerning products and services.

Proceedings	Monetary value of fines
4	€ 226,022

09

CORPORATE CITIZENSHIP



REPORT PROFILE	04		
01 ORGANIZATIONAL PROFILE	06		
02 STRATEGY AND COMMITMENTS	15		
CHAIRMAN AND CEO'S MESSAGE	16		
03 GOVERNANCE MODEL	35		
04 ETHICS AND INTEGRITY	51		
05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY	67		
06 ECONOMIC DIMENSION	95		
07 ENVIRONMENTAL DIMENSION	111		
08 SOCIAL DIMENSION	137		
09 CORPORATE CITIZENSHIP			
DISCLOSURE MANAGEMENT APPROACH SYSTEMATIZATION OF REPORT CONTENTS	177	1. STRATEGIC PHILANTHROPY	172
GRI INDEX	183	2. COMMUNITY INVESTMENT	173
UNGC COP ADVANCED CRITERIA	191	3. INTERVENTION AREAS	174
EXTERNAL AND INDEPENDENT VERIFICATION	193		

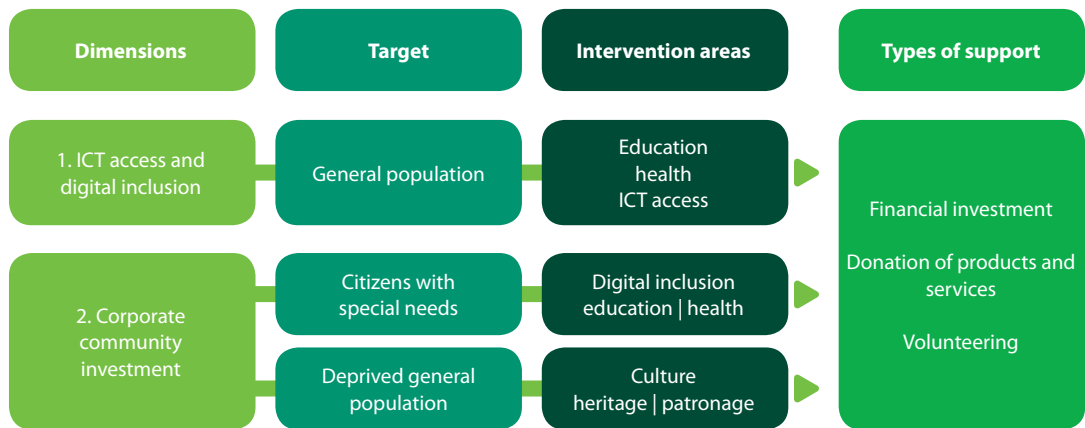
1. STRATEGIC PHILANTHROPY

PT has been committed to contributing to the improvement of the quality of life of the population in general, particularly through programs in which ICT can make a difference, particularly in the areas of social, school and professional integration and specifically in promoting knowledge, health, safety of citizens, property and the environment.

PT's corporate citizenship strategy seeks to give communications access to the entire population and develop telecommunications products and services that contribute to the well-being of persons, in particular to the disabled or those who have special needs, and to increase inclusion and the level of digital literacy of the entire population.

The second dimension of PT's corporate citizenship strategy is focused on providing solutions and services to citizens with special needs, as well as on supporting culture and heritage.

Strategic intervention model



Facilitating access to knowledge is fundamental for PT as a cultural, social, ethical and economic asset.

The generalization of ICT use, the increasing broadband offer of solutions and services, as well as support programs for the community and groups of citizens with special needs, are examples of the involvement of PT in the construction of the Information and Knowledge society.

The application of new technologies and in particular of the new fibre optic network to the universe of education, health and digital inclusion enables the creation and use of solutions that promote social sustainability.

2. COMMUNITY INVESTMENT

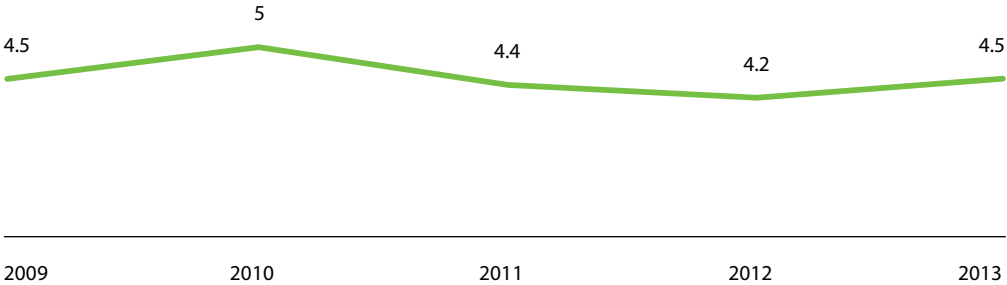
PT's Corporate community investment has as its fundamental premise the respect for the values of the societies where it operates and bases its performance on the commitment to contribute to the improvement of life for all, namely through awareness-raising programs for social, school and professional inclusion and the inherent promotion of knowledge, health, safety of people and property and the environment. This activity extends to all the whole population throughout the country, especially to communities living in remote locations, ethnic minorities, at-risk families, minors, senior citizens and those with special needs.

The response to the commitment of social intervention and corporate community support by the Group is carried out through the PT Foundation, which over the last five years has made an investment in society of 22.4 million euros.

In 2013, with an investment similar to previous years, it was possible to benefit a greater number of institutions and of needy citizens, corresponding to 1.1% of operating income.

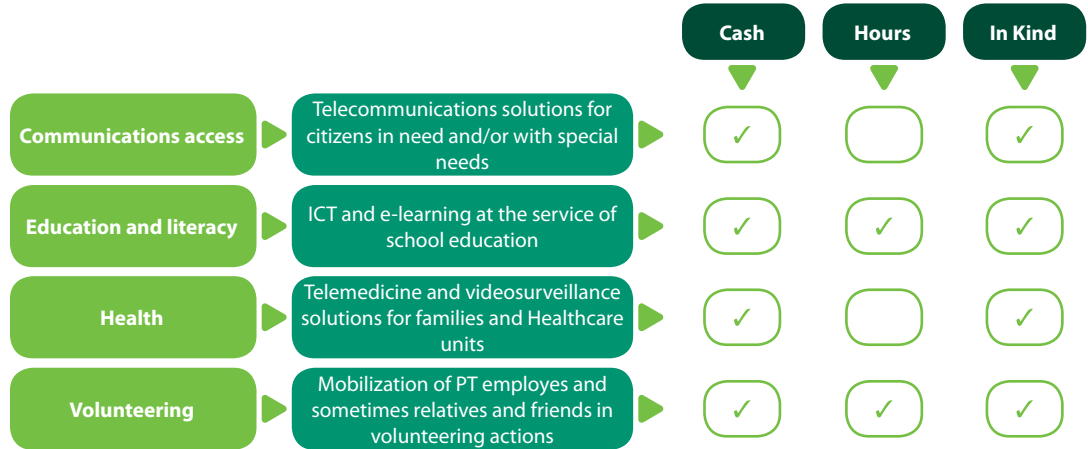


Evolution of total community investment over the past 5 years (Euro million)



3. INTERVENTION AREAS

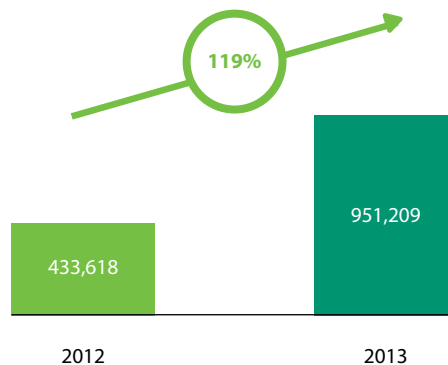
The fields of activity on which PT focuses relate mainly to areas where it has expertise. It believes that it is contributing through them to enhancing society as a whole by improving the access to telecommunications services, the knowledge and culture of citizens or organizations representing and assisting them, and who find themselves in a situation of need or are disabled.



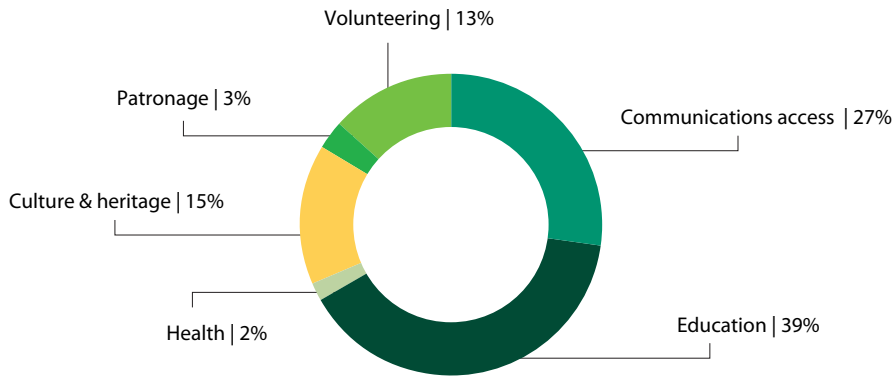
Intervention areas

	Investment	Individual beneficiaries	Institutional beneficiaries
Communications access	27%	165,722	131
Education	39%	392,470	509
Health	2%	50,050	9
Culture and heritage	15%	8,619	7
Patronage	3%	28,696	49
Volunteering	13%	305,652	133
Social integration	57%	-	-
Environment	0,0 %	-	-
ICT access	37%	-	-
Health	0%	-	-
Education	2%	-	-
Other	4%	-	-
Total	100%	951,209	838

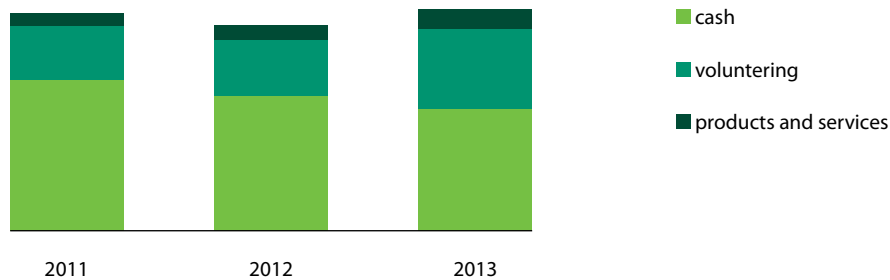
Evolution of total number of beneficiares 2012-2013



Breakdown of investment by area of activity

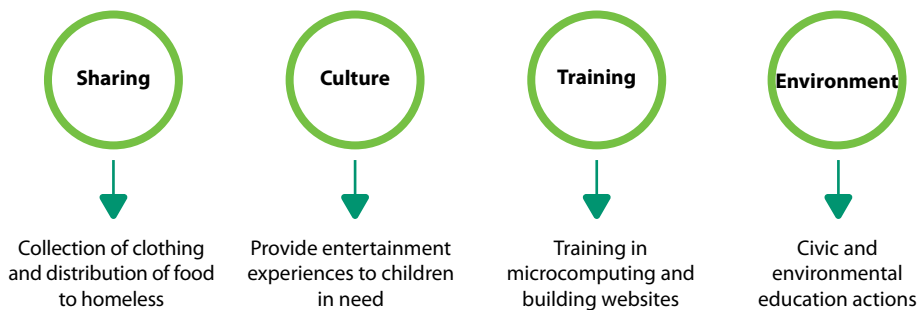


Investment breakdown by type of support in each year* (%)



Volunteering

PT has several volunteer programs that aim to support projects in deprived areas of the community or the environment, and to motivate employees and their families to participate in citizenship activities.



Employees can participate up to 6 days a year in voluntary actions without affecting attendance

09

CORPORATE CITIZENSHIP

Given the current situation of strong social and economic constraint, PT's volunteering in 2012 committed to ensuring health conditions to the deprived population having significantly increased its involvement in collecting and distributing food, clothing and toiletries – see details ahead.

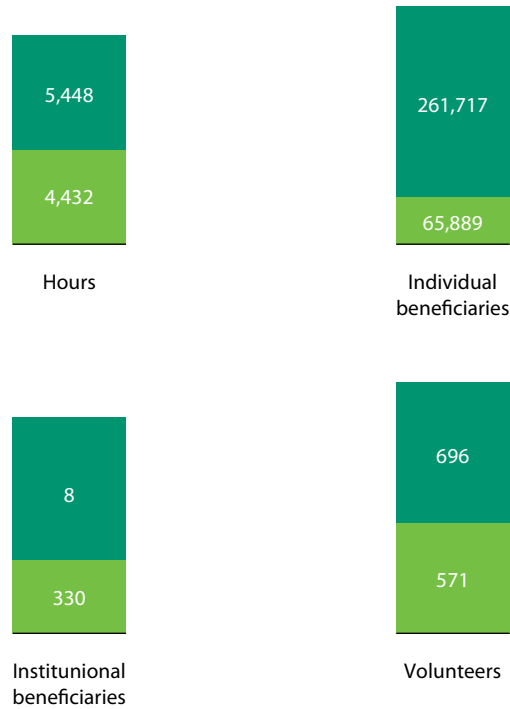
Volunteer programs are divided according to the hours when they are running:

- Corporate volunteering offers each employee the possibility to donate 6 days of volunteer work during normal working hours, without this affecting the respective remuneration and/or attendance;
- Family volunteering organized in leisure hours with the participation of employees and their families.

Globally in 2013, we contributed with 1,267 volunteers and 9,880 volunteer hours that benefited 327,606 individuals and 338 institutions.

Characterization of volunteering throughout the year

■ corporate ■ family



DISCLOSURE MANAGEMENT APPROACH | SYSTEMATIZATION OF REPORT CONTENTS



REPORT PROFILE	04
01 ORGANIZATIONAL PROFILE	06
02 STRATEGY AND COMMITMENTS	15
CHAIRMAN AND CEO'S MESSAGE	16
03 GOVERNANCE MODEL	35
04 ETHICS AND INTEGRITY	51
05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY	67
06 ECONOMIC DIMENSION	95
07 ENVIRONMENTAL DIMENSION	111
08 SOCIAL DIMENSION	137
09 CORPORATE CITIZENSHIP	171
DISCLOSURE MANAGEMENT APPROACH SYSTEMATIZATION OF REPORT CONTENTS	
GRI INDEX	183
UNGC COP ADVANCED CRITERIA	191
EXTERNAL AND INDEPENDENT VERIFICATION	193

DISCLOSURE MANAGEMENT APPROACH | SYSTEMATIZATION OF REPORT CONTENTS (G4-27)

Topics	GRI and materiality Topics	(DMA a)	PT's strategic dimensions	Information placement in the report (DMA b)						Information placement in the report (DMA c)			
				Policies	Commi- tments	Targets	Respon- sibilities	Action plan	Resources	Monitor of management approach	Results		
Economic Dimension		Impact type											
Economic impact of PT	Economic Performance	positive	Sustainable growth	4.1. Principles, Codes of Conduct and Policies adopted	2.3. Commitments and Targets		3. Governance Model	6. Economic Dimension	3. Governance Model	2. Strategy and Commitments 3.2. Management systems and activity control 4.1. Principles, Codes of Conduct and Policies adopted 3.2. Management systems and activity control 5.4. Risk and opportunities management	PT presents in chapter identified the "specific actions" of this table performance indicators between 2011 and 2013 for each aspect GRI, which are the result of your management approach to each material issue.		
Purchase volume	Economic Performance	positive	Sustainable growth										
Innovative service offer	Economic Performance	positive	Sustainable growth										
Prices of the services	Economic Performance	positive	Sustainable growth										
Ethics Dimension													
Clear, rigorous and transparent communication with the market	Corruption	negative	Information accuracy	4.1. Principles, Codes of Conduct and Policies adopted	2.3. Commitments and Targets		3. Governance Model	4. Ethics and Integrity	3. Governance Model				
Channels of communication that contribute to anti-corruption	Corruption	negative	Ethics and relationship satisfaction										
Environmental Dimension													
Concern about the energy efficiency of equipment	Energy	positive	Promote the use of equipment with lower energy dependence										
Concern for the proper routing of waste	Waste	negative	Promoting rational use, reuse and recycling of equipment and materials										
Management of emissions of greenhouse gases	Climate	negative	Increase energy efficiency in networks and information systems Advancing the use and implementation of alternative energy	4.1. Principles, Codes of Conduct and Policies adopted	2.3. Commitments and Targets		3. Governance Model	7. Environmental Dimension	3. Governance Model				
Green Offer	Product responsibility	positive	Incorporate social and environmental efficiency in the commercial supply Innovation in services and environmental solutions and environmental solutions and socially responsible										
Search suppliers that ensure compliance and environmental balance	Supplier environmental assessment	positive	Contribute to the dignity of Human Rights										
Contribute to the preservation of the environment and biodiversity of the country	Environment	negative	Promoting rational use, reuse and recycling of equipment and materials Increase energy efficiency in networks and information systems Advancing the use and implementation of alternative energy Embed social and environmental efficiency in the commercial supply Innovation in services and environmental solutions and socially responsible										

DISCLOSURE MANAGEMENT APPROACH | SYSTEMATIZATION OF REPORT CONTENTS (G4-27)

Topics	GRI and materiality Topics	(DMA a)	PT's strategic dimensions	Information placement in the report (DMA b)						Information placement in the report (DMA c)	
				Policies	Commitments	Targets	Responsibilities	Action plan	Resources	Monitor of management approach	Results
Human Rights Dimension		Impact type									
Do not discriminate people promoting equal opportunities	Diversity and equal opportunities	positive	Contribute to the dignity of Human Rights	4.1. Principles, Codes of Conduct and Policies adopted	2.3. Commitments and Targets			4.2. Compliance through value chain 8.1.6 Supplier assessment 8.2. Human Rights 8.4.4 Customer privacy and safety	3. Governance Model		
Combat child labour and any other working conditions that are improper	Child Labour	positive	Contribute to the dignity of Human Rights								
Do everything to preserve the privacy of personal data	Customer privacy	negative	Protection and privacy of personal data and customer information								
Search for suppliers that ensure compliance and respect to Human Rights	Human Rights Supplier Assessment	positive	Ethics and satisfaction in relationships Contribute to the dignity of Human Rights								
Search for and have the right to defend social dialogue	Labour Practices	positive	Sharing and engagement with all stakeholders Respect and be respected by society Ethics and satisfaction in relationships								
Labour Practices Dimension											
Ensure that the company and its suppliers respect workers' rights and decent work	Labour Practices and Supplier assessment	positive	Ethics and satisfaction in relationships Engaging the value chain to leverage opportunities and mitigate risks with a significant impact on quality of life	4.1. Principles, Codes of Conduct and Policies adopted	2.3. Commitments and Targets			8. Social Dimension 4.2. Value chain Compliance	3. Governance Model	2. Strategy and Commitments 3.2. Management systems and activity control 4.1. Principles, Codes of Conduct and Policies adopted 3.2. Management systems and activity control 5.4. Risk and opportunities management	PT presents in chapter identified the "specific actions" of this table performance indicators between 2011 and 2013 for each aspect GRI, which are the result of your management approach to each material issue.
Ensure that the company and its suppliers respect and promote H&S	H&S and Suppliers Assessment	positive	Ethics and satisfaction in relationships Contribute to the dignity of human Rights Engaging the value chain to leverage opportunities and mitigate risks with a significant impact on quality of life								
Provide training to employees so that they always have updated knowledge	Training	positive	Stimulate employability								
Products and Services Dimension											
Inform customers about the safe use of equipment and services	Customer Health and Safety Labelling products and services Customer privacy	negative	Encourage inclusion and digital literacy of the population promote knowledge, health and responsible consumption through ICT	4.1. Principles, Codes of Conduct and Policies adopted	2.3. Commitments and Targets			3. Governance Model	8.3. Product responsibility	3. Governance Model	
Having a correct and accurate information about the products and services marketed	Labelling products and services Marketing	positive	Information Accuracy								

DISCLOSURE MANAGEMENT APPROACH | SYSTEMATIZATION OF REPORT CONTENTS (G4-27)

Topics	GRI and materiality Topics	(DMA a)	PT's strategic dimensions	Information placement in the report (DMA b)						Information placement in the report (DMA c)	
				Policies	Commi- tments	Targets	Responsi- bilities	Action plan	Resources	Monitor of management approach	Results
Products and Services Dimension		Impact type									
Have information regarding the correct routing of equipment at the end of its life cycle	Environment – products and services	negative	Promote knowledge, health and responsible consumption through ICTs Promoting rational use, reuse and recycling of equipment and materials								
Offer tailored services for all segments of the population regardless of their geographic location, income level, race or country of origin	Local Community	positive	Incorporate social and environmental efficiency in the commercial supply Innovation in services and environmental solutions and socially responsible Encouraging inclusion and digital literacy of the population	4.1. Principles, Codes of Conduct and Policies adopted	2.3. Commitments and Targets		3. Governance Model	8.3. Product Responsibility 9. Corporate citizenship	3. Governance Model		
Have channels of communication that allows customers to make suggestions, ask for clarification or even claim	Complaint tools	positive	Accuracy of information Ethics and satisfaction in the relationship								
Citizenship Dimension											
Have tools that promote the safe use of ICT by layers of sensitive populations: including minors	Customers Health and Safety	negative	Accuracy of information Encouraging inclusion and digital literacy of the population promote knowledge, health and responsible consumption through ICT Innovation in services and environmental solutions and socially responsible	4.1. Principles, Codes of Conduct and Policies adopted	2.3. Commitments and Targets		3. Governance Model	8.3. Product Responsibility 9. Corporate citizenship	3. Governance Model	2. Strategy and Commitments 3.2. Management systems and activity control 4.1. Principles, Codes of Conduct and Policies adopted 3.2. Management systems and activity control 5.4. Risk and opportunities management	PT presents in chapter identified the “specific actions” of this table performance indicators between 2011 and 2013 for each aspect GRI, which are the result of your management approach to each material issue.
Give people the opportunity to be informed about electromagnetic radiation	Customers Health and Safety	negative	Accuracy of information Ethics and satisfaction in relationships promote knowledge, health and responsible consumption through ICT Encouraging inclusion and digital literacy								
Facilitate the necessary knowledge so that customers can make choices and use services in a conscious and responsible manner	Health and Safety Labelling customers products and customer services Privacy	negative	Promote knowledge, health and responsible consumption through ICT Encouraging inclusion and digital literacy								
Ensure the provision of communication services to the authorities in emergencies: natural disasters, etc..	Compliance	positive	Sustainable Growth								

DISCLOSURE MANAGEMENT APPROACH | SYSTEMATIZATION OF REPORT CONTENTS (G4-27)

Topics	GRI and materiality Topics	(DMA a)		Information placement in the report (DMA b)						Information placement in the report (DMA c)	
				Policies	Commi- tments	Targets	Resposi- bilities	Action plan	Resources	Monitor of management approach	Results
Citizenship Dimension		Impact type	PT's strategic dimensions								
Maintain a constructive dialogue with organizations representing the interests of customers and society	Relationship management	positive	Ethics and satisfaction in relationships Accuracy in information Strengthen links to universities and other entities that contribute to the knowledge Streamline and participate in social solidarity initiatives	4.1. Principles, Codes of Conduct and Policies adopted	2.3. Commitments and Targets		3. Governance Model	8.3. Product Responsibility 9. Corporate citizenship	3. Governance Model	2. Strategy and Commitments 3.2. Management systems and activity control 4.1. Principles, Codes of Conduct and Policies adopted 3.2. Management systems and activity control 5.4. Risk and opportunities management	PT presents in chapter identified the "specific actions" of this table performance indicators between 2011 and 2013 for each aspect GRI, which are the result of your management approach to each material issue
Providing knowledge to customers and the general public to combat cybercrime and promote responsible use of information and communication technologies	Customer H&S Marketing	negative	Promote knowledge, health and responsible consumption through ICT Encouraging inclusion and digital literacy								
Have communication solutions tailored to people with special needs	Local Community	positive	Encourage inclusion and digital literacy Innovation in services and environmental solutions and socially responsible								

GRI INDEX



REPORT PROFILE	04
01 ORGANIZATIONAL PROFILE	06
02 STRATEGY AND COMMITMENTS	15
CHAIRMAN AND CEO'S MESSAGE	16
03 GOVERNANCE MODEL	35
04 ETHICS AND INTEGRITY	51
05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY	67
06 ECONOMIC DIMENSION	95
07 ENVIRONMENTAL DIMENSION	111
08 SOCIAL DIMENSION	137
09 CORPORATE CITIZENSHIP	171
DISCLOSURE MANAGEMENT APPROACH SYSTEMATIZATION OF REPORT CONTENTS	177
GRI INDEX	
UNGC COP ADVANCED CRITERIA	191
EXTERNAL AND INDEPENDENT VERIFICATION	193

GRI INDEX

GRI		External assurance	Linkage table between GRI G4 and the clauses of ISO 26 000: 2010		
General standard disclosures	Page	Omission(s)	Reason(s) for omission(s)	Page	Clauses ISO 26 000
Strategy and analysis					
G4-1	17	-	-	✓ 194 and 195	
G4-2	20 to 28, 88 to 94	-	-	✓ 194 and 195	4.7, 6.2, 7.4.2
Organizational profile					
G4-3	4	-	-	✓ 194 and 195	
G4-4	7, 8, 9	-	-	✓ 194 and 195	
G4-5	4	-	-	✓ 194 and 195	
G4-6	7, 12, 13	-	-	✓ 194 and 195	
G4-7	4, 9	-	-	✓ 194 and 195	
G4-8	7, 8, 12, 13	-	-	✓ 194 and 195	
G4-9	7, 8, 9, 12, 13	-	-	✓ 194 and 195	
G4-10	9, 10, 11. Workers who perform duties on behalf of PT, but that are not yet accounted for entirely.	-	-	✓ 194 and 195	
G4-11	10	-	-	✓ 194 and 195	
G4-12	72 to 78	-	-	✓ 194 and 195	
G4-13	There were no substantial changes in the location of operations and supply chain of PT. The capital structure is presented on page 11. Changes in capital structure can be found in the Annual Report on page 103.	-	-	✓ 194 and 195	
G4-14	88 to 94	-	-	✓ 194 and 195	
G4-15	52 to 54	-	-	✓ 194 and 195	
G4-16	53	-	-	✓ 194 and 195	
Identified material					
G4-17	4, 5	-	-	✓ 194 and 195	
G4-18	78 to 87	-	-	✓ 194 and 195	
G4-19	86 to 88	-	-	✓ 194 and 195	
G4-20	86 to 88	-	-	✓ 194 and 195	
G4-21	70, 71, 86 to 88	-	-	✓ 194 and 195	5.2, 7.3.2, 7.3.3, 7.3.4
G4-22	Changes made about baselines and measurement methods are published in methodological notes, being also marked down close to the graphs or tables where there are changes of method of calculation.	-	-	✓ 194 and 195	
G4-23	5	-	-	✓ 194 and 195	
Stakeholder engagement					
G4-24	68 to 70	-	-	✓ 194 and 195	
G4-25	68 to 70	-	-	✓ 194 and 195	
G4-26	68, 78	-	-	✓ 194 and 195	5.3
G4-27	70, 71, 178 to 181	-	-	✓ 194 and 195	
Report profile					
G4-28	5	-	-	✓ 194 and 195	
G4-29	5	-	-	✓ 194 and 195	
G4-30	5	-	-	✓ 194 and 195	
G4-31	5	-	-	✓ 194 and 195	7.5.3, 7.6.2
G4-32	5, 183, 193	-	-	✓ 194 and 195	
G4-33	The audit of the report involves the Executive Board and Audit Committee, either in the selection (to mitigate the chance of any conflicts of interest), or in the follow-up of the work.	-	-	✓ 194 and 195	
Governance					
G4-34	36 to 38	-	-	✓ 194 and 195	
G4-35	37, 38	-	-	✓ 194 and 195	
G4-36	37, 38	-	-	✓ 194 and 195	
G4-37	38	-	-	✓ 194 and 195	
G4-38	39, 40, 41	-	-	✓ 194 and 195	
G4-39	39	-	-	✓ 194 and 195	
G4-40	The procedures for appointment of higher governance bodies of the company are described in the Governance Report. Sustainability expertise is intrinsic to daily management and is included in the company's strategic objectives.	-	-	✓ 194 and 195	
G4-41	51, 58. These processes are reported on Corporate Governance Report on pages 29, 37, 39, 40, 46, 47, 90, 121 to 123.	-	-	✓ 194 and 195	6.2, 7.4.3, 7.7.5
G4-42	37, 38	-	-	✓ 194 and 195	
G4-43	The higher Government bodies take formal knowledge of the achievements and challenges of sustainability whenever relevant and, at least 1 time per year. Sustainability topics are included on the agenda of the Executive Committee.	-	-	✓ 194 and 195	
G4-44	41 to 58	-	-	✓ 194 and 195	
G4-45	37, 38	-	-	✓ 194 and 195	
G4-46	36 to 38, 88 to 90	-	-	✓ 194 and 195	
G4-47	36 to 38, 88 to 90	-	-	✓ 194 and 195	
G4-48	37, 38	-	-	✓ 194 and 195	

GRI INDEX

GRI				External assurance	Linkage table between GRI G4 and the clauses of ISO 26 000: 2010
General standard disclosures	Page	Omission(s)	Reason(s) for omission(s)	Page	Clauses ISO 26 000
Governance					
G4-49	38			✓ 194 and 195	
G4-50	57 to 60			✓ 194 and 195	
G4-51	41 to 48			✓ 194 and 195	
G4-52	41 to 48	-	-	✓ 194 and 195	
G4-53	Not applicable, since the remuneration model and policy do not include this consultation process to stakeholders. The remuneration policy and model are described on pages 41 to 48.		-	✓ 194 and 195	6.2, 7.4.3, 7.7.5
G4-54	40	-	-	✓ 194 and 195	
G4-55	40	-	-	✓ 194 and 195	
Ethics and integrity					
G4-56	53, 54, 55	-	-	✓ 194 and 195	
G4-57	57 to 60			✓ 194 and 195	4.4, 6.6.3
G4-58	57 to 60			✓ 194 and 195	

GRI				External assurance	Linkage table between GRI G4 and the clauses of ISO 26 000: 2010
Specific standard disclosures DMA and indicators	Page	Omission(s)	Reason(s) for omission(s)	Page	Clauses ISO 26 000
CATEGORY: ECONOMIC					
Material aspect: economic performance					
G4-DMA	178 to 181			✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
G4-EC1	96 to 102			✓ 194 and 195	6.8.1, 6.8.2, 6.8.3, 6.8.7, 6.8.9
G4-EC2	97			✓ 194 and 195	6.5.5
G4-EC3	Information available in the Annual Report on pages 149.			✓ 194 and 195	6.8.7
G4-EC4	PT did not received any Government support in 2013.			✓ 194 and 195	x
Material aspect: market presence					
G4-DMA	178 to 181			✓ 194 and 195	6.7, 3.1, 7.4.3, 7.7.3, 7.7.5
G4-EC5	152			✓ 194 and 195	6.3.7, 6.3.10, 6.4.3, 6.4.4, 6.8.1, 6.8.2
G4-EC6	Not applicable in view of the scope of the report.			✓ 194 and 195	6.4.3, 6.8.1, 6.8.2, 6.8.5, 6.8.7
Material aspect: indirect economic impacts					
G4-DMA	178 to 181			✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
DMA specific	102 to 108			✓ 194 and 195	x
G4-EC7	102 to 108			✓ 194 and 195	6.3.9, 6.8.1, 6.8.2, 6.8.7, 6.8.9
G4-EC8	98 to 108			✓ 194 and 195	6.3.9, 6.6.6, 6.6.7, 6.7.8, 6.8.1, 6.8.2, 6.8.5, 6.8.7, 6.8.9
Material aspect: procurement					
G4-DMA	178 to 181			✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
DMA specific	60, 105, 106, 135, 153, 158, 159			✓ 194 and 195	x
G4-EC9	105, 106			✓ 194 and 195	6.4.3, 6.6.6, 6.8.1, 6.8.2, 6.8.7
CATEGORY: ENVIRONMENTAL					
Material aspect: materials					
G4-DMA	178 to 181			✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
G4-EN1	116			✓ 194 and 195	6.5.4
G4-EN2	116, 117			✓ 194 and 195	6.5.4
Material aspect: energy					
G4-DMA	178 to 181			✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
DMA specific	The Company follows and complies with best practices, related to energy that are included in legislation or recommendations of national and/or European nature.			✓ 194 and 195	x
G4-EN3	117, 118			✓ 194 and 195	6.5.4
G4-EN4	119			✓ 194 and 195	6.5.4
G4-EN5	119			✓ 194 and 195	6.5.4
G4-EN6	120			✓ 194 and 195	6.5.4, 6.5.5
G4-EN7	120, 121			✓ 194 and 195	6.5.4, 6.5.5
Material aspect: water					
G4-DMA	178 to 181			✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
G4-EN8	122			✓ 194 and 195	6.5.4
G4-EN9	122			✓ 194 and 195	6.5.4
G4-EN10	There are pilot experiences of reusing rainwater for irrigation. These experiences do not yet have quantitative results			✓ 194 and 195	6.5.4
Material aspect: biodiversity					
G4-DMA	178 to 181			✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
DMA specific	122 to 124			✓ 194 and 195	x
G4-EN11	122 to 124			✓ 194 and 195	6.5.6

GRI INDEX

GRI		External assurance	Linkage table between GRI G4 and the clauses of ISO 26 000: 2010
Specific standard disclosures DMA and indicators	Page	Omission(s) Reason(s) for omission(s)	Page Clauses ISO 26 000
Material aspect: biodiversity			
G4-EN12	123, 124	✓ 194 and 195	6.5.6
G4-EN13	125	✓ 194 and 195	6.5.6
G4-EN14	PT operations do not affect species on the iUCn red list and on the national list of species conservation	✓ 194 and 195	6.5.6
Material aspect: emissions			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
DMA specific	The Company follows and complies with best practices related to emissions included in legislation or recommendations of national and/or European nature.	✓ 194 and 195	x
G4-EN15	126, 127	✓ 194 and 195	6.5.5
G4-EN16	126, 127	✓ 194 and 195	6.5.5
G4-EN17	127	✓ 194 and 195	6.5.5
G4-EN18	127, 128	✓ 194 and 195	6.5.5
G4-EN19	128	✓ 194 and 195	6.5.5
G4-EN20	129	✓ 194 and 195	6.5.3, 6.5.5
G4-EN21	129	✓ 194 and 195	6.5.3
Material aspect: effluents and waste			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
G4-EN22	129	✓ 194 and 195	6.5.3, 6.5.4
G4-EN23	130, 131	✓ 194 and 195	6.5.3
G4-EN24	132	✓ 194 and 195	6.5.3
G4-EN25	The routing of waste is done by certified operators specifically hired by PT for the respective collection and treatment. The identification of final fate of hazardous waste, performed by certified companies, is under construction.	✓ 194 and 195	6.5.3
G4-EN26	122	✓ 194 and 195	6.5.3, 6, 5, 4, 6, 5, 6
Material aspect: products and services			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
G4-EN27	132	✓ 194 and 195	6.5.3, 6.5.4, 6.5.5, 6.7.5
G4-EN28	133	✓ 194 and 195	6.5.3, 6.5.4, 6.7.5
Material aspect: compliance			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
G4-EN29	134	✓ 194 and 195	4.6
Material aspect: transport			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
G4-EN30	134	✓ 194 and 195	6.5.4, 6.6.6
Material aspect: overall			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
G4-EN31	135	✓ 194 and 195	6.5.1, 6.5.2
Material aspect: supplier environmental assessment			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
DMA specific	60 to 65	✓ 194 and 195	x
G4-EN32	60 to 65. PT does not end commercial relations with suppliers. PT establishes with suppliers improvement programs whenever it identifies an irregular situation.	✓ 194 and 195	6.3.5, 6.6.6, 7.3.1
G4-EN33	55 a 59, 135, 136	✓ 194 and 195	6.3.5, 6.6.6, 7.3.1
Material aspect: environmental grievance mechanisms			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
DMA specific	136	✓ 194 and 195	
G4-EN34	57, 58	✓ 194 and 195	6.3.6
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK			
Material aspect: employment			
G4-DMA	178 to 181	✓ 194 and 195	6.4.1, 6.4.2, 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
DMA specific	60 to 65	✓ 194 and 195	x
G4-LA1	139, 14	✓ 194 and 195	6.4.3
G4-LA2	140 to 142	✓ 194 and 195	6.4.4, 6.8.7
G4-LA3	142	✓ 194 and 195	6.4.4
Material aspect: labour/management relations			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
G4-LA4	143, 144	✓ 194 and 195	6.4.5
Material aspect: occupational health and safety			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
DMA specific	140, 144	✓ 194 and 195	x
G4-LA5	145	✓ 194 and 195	6.4.6

GRI INDEX

GRI		Verificação externa	Junção da tabela entre a GRI G4 e os temas da ISO 26 000: 2010
Specific standard disclosures DMA and indicators	Página	Omissões Razões para as omissões	Página Temas ISO 26 000
Material aspect: occupational health and safety			
G4-LA6	146	✓ 194 and 195	6.4.6, 6.8.8
G4-LA7	144 to 146	✓ 194 and 195	6.4.6, 6.8.8
G4-LA8	143	✓ 194 and 195	6.4.6
Material aspect: training and education			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
G4-LA9	148, 149	✓ 194 and 195	6.4.7
G4-LA10	146, 150	✓ 194 and 195	6.4.7, 6.8.5
G4-LA11	149, 15	✓ 194 and 195	6.4.7
Material aspect: diversity and equal opportunity			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
G4-LA12	150 to 152	✓ 194 and 195	6.2.3, 6.3.7, 6.3.10, 6.4.3
Material aspect: equal remuneration for women and men			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
DMA specific	150 to 152	✓ 194 and 195	x
G4-LA13	152	✓ 194 and 195	6.3.7, 6.3.10, 6.4.3, 6.4.4
Material aspect: supplier assessment for labour practices			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
DMA specific	60 to 64, 153	✓ 194 and 195	x
G4-LA14	62. All providers awarded in the year were evaluated in employment practices. Management systems do not differentiate between new and old suppliers at the time of hiring.	✓ 194 and 195	6.3.5, 6.4.3, 6.6.6, 7.3.1
G4-LA15	60 to 65, 153, 154. PT does not end commercial relations without having first exhausted irregular situations mitigation plans. In 2013 there were no irregular situations.	✓ 194 and 195	6.3.5, 6.4.3, 6.6.6, 7.3.1
Material aspect: labour practices grievance mechanisms			
G4-DMA	178 to 181	✓ 194 and 195	4.8, 6.3.1, 6.3.2, 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
DMA specific	57, 58	✓ 194 and 195	x
G4-LA16	57, 58	✓ 194 and 195	6.3.6
SUB-CATEGORY: Human Rights			
Material aspect: investment			
G4-DMA	178 to 181	✓ 194 and 195	4.8, 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
DMA específica	29, 155	✓ 194 and 195	x
G4-HR1	155	✓ 194 and 195	6.3.3, 6.3.5, 6.6.6
G4-HR2	156	✓ 194 and 195	6.3.5
Material aspect: non-discrimination			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
G4-HR3	156, 157	✓ 194 and 195	6.3.6, 6.3.7, 6.3.10, 6.4.3
Material aspect: freedom of association and collective bargaining			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
DMA specific	PT recognizes to its workers the right to join trade unions.	✓ 194 and 195	x
G4-HR4	29, 61 to 65, 155, 159	✓ 194 and 195	6.3.3, 6.3.4, 6.3.5, 6.3.8, 6.3.10, 6.4.5, 6.6.6
Material aspect: child labour			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
G4-HR5	29, 61 to 65, 159	✓ 194 and 195	6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10, 6.6.6, 6.8.4
Material aspect: forced or compulsory labour			
G4-DMA	178 to 181	✓ 194 and 195	
G4-HR6	29, 61 to 65, 157 to 159	✓ 194 and 195	6.3.3, 6.3.4, 6.3.5, 6.3.10, 6.6.6
Material aspect: security practices			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
G4-HR7	PT's suppliers in the safety area must show on pre selection that they have OSH mechanisms in accordance with the legislation in force, and with the sector of activity.	✓ 194 and 195	6.3, 6.3.5, 6.6.6
Material aspect: indigenous rights			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
G4-HR8	159	✓ 194 and 195	6.3.4, 6.3.6, 6.3.7, 6.3.8, 6.6.7, 6.8.3
Material aspect: assessment			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
G4-HR9	29, 61 to 65, 159	✓ 194 and 195	6.3.3, 6.3.4, 6.3.5
Material aspect: supplier Human Rights assessment			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
DMA specific	61 to 65, 157, 158	✓ 194 and 195	x
G4-HR10	159	✓ 194 and 195	6.3.3, 6.3.4, 6.3.5, 6.6.6
G4-HR11	157, 158. PT does not end commercial relations without having first exhausted irregular situations mitigation plans. In 2013 there were no irregular situations.	✓ 194 and 195	6.3.3, 6.3.4, 6.3.5, 6.6.6

GRI INDEX

GRI		External assurance	Linkage table between GRI G4 and the clauses of ISO 26 000: 2010
Specific standard disclosures DMA and indicators	Page	Omission(s) Reason(s) for omission(s)	Page Clauses ISO 26 000
Material aspect: Human Rights grievance mechanisms			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
DMA specific	57 to 60	✓ 194 and 195	x
G4-HR12	58	✓ 194 and 195	6.3.6
SUB-CATEGORY: SOCIETY			
Material aspect: local communities			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
DMA specific	54	✓ 194 and 195	x
G4-SO1	102 to 104, 172, 173	✓ 194 and 195	6.3.9, 6.5.1, 6.5.2, 6.5.3, 6.8
G4-SO2	124	✓ 194 and 195	6.3.9, 6.5.3, 6.8
Material aspect: anti-corruption			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
DMA specific	54	✓ 194 and 195	x
G4-SO3	88, 89	✓ 194 and 195	6.6.1, 6.6.2, 6.6.3
G4-SO4	54	✓ 194 and 195	6.6.1, 6.6.2, 6.6.3, 6.6.6
G4-SO5	57 to 60	✓ 194 and 195	6.6.1, 6.6.2, 6.6.3
Material aspect: public policy			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
G4-SO6	PT does not make contributions to political parties.	✓ 194 and 195	6.6.1, 6.6.2, 6.6.4
Material aspect: anti-competitive behavior			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
G4-SO7	65	✓ 194 and 195	6.6.1, 6.6.2, 6.6.5, 6.6.7
Material aspect: compliance			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
G4-SO8	65	✓ 194 and 195	4.6
Material aspect: supplier assessment for impacts on society			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
DMA specific	All aspects related to ethics and anti corruption are identified in the pre-registration of suppliers in the respective PT portal. Without fulfilling all ethics related requirements, suppliers cannot complete the registration process.	✓ 194 and 195	x
G4-SO9	All aspects related to ethics and anti corruption are identified in the pre-registration of suppliers in the respective PT portal. Without fulfilling all ethics related requirements, suppliers cannot complete the registration process.	✓ 194 and 195	6.3.5, 6.6.1, 6.6.2, 6.6.6, 6.8.1, 6.8.2, 7.3.1
G4-SO10	All aspects related to ethics and anti corruption are identified in the pre-registration of suppliers in the respective PT portal. Without fulfilling all ethics related requirements, suppliers cannot complete the registration process.	✓ 194 and 195	6.3.5, 6.6.1, 6.6.2, 6.6.6, 6.8.1, 6.8.2, 7.3.1
Material aspect: grievance mechanisms for impacts on society			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
DMA specific	54 to 55	✓ 194 and 195	x
G4-SO11	58 to 60	✓ 194 and 195	6.3.6, 6.6.1, 6.6.2, 6.8.1, 6.8.2
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
Material aspect: customer health and safety			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
DMA specific	160 to 163	✓ 194 and 195	x
G4-PR1	160 to 163	✓ 194 and 195	6.7.1, 6.7.2, 6.7.4, 6.7.5, 6.8.8
G4-PR2	162, 163, 170	✓ 194 and 195	4, 6.6.7.1, 6.7.2, 6.7.4, 6.7.5, 6.8.8
Material aspect: product and service labeling			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
DMA specific	165	✓ 194 and 195	x
G4-PR3	162 to 165	✓ 194 and 195	6.7.1, 6.7.2, 6.7.3, 6.7.4, 6.7.5, 6.7.9
G4-PR4	165, 170	✓ 194 and 195	4.6, 6.7.1, 6.7.2, 6.7.3, 6.7.4, 6.7.5, 6.7.9
G4-PR5	164	✓ 194 and 195	6.7.1, 6.7.2, 6.7.6
Material aspect: marketing communications			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
G4-PR6	165	✓ 194 and 195	x
G4-PR7	166, 170	✓ 194 and 195	4.6, 6.7.1, 6.7.2, 6.7.3
Material aspect: customer privacy			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
G4-PR8	168	✓ 194 and 195	6.7.1, 6.7.2, 6.7.7
Material aspect: compliance			
G4-DMA	178 to 181	✓ 194 and 195	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5
G4-PR9	170	✓ 194 and 195	4.6, 6.7.1, 6.7.2, 6.7.6

GRI INDEX

GRI		External assurance	Linkage table between GRI G4 and the clauses of ISO 26 000: 2010
Specific standard disclosures DMA and indicators	Page	Omission(s) Reason(s) for omission(s)	Page Clauses ISO 26 000
Performance indicators of the Telecommunications Sector Supplement			
Aspect - internal operations			
IO1	103		✓ 194 and 195 x
IO2	Issues related to the universal service obligation are governed by Anacom, an entity with which PT maintains regular contact. PT has held negotiations with this entity that will allow reporting this indicator in the future.		✓ 194 and 195 x
IO3	144 to 146		✓ 194 and 195 x
IO4	124, 144 to 146		✓ 194 and 195 x
IO5	124, 144 to 146		✓ 194 and 195 x
IO6	124, 144 to 146		✓ 194 and 195 x
IO7	77, 124, 144 to 145		✓ 194 and 195 x
IO8	115, 161		✓ 194 and 195 x
Aspect - accessibility of telecommunications			
PA1	28, 106 to 109, 172 to 174		✓ 194 and 195 x
PA2	28, 106 to 109, 172 to 174		✓ 194 and 195 x
PA3	28, 106 to 109, 172 to 174		✓ 194 and 195 x
PA4	12, 13, 8, 9, 108		✓ 194 and 195 x
PA5	108		✓ 194 and 195 x
PA6	77, 108		✓ 194 and 195 x
PA7	154 to 160		✓ 194 and 195 x
PA8	27, 124, 160 to 163		✓ 194 and 195 x
PA9	27, 124, 160 to 162		✓ 194 and 195 x
PA10	27, 165, 166		✓ 194 and 195 x
PA11	27, 162 to 166		✓ 194 and 195 x
Aspect - technological applications			
TA1	121		✓ 194 and 195 x
TA2	112 to 115		✓ 194 and 195 x
TA3	119		✓ 194 and 195 x
TA4	119, 115		✓ 194 and 195 x
TA5	105		✓ 194 and 195 x

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REPORT PROFILE	04
01 ORGANIZATIONAL PROFILE	06
02 STRATEGY AND COMMITMENTS	15
CHAIRMAN AND CEO'S MESSAGE	16
03 GOVERNANCE MODEL	35
04 ETHICS AND INTEGRITY	51
05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY	67
06 ECONOMIC DIMENSION	95
07 ENVIRONMENTAL DIMENSION	111
08 SOCIAL DIMENSION	137
09 CORPORATE CITIZENSHIP	171
DISCLOSURE MANAGEMENT APPROACH SYSTEMATIZATION OF REPORT CONTENTS	177
GRI INDEX	183
UNGC COP ADVANCED CRITERIA	
EXTERNAL AND INDEPENDENT VERIFICATION	193

UNGC COP | ADVANCED CRITERIA

Criterion	Where the information is provided in this report (pages):
Implementing the 10 principles into Strategy and Operations	
1 Description of mainstreaming into corporate functions and business units	7 to 13; 20-28, 37, 38, 46, 47
2 Description of value chain implementation	56 to 65; 72 a 78
Human Rights Management Policies and Procedures	
3 Description of robust commitments, strategies and policies in the area of Human Rights	20 to 28, 29, 30, 49 to 57, 60, 61, 78
4 Description of effective management systems to integrate the Human Rights principles	49 to 55
5 Description of effective monitoring and evaluation mechanisms of Human Rights integration	55 to 76; 154 to 160
Labor Management Policies and Procedures	
6 Description of robust commitments, strategies and policies in the area of labor	20 to 28, 29, 30, 49 to 58; 138, 139
7 Description of effective management systems to integrate the labor principles	138 to 154
8 Description of effective monitoring and evaluation mechanisms of labor principles integration	138 to 154
Environmental Management Policies and Procedures	
9 Description of robust commitments, strategies and policies in the area of environmental stewardship	20 to 28, 29; 30, 49 to 57
10 Description of effective management systems to integrate the environmental principles	112 to 136
11 Description of effective monitoring and evaluation mechanisms for environmental stewardship	112 to 136
Anti-Corruption Management Policies and Procedures	
12 Description of robust commitments, strategies and policies in the area of anti-corruption	20 to 29; 30, 31, 49 to 57
13 Description of effective management systems to integrate the anti-corruption principle	88 to 93
14 Description of effective monitoring and evaluation mechanisms for the integration of anti-corruption	88 to 93
Taking Action in Support of Broader UN Goals and Issues	
15 Description of core business contributions to UN goals and issues	20 to 29; 30, 31, 49 to 57
16 Description of strategic social investments and philanthropy	172 to 176
17 Description of advocacy and public policy engagement	53 to 56
Corporate Sustainability Governance and Leadership	
19 Description of CEO commitment and leadership	17 to 19
20 Description of Board adoption and oversight	36 to 38; 42, 43
21 Description of stakeholder engagement	68 to 87

EXTERNAL AND INDEPENDENT VERIFICATION



REPORT PROFILE	04
01 ORGANIZATIONAL PROFILE	06
02 STRATEGY AND COMMITMENTS	15
CHAIRMAN AND CEO'S MESSAGE	16
03 GOVERNANCE MODEL	35
04 ETHICS AND INTEGRITY	51
05 IDENTIFICATION AND MANAGEMENT OF MATERIALITY	67
06 ECONOMIC DIMENSION	95
07 ENVIRONMENTAL DIMENSION	111
08 SOCIAL DIMENSION	137
09 CORPORATE CITIZENSHIP	171
DISCLOSURE MANAGEMENT APPROACH SYSTEMATIZATION OF REPORT CONTENTS	177
GRI INDEX	183
UNGC COP ADVANCED CRITERIA	191

EXTERNAL AND INDEPENDENT VERIFICATION



VERIFICATION STATEMENT

VERIFICATION STATEMENT OF SGS ICS OF THE SUSTAINABILITY REPORT 2013 OF PORTUGAL TELECOM SGPS, SA

TO THE BOARD OF DIRECTORS OF PORTUGAL TELECOM, SGPS, SA

NATURE AND SCOPE OF THE VERIFICATION

By request of Portugal Telecom SGPS, SA, SGS ICS performed an independent verification of the Sustainability Report 2013. The scope of the verification, based on SGS' methodology for Sustainability Reports Verification, included the text, data, charts and declarations contained herein.

RESPONSIBILITY

The Board of Directors of Portugal Telecom (hereinafter referred to as PT) is responsible for the information disclosed and for setting evaluation criteria. The Board is also responsible for establishing the systems for gathering, classifying, validating and reporting the information. SGS ICS did not participate in the treatment of any information comprised in the Sustainability Report 2013.

It is the responsibility of SGS ICS to issue an opinion regarding the suitability of the aforementioned information, based on the independent verification protocol, which was carried out with regards to the scope and the purpose of the verification commitment in order to inform all stakeholders of Portugal Telecom.

VERIFICATION CRITERIA AND METHODOLOGY

SGS Group developed a set of protocols for the verification of sustainability reports (Sustainability Report Assurance) based on best practices established by the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), the AA1000 Assurance Standard (2008) and the International Standard on Assurance Engagements 3000 (ISAE 3000). These protocols are classified into different verification levels, according to the reporting history and the capacity of the reporting organization.

The Sustainability Report 2013 was verified in accordance with the AA1000 Assurance Standard (2008), Type 2, with a moderate level of control, in terms of:

- Evaluation of content accuracy;
- Evaluation of report content and support management systems in accordance with the AA1000 AccountAbility Principles (2008);
- Evaluation of the report according to GRI G4 Guidelines for Sustainability Reporting (2013);
- Evaluation in accordance with the Telecommunications Sector Supplement (2003).

The verification consists of a combination of prior research, interviews with relevant staff, analysis of records and documentation and validation with external entities and/or stakeholders, where relevant.

Data directly from financial reports, subject to legal certification, was not verified at the source in the course of verification.

INDEPENDENCE AND COMPETENCE STATEMENT

SGS Group is a world leader in inspection, assessment and verification services, operating in over 140 countries, with an offer that includes the certification of services, of quality, environmental and social management systems, and auditing procedures concerning ethical issues, as well as the verification of environmental, social and sustainability reports. SGS ICS asserts its independence before favours, outside influence and conflicts of interests related to PT Group, its subsidiaries and interested parties.

The members of the verification team were selected according to their knowledge, experience and qualifications regarding the proposed verification. The team included auditors registered with the Institute of Environmental Management and Assessment (IEMA), the International Register of Certified Auditors (IRCA), Social Accountability International (SAI) and also EMAS Verifiers. The participating verifiers have coordinating auditor qualifications for the performance of certification audits to ISO 9001 quality management systems, ISO 14001 environmental management systems, OHSAS 18001 occupational health and safety management systems, and SA 8000 social responsibility management systems.

CONCLUSIONS OF THE VERIFICATION

Based on the methodology identified above and the work carried out, it is the opinion of SGS ICS that the information and data included in the verified report are accurate, comprehensive, reliable and provide an adequate representation of the activities of PT throughout a period of twelve months ended as at 31 December 2013.

The verification team considers that the Sustainability Report 2013 can be used by the stakeholders of PT.

AA1000 ACCOUNTABILITY PRINCIPLES (2008) – CONCLUSIONS AND RECOMMENDATIONS

In our opinion, the Sustainability Report 2013 demonstrates a strong commitment of PT to the AA1000 Accountability, Completeness, Materiality and Responsiveness Principles, as findings below:

Completeness - The Sustainability Report 2013 demonstrates the commitment of PT to the Completeness Principle. There are methodologies for identification, involvement and participation of stakeholders defined and implemented, in order to know their concerns and expectations and identify the relevant issues for the pursuit of a sustainable development.

Materiality – The matrix of materiality was revised and supplemented, with regard to last year, in order to determine the most relevant issues for the sustainable management model of PT, considering the importance of these for value creation and for the key stakeholders. The analysis of relevance of materiality was adjusted with the sustainability strategy established by PT for the three-year period 2012-2014.

Responsiveness – PT has the necessary mechanisms to plan, develop, evaluate and communicate its responses, to address the needs and expectations of stakeholders. This commitment was reinforced through the management guidelines and sustainability objectives undertaken by PT for the new three-year period.

GUIDELINES OF THE GLOBAL REPORTING INITIATIVE G4 (2013) – CONCLUSIONS AND RECOMMENDATIONS

In our opinion, the Sustainability Report 2013 of PT was prepared in accordance with the Comprehensive Option of the GRI G4 Guidelines (2013) and Telecommunications Sector Supplement (2003), fulfilling its content and quality requirements. Based on the verification carried out, we identified areas of progress as compared to previous reports, and areas for improvement that will allow for the strengthening of the sustainability context of PT. The observations identified were object of the Internal Management Report directed at the Board of Directors of Portugal Telecom.

In representation of SGS ICS



Isabel Berger



Patrícia Pereira

Certification Department

Lisboa, 23 April 2014

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