SUSTAINABILITY
REPORT **2012**

PORTUGAL TELECOM

SUSTAINABILITY REPORT **2012**

CONTENTS

PRELIMINARY NOTES

The presentation of this report complies with the following criteria:

Global Reporting Initiative - GRI

Portugal Telecom's enterprise sustainability report is drawn up in accordance with the directives from the Global Reporting Initiative, G3,1 A+ level. The index referring to the GRI indicators is at the end of this report and identifies the fulfilment of the requirements demanded by the level, relative to profile and performance indicators, including also the telecommunications sector indicators.

Period of the published information

This report contains data pertaining to PT's profile throughout 2012. PT publishes the company sustainability report annually together with the Annual Report, the latest edition of which pertains to 2011.

Scope and presentation of the report

The information provided pertains mostly to PT's activities in Portugal, and where the Group holds stakes of over 51% of the stock.

This report is an integral part of the annual report of PT, composed of two more books, with accounts and financial statements and the corporate governance.

Structure and information provided

The structure and information published in this report represent PT's commitment to transparency and sharing policy to the stakeholders, evidencing the targets achieved and the policies adopted in order to guarantee long term business sustainability.

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

The identification of the material issues of PT's sustained management was done in accordance with the analysis of the information received from our stakeholders, through the respective communication channels and sampling surveys.

Criteria used in the presentation of economic, social and environmental data

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

Auditing and truthfulness of the presented data

This report is subject to a verification process of all the information contained therein, aligned with the GRI directives in what pertains to contents credibility and quality and auditing guidance by an external independent entity.

Suggestions for improvement

This report incorporates the suggestions for improvement, which are transmitted through the channel open for this purpose at **sustentabilidade@telecom.pt**. Contribute yourself.

PORTUGAL TELECOM
IN BRIEF

TELECOMMUNICATIONS IN PORTUGAL

Revenues (Euro million)

Customer segments		
Residential		712
Personal	PT Comunicações 100%	688
Enterprise	TMN 100%	896
Other		405
Total		**2,701**

TELECOMMUNICATIONS IN BRAZIL

Revenues (R$ million, 100%)

Customer segments		
Residential		9,974
Personal	Oi 23.3%[a]	9,102
Enterprise		8,510
Other		556
Total		**28,142**

[a] Oi's results are consolidated proportionally at PT based on the economic position of 25.6% at Telemar Participações, controlling shareholder of Oi.

OTHER TELECOMMUNICATIONS BUSINESSES

Revenues (Euro million, 100%)

Unitel 25% [a][b]	Angola	Mobile	1,590
CTM 28% [b][c]	Macao	Fixed, Mobile	480
MTC 34% [a]	Namibia	Mobile	180
CVT 40% [a]	Cape Verde	Fixed, Mobile	76
Timor Telecom 41%	East Timor	Fixed, Mobile	58
CST 51% [a]	Sao Tomé and Principe	Fixed, Mobile	12

[a] These stakes are held by Africatel, which is 75% owned by PT.
[b] These associated companies are consolidated by the equity method.
[c] On 13 January 2013, PT announced to have signed a definitive agreement for the sale of its stake in CTM to Citic Telecom International Holdings Limited.

OTHER BUSINESSES

Systems and IT Services [PT Sistemas de Informação 100%];
Innovation, Research and Development [PT Inovação 100%];
Administrative and Shared Management Services [PT PRO 100%];
Call Centres and Telemarketing Services [Contax in Brazil 44,4%, PT Contact 100%].
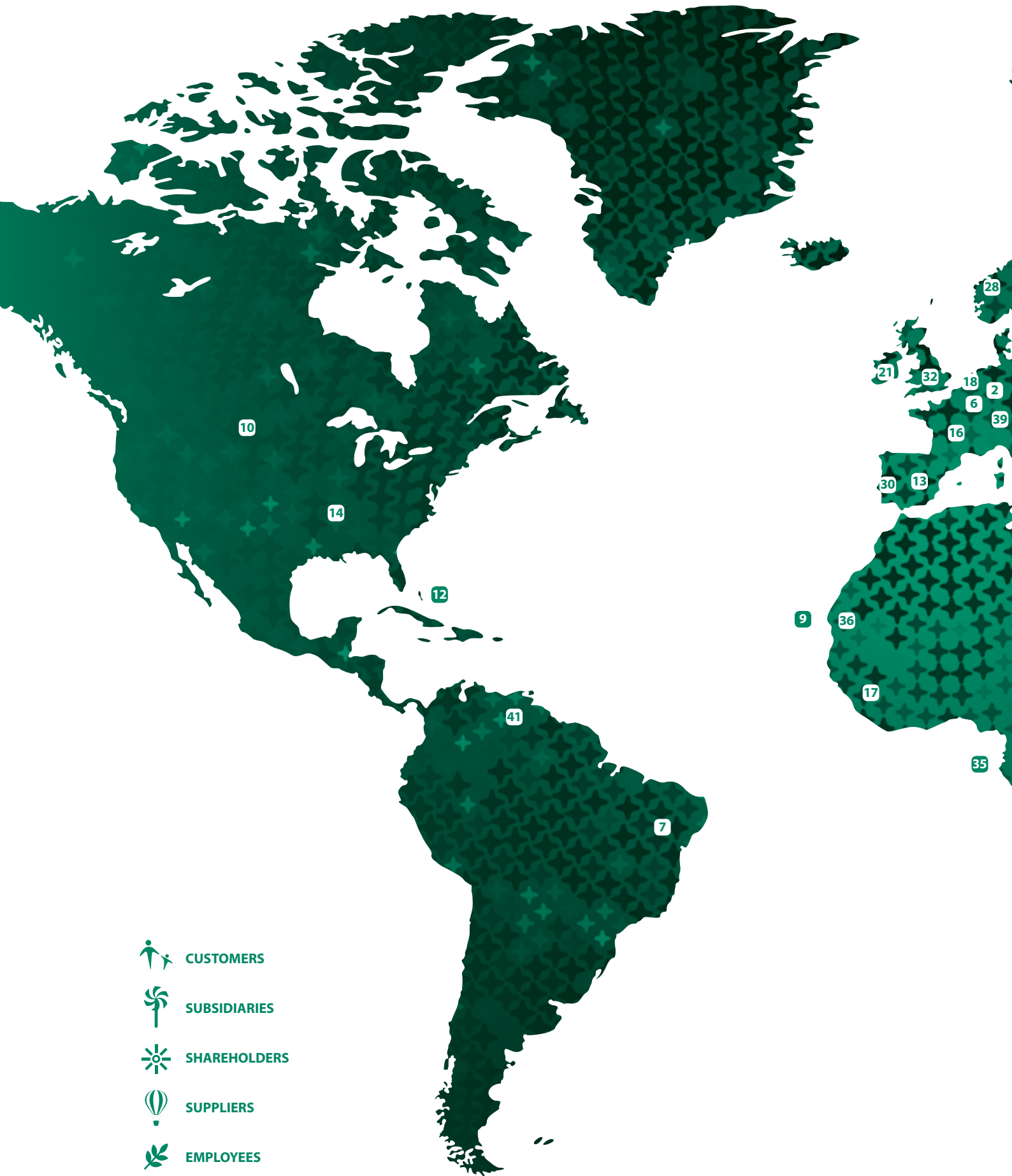
CUSTOMERS

SUBSIDIARIES

SHAREHOLDERS

SUPPLIERS

EMPLOYEES

1	SOUTH AFRICA	**22**	ISRAEL
2	GERMANY	**23**	ITALY
3	ANGOLA	**24**	MACAO
4	AUSTRALIA	**25**	MOZAMBIQUE
5	AUSTRIA	**26**	MOLDAVIA
6	BELGIUM	**27**	NAMIBIA
7	BRAZIL	**28**	NORWAY
8	BULGARIA	**29**	POLAND
9	CAPE VERDE	**30**	PORTUGAL
10	CANADA	**31**	KENYA
11	CHINA	**32**	UNITED KINGDOM
12	CUBA	**33**	ROMANIA
13	SPAIN	**34**	RUSSIA
14	USA	**35**	SAO TOMÉ AND PRINCIPE
15	FINLAND	**36**	SENEGAL
16	FRANCE	**37**	SINGAPORE
17	GUINEA	**38**	SWEDEN
18	NETHERLANDS	**39**	SWITZERLAND
19	HUNGARY	**40**	EAST TIMOR
20	INDIA	**41**	VENEZUELA
21	IRELAND		

THE WORLD OF PT

CEO'S STATEMENT

PORTUGAL TELECOM

Zeinal Bava
CEO
Portugal Telecom

"The world is changing and we want to be an active part in this change"

Dear Reader,

In times of difficulty and economic downturn, as those that we are going through today on a global scale and particularly in Portugal, we have to be more committed on the solution than the problem.

Crises have revealed to be favourable moments to reflection and change, in that it is essential to consider and evaluate each situation with rigor and realism, identifying constraints and opportunities, but, above all, keeping a positive attitude, never lowering the arms, adding to the work the efforts of all and dealing with full determination with the challenges posed by the competitive business environment and social values.

The world is changing and we want to be an active part in this change.
So, we have created an ecosystem of partnerships, we are adapting our business models and consolidating the foundations of what we believe is the way to greater sustainability of society in the future.
It was a year of strong organisational discipline in cost containment and minimization of waste, in the consolidation of investment in next generation infrastructures, in the dynamisation of a culture of innovation in all aspects, in the reinforcement of the bonds of respect for human rights and the environment, together with the strong promotion of behaviours based on

higher levels of solidarity and social responsibility across all our value chain to ensure improved levels of efficiency and social balance.

The next generation networks are our future
The investment that we have made in the fibre-optic, Fibre to the Home (FTTH) and 4G/LTE networks, which currently cover more than 90% of the national population, was an investment in the future. With these new facilities, we are leveraging the convergence of services, platforms and content, and creating a commercial offering with more intelligent and more efficient communication solutions, generating savings at the economic and environmental levels both for the company and our customers.

We are building one of the largest Data Centres in the world
The speed at which today we have access to information, and the amount of information that we produce and share has grown exponentially from year to year, and its storage and management requires ever greater resources.
The use of the new ICT features has been unfavourably impacting the economic and environmental sustainability of traditional data centres and of companies providing these services. PT's response to this framework leveraged the use of its ability to innovate (which included that of its partners as well) at the technological, environmental, organisational and social levels.
Therefore, we are completing the construction of the largest Data Centre in Europe, which will rely on renewable energy, environmentally friendly HVAC systems, intelligent distribution of temperature, high-efficiency lighting and monitoring systems, being these factors at the genesis of a greater environmental and economic sustainability of this activity.

We streamlined the carbon footprint
With the next generation networks, despite the amount of information conveyed and managed in our networks having increased strongly, energy consumption was lower. We have reduced energy consumption by 8% compared with the previous year and, consequently, we reduced our carbon emissions to the atmosphere.
At the same time, the energy dependence of many terminal devices, at the customers' homes, has benefited from reductions between 45% and 65% in relation to the equipment of 4 years ago, and therefore also in this way, we contribute to the economic and environmental sustainability of our customers.

We improved the alignment in the value chain
Business globalization alerted us to asymmetries in the issues related to respect for human and labour rights and environmental preservation, and so we started a path of greater dissemination and assuming conduct commitments of action with our value chain.

Data privacy and information security were targeted by awareness campaigns
The ease with which nowadays content is accessed and provided is truly stimulating and contributes unequivocally to bringing people together and closer to more diverse levels of knowledge.
The confidentiality and security of customer data, the access protection and information traffic of databases, as well as the confidentiality of communication contents, are safeguarded by us to ensure the freedom and fundamental rights of every individual. So, we promoted initiatives to raise the awareness of the population to the responsible consumption of content, providing user guides for equipment and parental control software, suggestions for the protection of personal data, always following the recommendations of expert bodies on this matter and adhering to protocols of collaboration with national and international entities for improved monitoring of content and network security.

We innovated and we are creating a sustainable commercial offering
The increased convergence between content and equipment, between the fixed and the mobile network and the new features offered by the next generation networks, along with the greater sustainability attributes added to the commercial offer, were some of the main topics on the agenda of innovation and management of the business units of the Group's companies.
Creating innovative solutions and intelligent services that allow more efficient use of resources and that, at the same time, ensure the reduction of the environmental impact and the improvement in the quality of life of citizens were only the first advances that we have made in this area.

We reduced the energy dependence of equipment, we identified the best routing for waste, we have tried to use environmentally friendly materials, we have created services and remote management solutions for car fleets, energy consumption, control and intelligent management of air conditioning and lighting systems of buildings, virtual storage of information (smart cloud services), access solutions to healthcare services, education and security and we identify new price plans appropriate to current consumer profiles.

We stimulated employability
We want to continue to be an attractive company to work with. Once again this year we welcomed new trainees through a recruitment program in which we have tried to identify the technical and behavioural skills necessary to meet the challenges of current times.
We have also reinforced the internal social responsibility programs, in order to ensure an increased stability for employees who, considering the socio-economic situation, are going through an embarrassing situation in their families.

We contribute to the improvement of life and to increase the levels of happiness of the population most in need
With aggressive corporate volunteering and communication solutions development programs for people with disabilities or with special needs, we have supported more than 400 thousand people in population layers economically underprivileged, but also in terms of healthcare and education. This action was primarily directed to children, young people and seniors.

We continued to deserve the recognition of our stakeholders
We are convinced that we innovated, adopted and promoted the values that leverage the sustainability of business and society. We also know that this is a starting point and that we will continue to strengthen our work in this area.
We had the privilege of being recognized once again by the main national and international rankings, and have stayed in all major global sustainability indexes, including the Dow Jones Sustainability Index and the FTSE4Good.
We also continue to support the United Nations Global Compact, through the application of the 10 principles of which we have been signatories, through our involvement in the local network and the presentation of our report sharing the progress achieved.

How we see the future
We need to think tomorrow knowing that we must act today. Therefore, we will strengthen the involvement and commitment of our entire value chain, we will continue to assess all impacts of our activities and we will certainly build the foundations for a better future. We are firmly convinced that our business can be an engine of development and progress in the societies and countries where we work. For this, we will continue to rely on the trust of our shareholders and with the active collaboration of all those around us.

We are grateful and we want to strengthen our trust bonds
This report once again intends to be a space of reflection, transparency and sharing of the impacts of our business in the economy, the environment and society. We have had the ambition to do better every year and to increasingly meet the expectations of our readers.
I would therefore like once again to express my thanks to all who have participated in the challenges facing us and to share the summary of the progress and results achieved in the last year and particularly in the year 2012, through the publication of this report, drawn up in accordance with the most demanding level of the guidelines of the Global Reporting Initiative and AA 1000.

We will continue to invest in the future: of Portugal, of the Portuguese and of society in general
Count on us, we continue to count on you.

Zeinal Bava
Chief Executive Officer

HIGHLIGHTS OF THE YEAR

1. Performance and impacts of the activity

Impacts on the country

The relevance of PT's activity in the domestic economy exhibits the following profile:

Impacts of PT in the country

	2010	2011	2012	Evolution 2011-2012
Consolidated revenues of PT vs. GDP	2.20%	3.60%	4.00%	0.4pp
Consolidated investment of PT vs. total investment of the country	2.40%	4.30%	5.40%	1.1pp
Revenues of PT in Portugal vs. domestic GDP	1.90%	1.70%	1.60%	-0.1pp
PT Employees in Portugal vs. national employment	0.22%	0.23%	0.25%	0.02pp
Investment of PT in Portugal vs. total investment of the country	2.10%	2.30%	2.30%	0pp

Note: INE is the source of information for the data on GDP at current prices, the employed population and investment/gross fixed capital formation (GFCF) in the country.

■ 2010 ■ 2011 ■ 2012

Consolidated revenues of PT
vs. Domestic GDP

Consolidated investment
of PT vs. total investment in the country

■ 2010 ■ 2011 ■ 2012

Revenues of PT in Portugal
vs. Domestic GDP

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

2010 2011 2012

PT employees in Portugal
vs. domestic employability
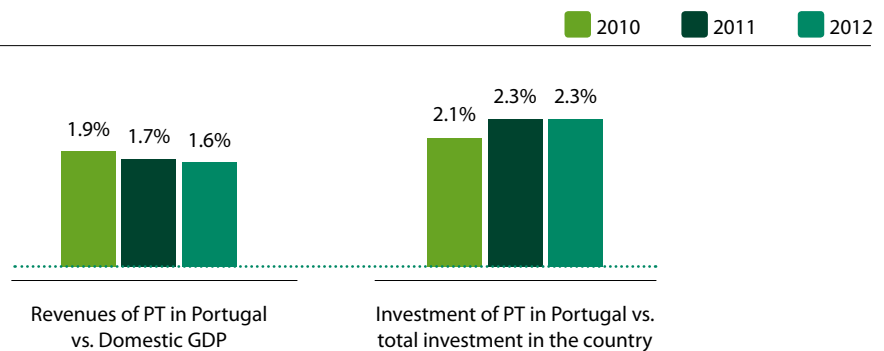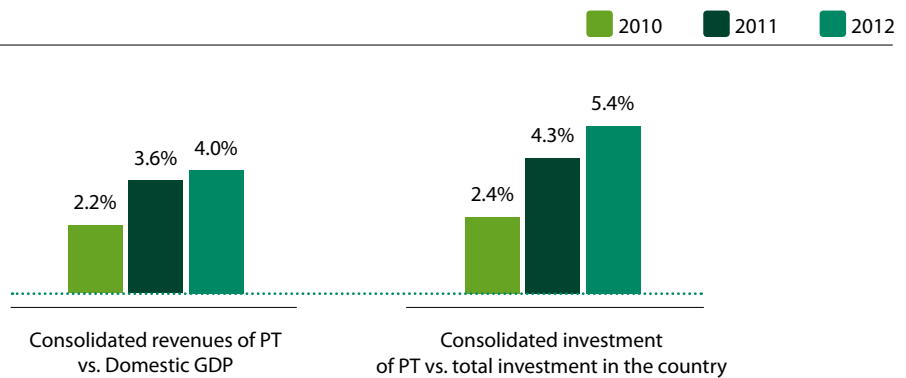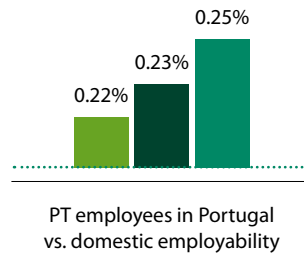
PT continued to have a considerable impact on the economy of the country either through its contribution to domestic GDP or through its investment capacity and employability. The company's contribution to domestic GDP increased slightly, as well as the weight of the company's total investment in the country. PT's employability remained at levels that counter domestic and European trends.

Impacts on the telecommunications industry and the country

The contribution of our activity to the development of the industry in Portugal can be demonstrated through the following indicators:

Impacts of PT on the industry*

	2010	2011	2012	Evolution 2011-2012
Consolidated operating revenues of PT vis-à-vis industry operating revenues in the country	51%	81%	101%	20pp
Consolidated operating costs of PT vis-à-vis industry operating costs in the country	32%	53%	74%	21pp
Consolidated investment of PT vis-à-vis industry investment in the country	59%	101%	108%	7pp
Operating revenues of PT in Portugal vis-à-vis industry revenues	42%	38%	41%	3pp
Operating costs of PT in Portugal vis-à-vis industry operating costs	26%	21%	26%	5pp
Employees of PT in Portugal vis-à-vis industry employment	86%	88%	93%	5pp
Investment of PT in Portugal vis-à-vis industry investment	51%	53%	46%	-7pp

(*) The information reported is based on the division between economic and financial information of PT and ANACOM information on the electronic communications sector. Once the industry data is provided with a one-year delay in the calculation of the various items, the industry information relative to the previous year is used. The data in relation to the sector was obtained from the 2009, 2010 and 2011 editions of ANACOM's Annual Communications Industry Report.

2010 2011 2012

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

Consolidated operating costs of PT vs. industry operating revenues in the country

Consolidated investment of PT vs. industry investment in the country
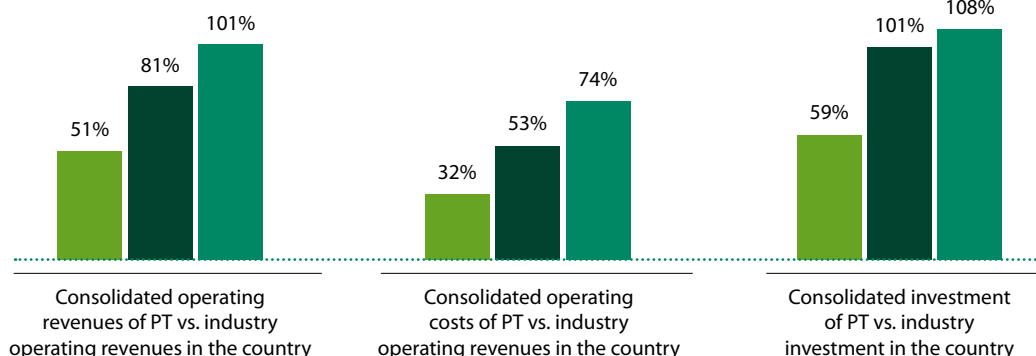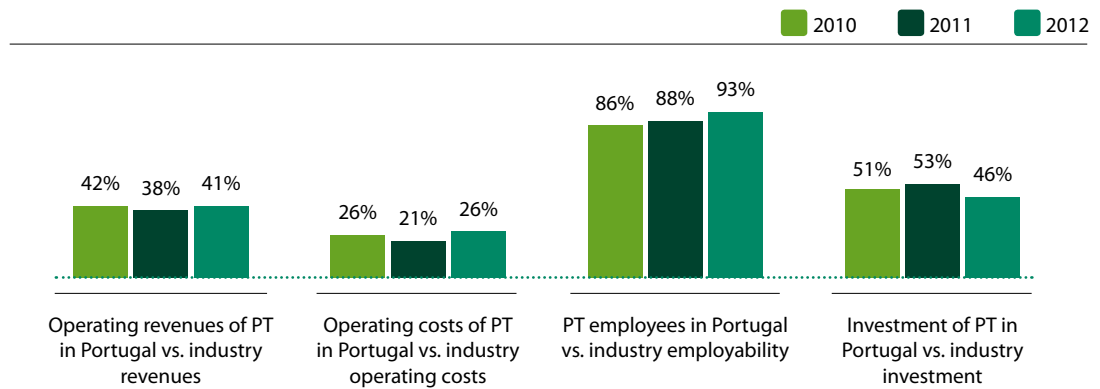
The impact of the company on the industry is also significant.

The company's consolidated revenues increased and exceeded the revenues of the industry in Portugal. The same happened with the investment that, once again, exceeded the total investment in the telecommunications industry in Portugal.

In Portugal, PT revenues represent 41% of industry revenues, and PT costs represent 26%. PT Investment contributed with 46% to investment in the industry.

As regards the level of employment in the industry, PT employs 93% of workers, and this proportion increased over the past year.

Research & development and innovation

	2010	2011	2012	Evolution 2011-2012
Investment in IR&D (million Euro)	200	219	167	-24%
Investment in IR&D / Operating revenues	6%	8%	6%	-2pp
Investment in IR&D / Income from operations	29%	27%	20%	-4pp
Investment in IR&D / EBITDA	13%	10%	7%	-3pp
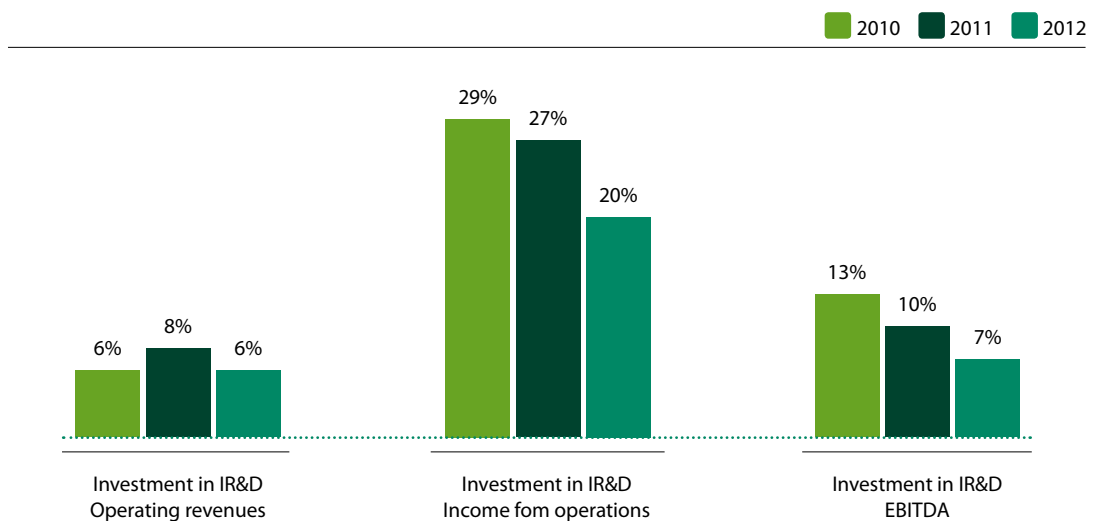
PT invested in R&D and Innovation more than 550 million Euro in the last 3 years. In 2012, the amount went down slightly compared to previous years due to the economic contraction that was felt in Portugal and in Europe

Impacts on stakeholders

Shareholders

	2010	2011	2012	Evolution 2011-2012
Operating revenues (million Euro)	3,742	6,147	6,599	7%
% Operating revenues in Portugal (million Euro)	84%	47%	41%	-6pp
Operating costs (million Euro)	2,251	3,959	4,330	9%
% Operating costs in Portugal (million Euro)	78%	40%	35%	-5pp
Income from operations (million Euro)	694.9	803.9	819.8	2%
EBITDA (million Euro)	1,492	2,188	2,269	4%
EBITDA generated by the operation in Portugal (million Euro)	1,378	1,306	1,201	-8%
Earnings before taxes (million Euro)	333	531	473	-11%
Net income (million Euro)	5,672	339	230	-32%
Shareholder remuneration (Euro)	1,6	1,3	0,7	-46%

Operating revenues increased 7% in Portugal, becoming 41% of the total.

EBITDA also increased 4%, although in the Portuguese operation it decreased 8%.

Net income fell 32% and the earnings before taxes fell 11%.

Shareholders will receive a dividend of 0.7 €/share, in line with the commitments made in the previous three years.

Customers

	2010	2011	2012	Evolution 2011-2012
Investment - CAPEX (million Euro)	657	647	468	-27%
CAPEX as a percentage of operating revenues	21%	22%	20%	-2pp
Residential customer satisfaction index (1 to 10)	7.8	7.9	7.9	0%
Personal customer satisfaction index (1 to 10)	8.0	8.8	8.1	-8%
Business customer satisfaction index - fixed service (1 to 10)	7.9	7.6	7.7	1%
Business customer satisfaction index - mobile service (1 to 10)	7.5	7.6	7.7	1%
Complaints received /1,000 customers (monthly average)	26.6	30.7	26.5	-14%
Time spent in treating each - days (monthly average)	4.1	2.2	1.8	-18%

The satisfaction indexes have remained practically constant with slight improvements in the business segment (+1%) and a reduction in personal customers (-8%).

The complaints received per customer fell 14%, as well as the time spent in the management of each complaint, which was reduced by 18%.

Employees

	2010	2011	2012	Evolution 2011-2012
Employees in Portugal	10,985	11,180	11,359	2%
Retirement benefit costs - PRBs (million Euro)	38	54	52	-4%
Investment in training (million Euro)	3.2	3.5	2.6	26%
Average hours of training per employee	41.0	50.0	33.0	-34%
Employee satisfaction index	73%	76%	75%	-1pp
Beneficiaries of the Health and Safety System	51,064	50,544	52,577	4%

In a year of strong challenges and constraints, the employee satisfaction index remained at 75%, one percentage point less than in the previous year. Other social indicators have suffered reductions, in particular in relation to the training of employees.

HIGHLIGHTS
OF THE YEAR

Environment

	2010	2011	2012	Evolution 2011-2012
Investments and expenditures on environmental protection (million Euro)	1.2	2.8	2.8	0%
Benefits of Environmental Management System (million Euro)	4.4	3.1	4.5	45%
Carbon emissions (ton)	165,620	217,486	170,116	-22% (i)
Energy consumption (GJ)	1,816,264	1,779,798	1,636,726	-8%
Energy obtained from renewable sources	42%	26%	37%	11pp
Water consumption (m3)	285,942	295,950	284,509	-4%
Consumption of materials (ton)	27,147	24,066	21,595	-10%
Waste production (ton)	3,275	2,980	3,317	11%

i) The emission factors have undergone minor adjustments between 2011 and 2012, in accordance with the legislation in force.

The investment in environmental protection remained, however the benefits of the system increased by 45%. Energy efficiency increased resulting in a reduction of 8% of energy consumption and 22% of carbon footprint. The energy produced by renewable sources that was consumed by PT increased 11pp.
The company's environmental efficiency is also mirrored in terms of reduction of consumption of water (-4%) and paper (-5%).

Suppliers

	2010	2011	2012	Evolution 2011-2012
Distribution of wealth by suppliers (million Euro)	3,373.0	792.0	843.0	6%
Distribution of wealth by domestic suppliers operating in the country (million Euro)	1,225.4	717.5	723.3	1%
Suppliers registered on the Portal	1,246	1,217	1,269	4%
Percentage of domestic suppliers registered on the Portal	86%	87%	85%	-2pp
Average scoring of vendor alignment with PT	71%	75%	80%	5pp

The distribution of wealth by suppliers increased overall 6%, compared with the previous year.
The scope of the supplier portal extended to another 52 suppliers, where 85% of registered suppliers are Portuguese.
The average supplier alignment scoring increased 5%.

Society

	2010	2011	2012	Evolution 2011-2012
Payment of taxes (million Euro)	77.5	108.2	147.6	36%
Corporate community investment (million Euro)	4.9	4.4	4.2	-5%
Corporate volunteering hours	1,550	4,354	3,585	-18%
PT Volunteers	270	573	958	67%
Recipients of corporate volunteer programs	7,500	19,175	29,186	52%
Recipients of corporate and family volunteer programs	-	-	261,684	-

The contribution to society in the form of taxes increased 36%. Corporate community investment was reduced by 5% compared with the previous year, the contribution in the form of volunteer work increased 1.6 times and the number of beneficiaries was 1.5 times higher.

Contribution of companies to the economic development of the country

	2009	2010	2011	2012
Unitel - Angola	2%	2%	2%	2%
MTC - Namibia	2%	2%	2%	2%
CVT - Cape Verde	6%	7%	6%	5%
CST - Sao Tomé and Principe	9%	9%	8%	7%
CTM - Macao	1%	1%	1%	1%
Timor Telecom	8%	8%	9%	9%

Notes: The World Bank, the Bank of Portugal and Global Finance are the source of information for the GDP of many countries. The calculations were redone, against previous years, in order to reflect final values. EUR/USD conversion rate as at 31 December of each year was provided by the Bank of Portugal.

2. Awards and recognitions

Sustainability

Top Ranking Performers
PT Contact wins gold medal at Green Contact Center

Dow Jones Sustainability Indexes – Member 2012/2013 World Index
PT was elected for the third time in a row for the index of 5 best companies in the world in terms of Sustainability

FTSE4Good
PT was elected for 7th year in a row for the index that aims to highlight sustainable performance and corporate social responsibility practices.

ECPI – Sense in Sustainability
PT was elected to the ECPI index whose function is to inform the financial community of the balance of companies in environmental, social and corporate governance terms.

2012 World's Most Ethical Companies
PT was elected as one of the 5 most ethical telecommunications companies in the world

Corporate Responsibility Prime – Oekom Research
PT was assessed by Oekom Research, in areas such as social and environmental performance, being awarded the Prime status

Member of the Investment Register – Ethibel Excellence
PT was selected for the Ethibel Excellence Investment Register index that indicates that the company has an above-average performance of the telecommunications sector in terms of Corporate Social Responsibility

STOXX ESG Leaders Indices – Members 2012/2013
PT was selected for the 2nd time in a row to the STOXX ESG Leaders indexes that evaluates the environmental, social and governance performance

Carbon Disclosure Project
PT is part of the Carbon Project Disclosure index that evaluates the corporate climate impact

UN Global Compact
PT is committed to the 10 principles of the UN Global Compact for the areas of Human Rights, Labour Rights, the Environment and Anti-Corruption

London Benchmarking Group – Member 2012
PT uses the template supplied by LBG for impact measurement of investment in the community in society and in its business

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

HIGHLIGHTS
OF THE YEAR

Management

Ranking Top 500 Best Domestic Companies
PT Prime is the best domestic telecommunications company

Ranking Top 500 Best Domestic Companies - Exame Magazine
PT Prime is the best domestic telecommunications company
PT Prime - 5th place in the ranking of largest telecommunications company
PT Comunicações – 1st place in the ranking of largest telecommunications company
PT Comunicações - 7th place in the ranking of best domestic telecommunications company
TMN - 3rd place in the ranking of best domestic telecommunications company
TMN - 2nd place in the ranking of largest telecommunications company
PT Inovação - 4th place in the ranking of best domestic telecommunications company
PT Inovação - 8th place in the ranking of largest telecommunications company

Volunteering

Portuguese Volunteering Federation Award – 4th edition
PT Foundation was the winner

Innovation

COTEC - UNICER Product Innovation Award
PT Inovação wins in the 5th Edition of the COTEC - UNICER Product Innovation Award - Optical Network Terminal (ONT) Equipment - ACEPI

Association of e-Commerce and Interactive Advertising
MEO Like Music - Winner in the Digital Marketing Innovation Award category

Marketing and Advertising

Top Portuguese Brands League Table 2012 - Brand Finance
PT brand in 3rd place in the ranking
TMN brand in 7th place in the ranking

Trusted Brands 2012 - Selections of the Reader's Digest
Sapo wins in the Internet Service Providers category
TMN wins in the Mobile Networks category
PT awarded Advertiser of the Year
4G - wins in the Advertising - Best Photography category
MEO - Christmas Carol - Gold in the Advertising category
MEO Like Music - Gold in the Digital & Interactive Media category
MEO Fora da Box - wins Grand Prize of the Festival
MEO Fora da Box - Gold in the Integrated Project category
MEO Fora da Box - Gold in the Advertising - Campaign category
MEO Fora da Box - Gold in the Media category
MEO Fora da Box - Bronze in the Digital & Interactive Media category
MEO Fora da Box - Bronze in the Relational Marketing category
TMN - SACA Experia - Bronze in the Advertising category
Portal TMN Kids - Bronze in the Digital & Interactive Media category
PT Bluestation - Gold in the Medium - Use of Media category
PT Bluestation - Silver in the Digital & Interactive Media category
PT Bluestation - Silver in the Advertising - Media Alternative category

Exame Informática Awards 2012
MEO wins in the category " Best National Brand"

Human Resources

IFE Portugal - Masters of Human Capital
PT Comunicações is a finalist in this competition
PT Contact is a finalist in this competition

Contact Center World - Top Ranking Performers
PT Contact is a finalist in the category Best Incentive Scheme

Customer Relationship

Global Business Excellence Awards
Tactical Center, G7, Service to Sales and activity on social networks win in the category Outstanding Customer Service Initiative

Top Ranking Performers
PT Contact wins bronze medal in Best Community Spirit

Technology

ACEPI - Association of e-Commerce and Interactive Advertising
Winner in the category Best C2C eCommerce site – Casa Sapo
MEO Go - Winner in the category Best Site / Mobile App
MEO - Best Widget/ TV App "My TV News on Meo"

Cisco Partner Awards
PT wins in the category Cloud, Cisco Partner of the Year FY12

MSCP Certification
PT is the first partner in Portugal to reach MASTER status with the Smartcloud service

SAP Cloud Partner
PT receives certification for Cloud PT platform for delivery of SAP solutions with IT outsourcing arrangements

PC Guia
MEO wins in the category "Best Triple Play Operator"

Worlwide Partner Conference (WPC)
PT elected partner of year of Microsoft in the domestic market – MEO and cloud solutions

Master Managed Services Channel Program
PT is the first Master Managed Services partner of Cisco in Portugal - Networking, Unified Communications and Private Cloud Services

01

STRATEGY AND COMMITMENTS

01

01 STRATEGY AND COMMITMENTS

1. Strategic vision of sustainability for the three-year period 2012-2014

The telecommunications industry and society in general is more challenging today than ever before. We have a paradigm shift where globalization opens up a world of new opportunities. If on the one hand the predictions of world population growth and the spread of market economies will, as indicated, provide new customers and new business for companies, on the other hand, they will also require initiatives that contribute to preserving the sustainability of society.

Thus, it is crucial to identify global responses and we believe that ICT will promote alternative models to the movement of persons, to the acquisition of knowledge, the exchange of information and ideas and access to health, by contributing to reduce the consumption of resources and improving the economic and environmental efficiency.

PT has been, and wants to continue to be, a driving force in the development of these models and the implementation of market-leading technologies. Our culture of innovation leveraged on partnerships that we have established with recognized bodies at national and international level, have always been at the heart of our strategy and take on a key role in the creation of technological and organisational solutions suitable to ensure socio-economic and environmental conditions successively improved with positive impacts for all.

Change to improve is our horizon

We want to be an active part in the construction of a more balanced and happier world

- We want to contribute to adjust behaviours to the situation that we are going through
- We want to strengthen the access to knowledge and ethics in the relationship among people and with the environment
- We want to innovate and stimulate economic, environmental and social sustainability through our services and solutions
- We want to reinforce the involvement of our value chain in day-to-day management

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Added in three dimensions – Values, Environment and Society - the commitments included in the strategic vision of sustainability aim to promote behaviours based on a greater understanding and responsibility; Innovate and promote the minimization of the impact of carbon on nature, and encourage biodiversity, and leverage sharing, solidarity and mutual respect, to promote greater socio-economic balance (see figure).

Values	Environment	Society
Promote behaviours based on a greater understanding and responsibility	Innovate, promote the minimization of the impact of carbon on nature and stimulate biodiversity	Leverage sharing, solidarity and mutual respect, to promote greater socio-economic balance
Sustainable growth

Ethics and satisfaction in relationships

Information accuracy

Sharing and Involvement with all Stakeholders

Innovation in environmentally and socially responsible solutions and services

Protection and privacy of personal data and customer information

Respect and be respected by the whole society | Increase energy efficiency in networks and information systems

Promote the use and implementation of alternative energies

Innovate the HVAC systems of administrative and technical spaces

Identify and implement intelligent monitoring systems

Incorporate social and environmental efficiency into commercial offering

Promote the rationalization of the use, reuse and recycling of equipment and materials

Promote the use of equipment with less energy dependency | Contribute to the dignity of labour and human rights

Stimulate employability

Promote knowledge, health and responsible consumption, through ICT

Encourage the digital inclusion and literacy of the population

Animate and participate in social solidarity initiatives

Involve the value chain to leverage opportunities and mitigate risks with significant impact on the quality of life of the population

Strengthen links to universities and other bodies that contribute to knowledge |

Encourage employees, customers and suppliers to adopt socially responsable behaviour ▶

2. Management guidelines and objectives

The management guidelines and sustainability objectives, undertaken by PT in its strategic vision of sustainability for the three-year period 2012-2014, aim to leverage opportunities and mitigate constraints identified by stakeholders that are crucial to business growth.

Strategic issues present in the management guidelines and sustainability objectives

- Ethics in the value chain
- Investment in infrastructure
- Innovation
- Human rights
- Responsible behaviour
- Climate change and energy efficiency
- Ecological and socially responsible commercial offering
- Accessibility and knowledge

For more detailed information see: http://www.telecom.pt/NR/rdonlyres/E437A7A3-2D4D-4801-95B8-FC0F27041690/1460364/Compromissoseorientaesestratgicasparaofuturo1.pdf

01 STRATEGY AND **COMMITMENTS**

Rigor, honesty, integrity, transparency, information accuracy, anti-corruption, equal opportunities, non-discrimination, preservation of the environment and health, 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 national, European and American level.

Therefore, it is essential to identify very ambitious goals for the future in what relates to business growth, customers, employment, human rights, innovation, energy efficiency and social responsibility, and in what relates to the attitude and the conduct with which we will guide this operation.

The implementation of the management guidelines and sustainability objectives for the three-year period 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.

These 7 areas coincide with the names of 7 sustainability subcommittees, created for the operationalisation of the sustainability vision and the corresponding management guidelines and objectives (more information on responsibilities and functions in the governance chapter).

ISSUES AND GUIDELINES OF SUSTAINABILITY MANAGEMENT

Issues	Strategic guidelines	Goals
Stakeholders		
Human rights		
Research, development and innovation		
Supply chain		
Energy and environment		
Brand, marketing and communication		
Corporate citizenship		

Stakeholders

Issue	Strategic direction in the three-year period 2012-2014	Goal*
Dialogue and consultation	Maintain ongoing dialogue with all stakeholders, through the communication channels available for this purpose	Keep the level of satisfaction of relationship with each stakeholder above 70%
Opportunities and constraints	Identification and annual review of the issues and of their criticality by stakeholder	
Ensure a balance between PT and the stakeholders	Identify solutions that ensure a satisfactory alignment between PT and each of the respective interested parties	

*Compared with the last three-year period

Human rights

Issue	Strategic direction in the three-year period 2012-2014	Goal*
Human rights in the entire value chain	Promote the existence of practices that contribute to respect for human and labour rights in the value chain of the activity	Provide clarification and/or training sessions to employees and suppliers
Child Labour Forced Labour Safety and health at work Freedom of Association and Collective Bargaining Discrimination Disciplinary practices Work schedules Remuneration	Implement procedures to prevent, identify and resolve situations that undermine human and labour rights	Ensure commitment, clarification and/or training for all new employees and suppliers – 100%
Alignment of value chain: identifying risks and opportunities upstream and downstream of value chain	Ensure the successive alignment of the value chain	Increase the number of in-person external audits in 25%

Research, development and innovation

Issue	Strategic direction in the three-year period 2012-2014	Goal*
Extend the innovation culture to value chain	Involvement of suppliers, partners, universities and other institutions in the processes of R&D and Innovation of the company. Leverage the capacity of innovation through knowledge sharing and the synergies of the activity of each element of the value chain	Create greater alignment and efficiency in costs and time in the process of R&D and Innovation
Environmentally friendly market offering	Identify potential equipment, services and solutions that allow extending the environmentally friendly market offering	Explore features in existing products and services, making them more environmentally sustainable: in the product, service, packaging, communication
Socially responsible market offering	Identify services and solutions that contribute to advancing social and professional inclusion of the neediest population and/or unprotected layers	Explore solutions that will contribute to ensure the accessibility to services and content on the part of all
Energy Efficiency	Identify ways of rationalization of energy consumption to combat the accrued costs and carbon footprint	Test features enabling the company and the customers to use ICT with energy rationalization
Ethics and safety	Explore the possible ways to ensure access to quality content and selected by each individual, and with the privacy level set by each	Study guidelines and features in the services and/or equipment which contribute to ensure the use of ICT with ethics and safely

*Compared with the last three-year period

01 STRATEGY AND **COMMITMENTS**

Supply chain

Issue	Strategic direction in the three-year period 2012-2014	Goal*
Alignment of the value chain in risks and opportunities upstream and downstream the value chain	Reinforce the culture and the instruments that ensure greater alignment of the value chain with human rights and environment	Maintain a constant dialogue with potential suppliers reinforcing CSR requirements in the pre-selection phase; Provide awareness and training sessions in the areas of ethics, human rights and the environment; Add to verification procedures, more 25% of random face-to-face audits
Consumption of materials and resources	Identify jointly with suppliers potential areas of rationalization in order to control costs and the environmental footprint of products and services	Ensure competitiveness and reduced environmental impact in the entire value chain
Conflict minerals	Combat use of raw material from conflict zones in the manufacture of equipment marketed by the company	Involve and commit the supply chain to identify the raw materials, and their origin, used in the manufacture of equipment
Competitiveness of suppliers, especially small and medium-sized	Share and discuss online on the supplier portal the all the knowledge and synergies that can benefit the entire value chain	Counteract inefficiencies in the supply chain forecast models, in the production of waste and financial instruments
Relationship and satisfaction of suppliers	Maintain and strengthen the channels of communication and specialized dialog with suppliers	Ensure vendor satisfaction levels exceeding 70%

Energy and environment

Issue	Strategic direction in the three-year period 2012-2014	Goal*
Energy consumption in the industry tends to rise for service providers (virtualization, storage, management and distribution of information) and to reduce for customers	Ensure greater energy efficiency between the traffic made and consumed energy, rationalizing the respective environmental impacts and costs	Increase energy efficiency in 10% (compared to 2009)
Energy efficiency and ecology in equipment	Reduce costs and the environmental footprint of customers through choices and efficient use of ICT	Reduce by 5% the energy dependency of equipment
GHG emission: direct and indirect	Streamline the environmental footprint of activity	Reduce by 4%
Materials: segmentation, raw materials, waste, routing	Ensure better segmentation, routing and final treatment of waste, avoiding contamination of soils, social costs and public health	Identification of raw materials of customer and network equipment - 80% Segmentation and proper routing of 100% 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	Clarify the general population about electromagnetic radiation
Energy efficiency: buildings, data centres, commercial offer, networks, software	Ensure environmental sustainability upstream and downstream of the ICT activity	Streamline the environmental impact and costs of the activity

*Compared with the last three-year period

Brand, marketing and communication

Issue	Strategic direction in the three-year period 2012-2014	Goal*
Ethics and responsibility in communicating with the market	Add sustainable attributes to communication materials	70% new products / services / solutions
More responsible consumption	Provide more information to the consumer market to ensure more informed responsible choices. The highlight areas: protection of minors, parental control, security, privacy protection, energy dependency, electromagnetic radiation, noise, waste routing at end of life cycle, among others	Include information in the communication media of the products/services, primarily on the websites of each brand

Corporate citizenship

Issue	Strategic direction in the three-year period 2012-2014	Goal*
School, professional and social inclusion through ICT	Identify the most needy social groups and the ICT solutions that may contribute to employability, health and education of the population	Ensure conditions for inclusion to the neediest population layers
Strategic partners in the areas of education, healthcare and technology at domestic and international level	Enhance the support through partnerships that add value to recipients of aid	Develop initiatives that contribute to foster digital inclusion, knowledge, health and social inclusion
Ethics in ICT access and use	Disseminate knowledge and tools that help to ensure privacy and security of personal data, parental control and access to appropriate content to each user profile	Provide and promote access to responsible use of ICT
Social intervention of the company	Focus the involvement primarily on the youth, seniors, unemployed, people with disabilities or special needs and the population resident in remote locations	Expand the universe of intervention in relation to previous three-year period

*Compared with the last three-year period

02
ETHICS AND RESPONSIBILITY IN MANAGEMENT

02

02 ETHICS AND RESPONSIBILITY IN MANAGEMENT

02 ETHICS AND **RESPONSIBILITY IN MANAGEMENT**

PT took with the stakeholders the commitment to create shareholder value by ensuring a sound economic and financial performance, today and tomorrow. To this end, management has maintained a determined and voluntary attitude that aimed to achieve the best possible balance between the legitimate desire to generate profit and ethics and respect for environmental preservation and the community where it operates. The level of achievement of this balance has been a fundamental pillar of strength in business and worth sharing with shareholders and other stakeholders.

Business ethics and the creation of shareholder value incorporate the following pillars:

To generate simultaneously growth with profit, social progress and environmental quality

Sustainability in business management

| Economic Pillar | Environmental Pillar | Social Pillar |

Social responsibility and Company citizenship
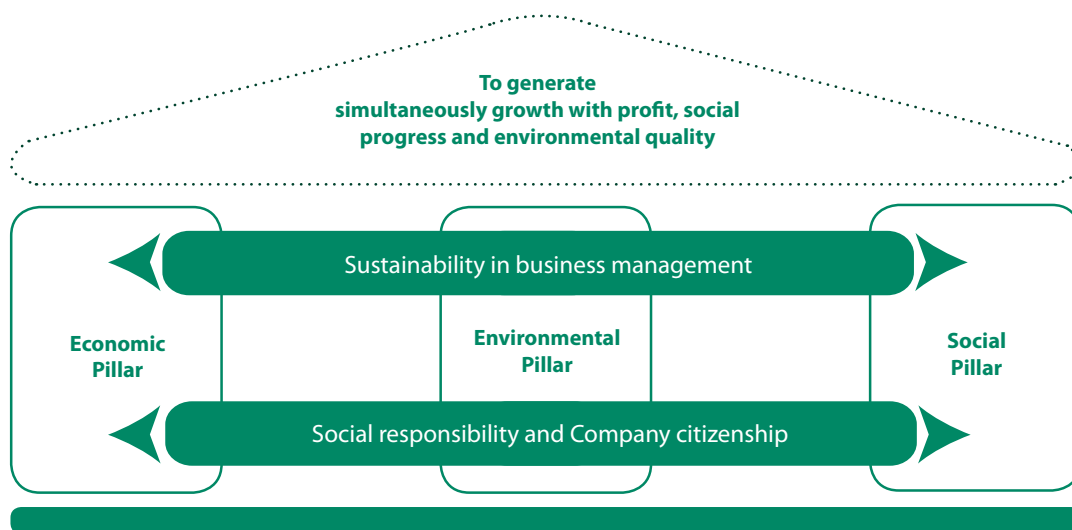
1. Principles, codes of conduct and policies adopted

PT is a party, applies to the company and actively participates in promoting the principles of sustainability and corporate social responsibility advocated by national and international organisations with which the company management is identified.

These are principles relating to business ethics, compliance and environmental protection, human and labour rights, anti-corruption and social inclusion instruments. The adoption of these principles is an ongoing challenge, requiring:
(i) The creation of monitoring mechanisms that verify the level of compliance and the evolution of performance on non-financial aspects covered by each of the subscribed Policies / Codes / Principles;
(ii) A systematic identification of areas for improvement in aspects of the group's business and their relationship with society;
(iii) The establishment of channels of denunciation of non-compliance with the Principles / Codes / Policies subscribed;
(iv) The promotion and adoption of improvements and their subsequent monitoring.

Charters subscribed and/or principles followed

International	European	Domestic
United Nations	**ETNO (European Telecommunications Network Operators)**	**BCSD Portugal (Business Council for Sustainable Development)**
• 10 Principles of the UN Global Compact;	• Environmental and Sustainability Charter;.	• Recommendations of eco-efficiency, innovation and social responsibility.
• Universal Declaration of Human Rights;	• Corporate Social Responsibility Charter.	
• Recommendations of the International Labour Organisation;		
• Children's rights and business principles.		
UNI Global Union	**European Union**	**APAN (Portuguese Association of Advertisers)**
• Social Responsibility Charter of Union Network International (UNI)	• Lisbon Strategy;	• Code of Good Practices on Commercial Communication for Minors;
	• European Road Safety Charter;	• Charter of Commitments on Responsible Communication.
	• Code of Conduct on Energy Efficiency of the European Union;	
	• European Code of Best Practices for Women in ICT;	
	• Principles for the safe use of connected devices and online services for children and young people in the EU.	

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

Global Compact National Network	✓
Business Council for Sustainable Development of Portugal	✓
London Benchmark Group	✓
European Telecommunication Network Operators	✓
EU WG's – Energy Efficiency, Women in ICT and Minors Protection	✓

The issues placed on the agenda of these organisations deserve not only the active participation of PT in their discussion, study and promotion, but they are as well evaluated and interpreted by the sustainability Committee of the company.

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 business units of the group, usually by decision of the Executive Committee.

Codes of Conduct and policies adopted

The Codes of Conduct and policies adopted are published, and can be found on the website and corporate intranet and all employees and suppliers are subject to actions of training and/or awareness-raising about their content and impact.

02 ETHICS AND **RESPONSIBILITY IN MANAGEMENT**

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

The code of ethics and behaviour predict the total alignment with all legislation and legal regulations in force, whether national, European or American and is extended to employees and suppliers of the company.

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

Code of ethics and conduct	Policies adopted
Code of Ethics of Portugal Telecom (to be revised during this three year period – see box below) Code for Financial Officers Code of Conduct for Procurement Company Agreement Internal Regulation on Transactions of Group Officers* Regulation on Transactions with Related Parties ** Code of Conduct for Activities in Social Networks Guide to Responsible Communication	Sustainability and Social Responsibility Policy Integrated Policy of Quality, Environment, and Health and Safety at Work Human Rights Policy Information Security and ICT Systems Policy Privacy Policy

* 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".

> PT's Code of Ethics is to be subject to a further review in order to incorporate greater specificity in the issues related to:
> - Anti-corruption
> - Bribery (including facilitation payments)
> - Donations to political parties
> - Non-discrimination
> - Energy efficiency and environmental preservation

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

2. Management systems and activity control

To better identify and monitor compliance with its codes and the alignment of its principles in daily activity, the PT companies in Portugal have certified 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 this three-year period.

Information systems management

	2012	2013	2014
Management tools	✓	✓	✓
Stakeholder consultation	✓	✓	✓
Communication channels	✓	✓	✓
Surveys	✓	✓	✓
Anonymous denunciation systems	✓	✓	✓
Risk identification	✓	✓	✓
Audits	✓	✓	✓
Platform by stakeholder	✓	✓	✓
Impact monitoring	✓	✓	✓
Certified information management systems			
Quality | ISO 9001	✓	✓	✓
TI | ISO 20000	✓	✓	✓
Environment | ISO 14001	✓	✓	✓
SST | OHSAS 18001	✓	✓	✓
SOCIAL RESPONSIBILITY| ISO 26000		To conclude in this períod	

Triennium ▶

3. Governance model

PT's Governance model is based on the organic and functional structure of the society and a number of tools that guarantee at the same time the necessary information for the management of the activity, the necessary rigor and transparency in management and acts, the successive alignment with the expectations of each stakeholder.

According to the regulations of the Board of Directors, this will always perform in accordance with the social interest and with the legal and statutory provisions applicable, taking into account the general objectives and fundamental principles of the company, long-term interests of its shareholders and the sustainable development of the business activity of the Portugal Telecom Group.

MANAGEMENT MODEL			
Principles of action	**Vision and strategy**	**Procedures**	**Management systems**
	Vision	Training	Communication channels
Code of ethics	Strategy	Direction guidelines	Channels of participation of irregular situations
Policies	Strategic goals: • Grow in scale; • Increase the international contribution;	Goals	Audits Surveys
Statutes	• Lead the consumer market in convergence and the business market in ICT;	Information accuracy	Risk and opportunities management
Regulations	• Top tier in the industry in technology, customer experience and operational efficiency;	Transparency and sharing	Certified information and management systems Quality ISO 9001 IT ISO 20000
Legislation	• Reference operator in sustainability.	Procedures for resolving irregular situations	Environment ISO 14001 OHS OHSAS 18001 Social responsibility ISO 26000*
Corporate governance, organisational structure and operating model ▶			

*In the process of issuing of self-declaration

02 ETHICS AND **RESPONSIBILITY IN MANAGEMENT**

3.1. Organisational Structure

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 organisational structure (detailed below) involves a Sustainability Committee that underwent a reorganization to ensure a more appropriate approach to the challenges of this three-year period. Corporate sustainability is embedded in PT's long-term development strategy and incorporates one of the five strategic lines of current management. The importance attributed to business 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 the implementation of the corporate social responsibility policy.

Therefore, the Sustainability Committee was revised in 2012, being now composed of a number of subcommittees that address the major critical issues identified in the sustainable management of the company.

Sustainability Committee

The Sustainability Committee is still integrated in PT's Governance model reporting directly to the Executive Committee of the Holding Company PT SGPS.

The Management Committee is composed of the following members:
- CEO of PT – chairman of the committee;
- Board members from PT's subsidiaries TMN, PTC, PT PRO, PT Inovação, PT SI, PT Compras and PT I Internacional, responsible for sustainability;
- Managing Director of the PT Foundation;
- Manager responsible for 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 Management Committee shall meet at least once a year.

> **The Sustainability Subcommittees are the following*:**
> - Energy and Environment
> - Labour Relations, Human Rights and Occupational Health and Safety
> - Stakeholder Relations
> - Corporate Communication, Brand and Marketing of Products and Services
> - Innovation and Development of Services and Solutions
> - Supplier Relations
> - Citizenship and Social Responsibility
> - Sharing of Sustainability Practices with International Subsidiaries
>
> * The composition and functions of each Subcommittee are published on the company's corporate website at www.telecom.pt

3.2. Corporate governance

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

PT's organisation structure further includes a Compensation Committee elected by the General Meeting of Shareholders, which is responsible for determining the remunerations 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 the PT can be presented in schematic terms as follows:
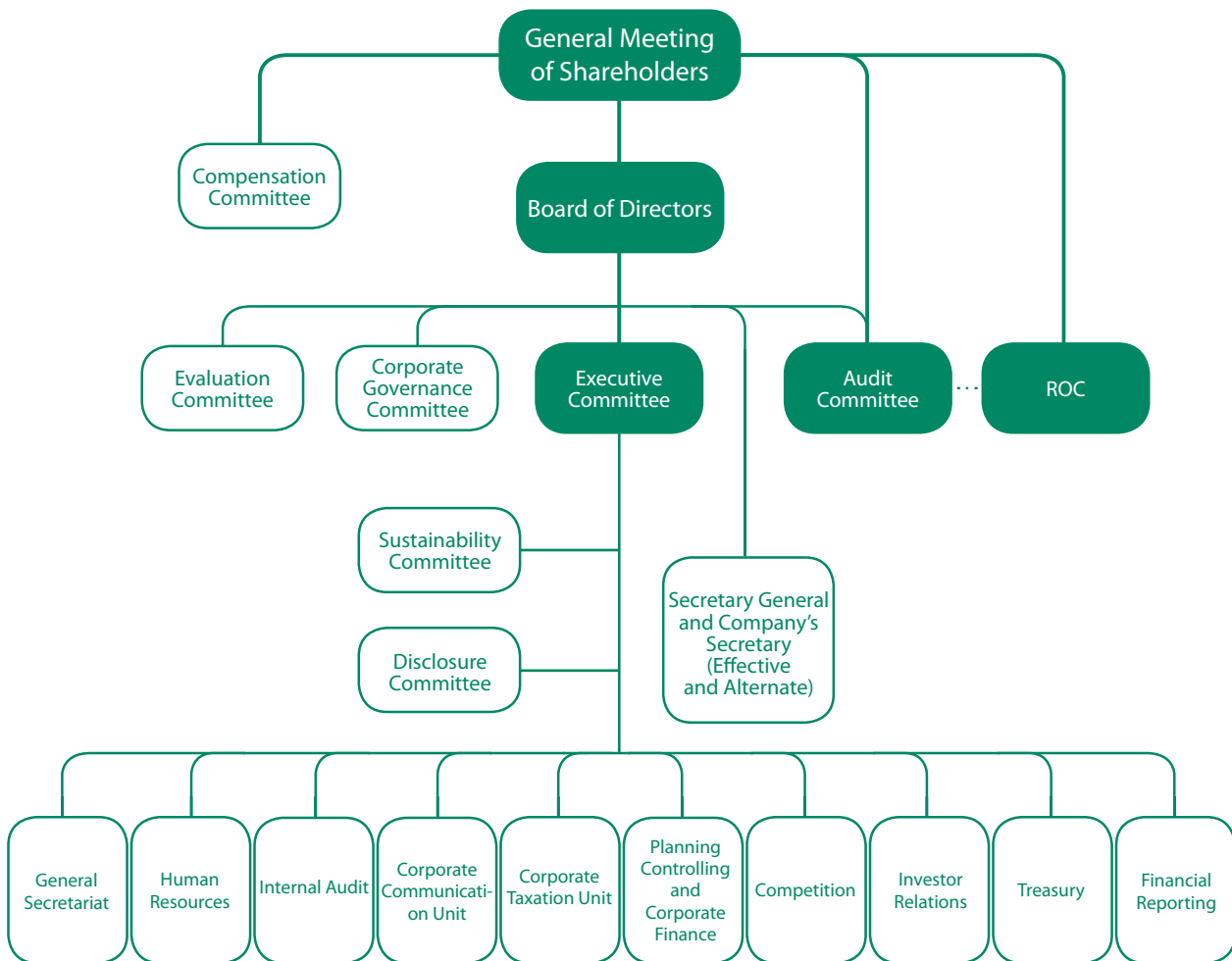
The values of efficiency, simplicity, transparency and accuracy are the basic pillars of this governance model providing PT with a structure as appropriate for the specificities and needs of the Company. This model has also been welcomed by the market.

02 ETHICS AND **RESPONSIBILITY IN MANAGEMENT**

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.

PT also has support structures for the activities of the Executive Board, in particular, the Disclosure Committee and the Sustainability Committee, as well as a number of operational departments to ensure an effective and transparent management of the Company.

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 the board of the General Meeting are elected for a three year term of office, renewable one or more times within the limits of the law.

In the governance model adopted the separation of powers remains, as the members of the Board delegate daily management on an Executive Committee.

The Board of Directors is composed of a minimum of 15 and a maximum of 25 members. Among the elected, there are executive Directors, independent non-executive Directors and non-executive and non-independent Directors. In accordance with the articles of association, a minimum of shareholders representing at least 10% of the share capital, having voted against in the election of the Board of Directors, may appoint a member of the administration body.

The members of the corporate bodies are appointed for a three year term of office, the election year being considered a full calendar year, renewable one or more times within the limits of the law.

FUNCTIONS (%)

Non-executive non-independent // 42%

Executive // 29%

Non-executive independent // 29%

GENDER (%)

Women // 4%

Men // 96%
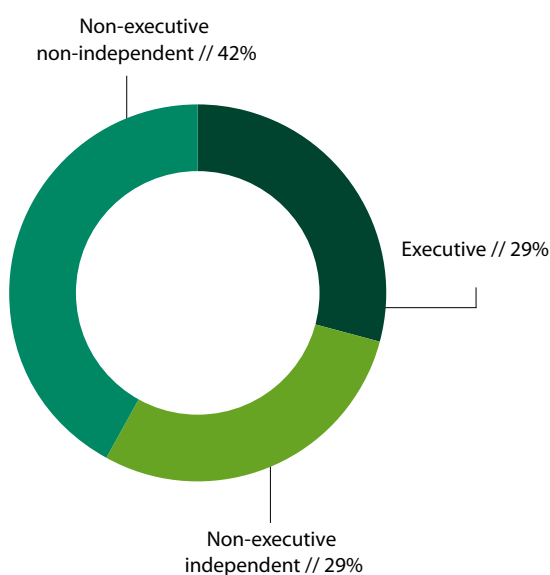
Functions // Board of Directors

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 2012, the composition and functions of the Company's Board of Directors were as follows:

Members (date of first appointment)	Board of Directors	Executive Committee	Audit Committee	Corporate Governance Committee	Evaluation Committe	Independence[5]	No. of shares
Henrique Granadeiro (2003)	Chairman			Chairman	Chairman[2]	Yes	150
Zeinal Bava (2000)	Member	Chairman (CEO)			Member[3]		63,161
Luís Pacheco de Melo (2006)	Member	Member (CFO)					45
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 Morais Pires (2006)	Member						3,242
Fernando Portella (2012)[1]	Member						-
Francisco Soares (2006)	Member			Member	Member	Yes	-
Gerald S. McGowan (2003)	Member			Member		Yes	30,000
João de Mello Franco (1998)	Member		Chairman	Member	Member[4]	Yes	13,308[6]
João Nuno Palma(2012)	Member			Member			1,436
Joaquim Goes (2000)	Member			Member	Member		2,437
José Xavier de Basto (2007)	Member		Member			Yes	-
José Cabral dos Santos (2012)	Member						-
Maria Helena Nazaré (2009)	Member					Yes	-
Mário João de Matos Gomes (2009)	Member		Member			Yes	-
Milton Silva Vargas (2009)	Member				Member		-
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[7]

[1]Director Fernando Magalhães Portella was co-opted onto the Board of Directors on 25 October 2012 to replace director Pedro Jereissati, who submitted his resignation to the Company on that same day. [2]Inherently in his office as Chairman of the Board of Directors. [3]Inherently in his office as CEO. [4]Inherently in his office as Audit Committee Chairman. [5]Evaluation of independence made in accordance with Service Orders no.s 3.08 and 4.08 of PT's Board of Directors and Audit Committee and article 414,5 of the Portuguese Companies Code, as the case may be, which may differ as to some directors from the evaluation made according to CMVM's understanding as to article 414,5(b) of the Portuguese Companies Code and CMVM Recommendation no. II.1.2.3 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.s II.1.2.2 and II.1.3.1. For further information on this matter, please see Chapters II.14 and II.15 below. [6]322 of which are held by his spouse. [7]100% held by his spouse.

Evaluation and remuneration // Evaluation Committee

In line with the best national and international practices in matters of corporate governance, as well as with the recommendations of CMVM within this framework and with the Final Rules approved by the New York Stock Exchange on corporate governance, adopted following the Sarbanes-Oxley Act, the Board of Directors of PT decided on 15 October 2008, to delegate on an Evaluation Committee the powers necessary for the evaluation of the executive members of the Board and the Board of Directors as a whole. as well as advisory powers regarding the selection of the members of the management bodies of the most relevant companies of the PT Group.

It should be stressed, in fact, that since the 2009 Annual General Meeting of Shareholders PT has been adopting a practice that is innovative among Portuguese companies admitted to trade, i.e. submitting to the shareholders at elective General Meetings a report prepared by the Evaluation Committee on the selection procedure for directors whose election is proposed at such General Meetings, and so we might say that PT is at the vanguard of good practices on this matter as well.

As provided for under the corresponding delegation of powers, the Evaluation Committee is composed of the Chairman of the Board of Directors, the Chief Executive Officer, the Chairman of the Audit Committee and four non-executive directors, including at least one independent director, and their term of office shall be the same as the term of office of the Board of Directors. The Chairman of the Board of Directors of the Company shall be the Chairman of the Evaluation Committee, unless he is also the Chief Executive Officer, in which case one of the non-executive members designated for such purpose by the Board of Directors shall be the Chairman of this Committee.

It should further be stressed that the attendance of the Chief Executive Officer at this Committee is not to the prejudice of compliance with CMVM Recommendation no. II.5.1, since the CEO is, under the relevant Regulation, prevented from voting on resolutions related, on the one hand, to the annual performance appraisal of the members of the Executive Committee, and on the other hand to the selection procedure for PT's non-executive directors.

Composition

Henrique Granadeiro[1]	Chairman
Zeinal Bava[2]	Member
Francisco Soares	Member
João de Mello Franco[3]	Member
Joaquim Goes	Member
Milton Silva Vargas	Member
Otávio Marques de Azevedo	Member
Rafael Mora Funes	Member

[1] Inherently in his office as Chairman of the Board of Directors. // [2] Inherently in his office as CEO. // [3] Inherently in his office as Chairman of the Audit Committee.

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.
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 were elected on 27 April 2012 for the 2012-2014 three-year term of office. Taking into account the suspension of office of one of the members of the Compensation Committee, the Shareholders will be called to resolve on the appointment of a new member to the Compensation Committee to complete the 2012-2014 three-year term of office.

Composition

Álvaro Pinto Correia	Chairman
Francisco Esteves de Carvalho	Member
Francisco Barros Lacerda	Member[1]

[1] Office suspended since 24 August 2012.

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.

Remunerations paid in 2012

	Fixed 2012	Variable 2011	Bonus 2009-2011 term of office	Total	Committees as of 31 December 2012		
					Audit	Corporate Governnance	Evaluation
Executive Committee							
Zeinal Abedin Mahomed Bava	695,038	589,929	-	1,284,967			Member
Luís Miguel da Fonseca Pacheco de Melo	486,526	363,267	-	849,793			
Alfredo José Silva de Oliveira Baptista	486,526	247,682	-	734,208			
Carlos António Alves Duarte	486,526	330,243	-	816,769			
Manuel Francisco Rosa da Silva	486,526	330,243	-	816,769			
Pedro Humberto Monteiro Durão Leitão	486,526	247,682	-	734,208			
Shakhaf Wine (a)	486,526	330,243	-	816,769			
	3,614,193	**2,439,289**	**-**	**6,053,482**			
Audit Committee							
João Manuel de Mello Franco	271,404	-	-	271,404	Chairman	Member	Member
José Guilherme Xavier de Basto	126,574	-	-	126,574	Member		
Mário João de Matos Gomes (b)	183,736	-	-	183,736	Member		
	581,714	**-**	**-**	**581,714**			
Other Members of the Board of Directors							
Henrique Manuel Fusco Granadeiro	617,812	-	652,500	1,270,312		Chairman	Chairman
Amílcar Carlos Ferreira de Morais Pires	44,058	-	-	44,058			
Fernando Magalhães Portella (c)	8,154	-	-	8,154			
Francisco Teixeira Pereira Soares	132,174	-	-	132,174		Member	Member
Gerald Stephen McGowan	75,528	-	-	75,528		Member	
João Nuno de Oliveira Jorge Palma (d)		-	-			Member	
Joaquim Aníbal Brito Freixial de Goes	118,786	-	-	118,786		Member	Member
José Pedro Cabral dos Santos (d)		-	-				
Maria Helena Vaz de Carvalho Nazaré	44,058	-	-	44,058			
Milton Almicar Silva Vargas	75,528	-	-	75,528			Member
Nuno Rocha dos Santos de Almeida e Vasconcellos	69,234	-	-	69,234			
Otávio Marques Azevedo	75,528	-	-	75,528			Member
Paulo José Lopes Varela	87,316	-	-	87,316		Member	
Rafael Luís Mora Funes	118,786	-	-	118,786		Member	Member
Pedro Jereissati (e)	68,090	-	-	68,090			
	1,535,052	**-**	**652,500**	**2,187,551**			
	5,730,959	**2,439,289**	**652,500**	**8,822,747**			

(a) 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. (b) 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 7,838 Euro by Previsão - Sociedade Gestora de Fundos de Pensões, S.A. for the office of Chairman of the Supervisory Board he performs therein. (c) Director Fernando Magalhães Portella was co-opted onto office on 25 October 2012. (d) Non-executive directors João Nuno de Oliveira Jorge Palma and José Pedro Cabral dos Santos waived their remuneration due to incompability with other professional duties. (e) Non-executive director Pedro Jereissati resigned from his office in PT on 25 October 2012.

Remuneration policy for 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.

This fixed compensation takes into account the fact that some Directors also perform functions in any of the internal committees assisting the Board of Directors in its supervisory functions, as well as the performance of own powers not subject to delegation, and also the fact that some of those are deemed as independent Directors under the terms and for the purposes of article 414,5 of the Portuguese Companies Code. 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 Executive Committee or of Audit Committee), as well as the independent 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 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 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.

In 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 managing 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 such performance when compared to other companies in the sector in Europe. The amounts 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.

a. Fixed remuneration

The value of the fixed remuneration of executive Directors was determined taking into account a benchmarking study extended to listed companies in the main financial centres, which covered around 140 companies. Such study considered companies in the European Tier 1 Telecom (including Deutsche Telekom, France Telecom, British Telecom, Telecom Italia and Telefónica) and Tier 2 Telecom (including KPN, Belgacom, Telenor and Telecom Austria), as well as companies integrating the USA Telecom Sector; TOP 5 UK, USA and Brazil; IBEX 35; CAC40 and DJ Eurotoxx 50.

The study allowed for concluding that the overall remuneration fixed for the members of the Executive Committee in the previous term of office as compared to the Tier 2 segment in Europe was generally in line with the 2nd quartile, and the fixed remuneration of the CEO was below such quartile.

Determining such fixed component has also taken into account that the remunerations of the CEO and members of the Executive Committee underwent, during the term of office ended on 31 December 2011, on the initiative of the CEO, a 10% reduction as compared to the remuneration established for the previous term of office. In this way, taking into account the continuity pursued in defining the composition of the Executive Committee as proposed, as well as the importance of the challenge of operational implementation on the various strategic markets where the PT Group is present, it is our understanding that the same level of fixed remuneration as defined for the 2009-2011 term of office should be maintained.

b. Variable remuneration

In determining the variable component of the remuneration of the executive members of the Board of Directors it was further taken into consideration that, during the 2011 financial year, the remuneration policy in force up to that time was changed in order to include the modifications that had recently 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 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 is kept between the variable remuneration and pursuance of medium- and long-term goals of the Company in accordance with the best practices at national and international level.

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 professionalized 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 a vis a benchmarking of its (national and international) reference market;
- Pursuing a high standard in the Company's management, through a number 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 determination of the variable remuneration to be allocated to 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 pursuance of a set of indicators connected to the performance and sustainability of the Company, with each indicator reaching at least 85% of the goals established for such indicator.

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 provenly 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 economic and financial context of the Company, of the country and of international markets, as well as of the sector where it is incorporated, apart from exceptional factors out of the management's control that might affect the performance of the Company.

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

After the determination of 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 the 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 its sustainability and ability to achieve certain strategic goals of the Group.

The current remuneration policy further allows, as confirmed on the abovementioned 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 it is envisaged contributing to: (i) optimizing the long term performance and to disincentiving excessive risk undertaking; (ii) pursuing the Group's strategic goals and compliance with the rules applicable to its business; and (iii) aligning 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:
1) 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;
2) An unsuitable performance may affect the level of compliance with the abovementioned goals, and consequently the variable remuneration in terms of individual and joint evaluation;
3) In the event of removal or termination by agreement of the management relationship, no compensation will be paid to the Directors if the same is provenly due to an unsuitable performance.

4. Transparency and compliance in the value chain

Alignment with current legislation and with the Codes of Conduct and policies adopted is, according to PT, essential condition for the preservation of ethics and business sustainability.

The existing control model, comprehends the economic/financial areas as well as the triple bottom line areas: ethics, environment and society.
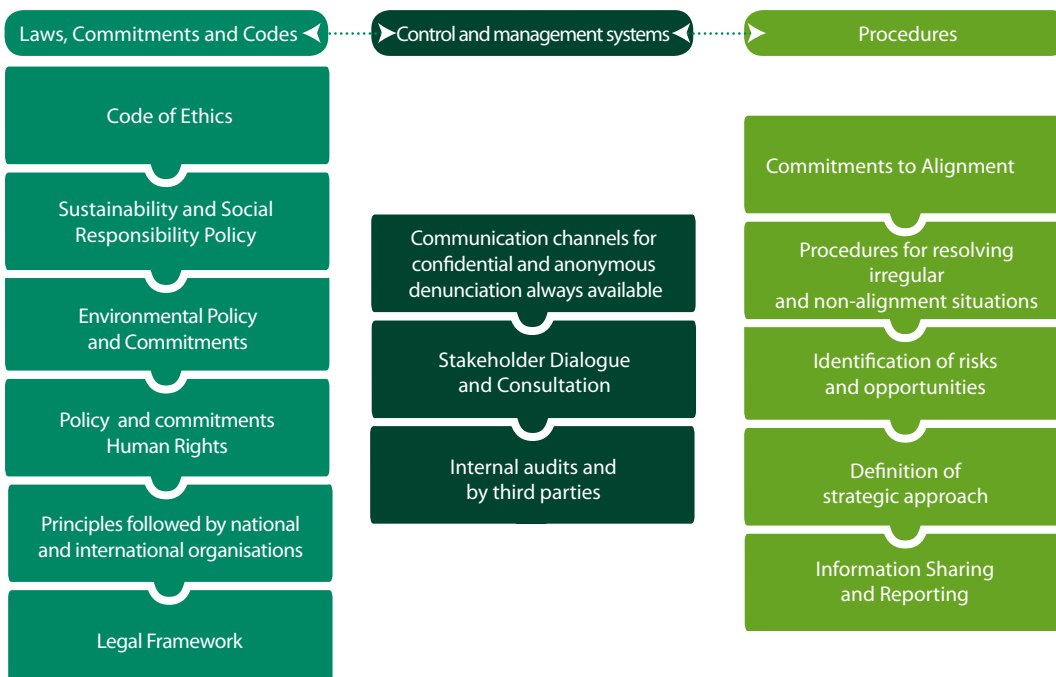
Internal control system

The Internal Control System implemented at PT was based on an internationally recognized model - COSO (Committee of Sponsorship Organisations of the Treadway Commission), making use of the layers laid down in this model, in particular: (i) Entity Level Controls; (ii) IT Level Controls; and (iii) Process Level Controls.

The Internal Control Office that reports hierarchically to the CFO and functionally to the Audit Committee, has the responsibility to promote a vision of the internal control system, structured, sustainable and oriented to the management of the risks identified by the organisation, not exclusively focused on the compliance with applicable regulations.

The identification of business units and processes where the design, implementation, monitoring and improvement of existing controls takes place is based on risk identification performed by the foremost officers of the group, the results of the management process, the respective materiality and, finally, any legal requirements.

4.1. Identification of irregularities through communication channels available and resolution procedures

For anyone who has evidence of some kind of irregularity in relation to codes and principles, PT offers instruments of denunciation, which guarantee confidentiality of their content and the anonymity of the author.

Reinforcing the management transparency provided by various internal control systems – which in turn are audited by external and independent companies and organisations – a whistleblowing system was adopted whose guidelines and procedures are as follows:

Qualified participation of irregular practicess

Participate by electronic message, via encrypted channel, an occurrence or founded suspicion due to verification of facts, by those who know or have reason to suspect that consistent evidence exists of the following situations:
• violation of law, rule or regulation;
• poor management;
• abuse of authority;
• high waste of funds.

It is considered in this context "irregular practice" any matter concerning accounting, financial reports or audit, or other related relevant matters and can be reported by anyone - either external to PT (shareholder, customer or supplier), or an employee – who learns about it directly or indirectly.

This channel is available on the intranet and in the Group's corporate website and its use has had the following profile:

Qualified participation of improper practices

	2009	2010	2011	2012
Participations received	31	20	12	14
Participations already resolved	21	18	11	12
Participations in analysis	10	2	1	2

Anonymous and confidential participations decreased over the last few years, which means a more stable relational balance.

Participation of social responsibility occurrences

Since 2010, the employees rely on another channel of denunciation, also confidential and anonymous and more suited to everyday issues, related to ethics in the relationship, environmental sustainability and social responsibility.

Participation of occurrences on relationships, environment and social responsibility

	2010	2011	2012
Environmental conditions	0	0	0
Occupational Health and Safety	1	0	0
Labour relations, Human Rights and Discrimination	1	1	1

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

The procedures for resolution of cases related to 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

The Customer Ombudsman has an online communication channel where he receives and evaluates the complaints of customers who feel unsatisfied after exhausted the solutions presented by other areas of the company.

Customer Ombudsman

	2010	2011	2012
Participations	15,600	21,084	28,851

The participations received in the Office of the Customer Ombudsman have registered increases from year to year over the last few years, especially after the launch of the new broadband services, namely the services of TV multi-platform, supported on IPTV, after the closure of the Digital Terrestrial Television network and, finally, alongside the strong and growing economic constraint that Europe is facing.

The profile of registered and resolved participations in 2012 was as follows:

Customer Ombudsman Issues in 2012

	%
Billing / Payments	50
Relationship / Customer Care	5
Technical Faults	28
Contractual changes	10
Other situations	7

All situations presented and evaluated in the Office of the Customer Ombudsman are settled in accordance with customer expectations and within a short time which, according to the assessment of the urgency of the situation, has varied between 4 and 24 hours.

4.2. Identification of irregularities through audits and/or stakeholder consultation

Audits and stakeholder consultations will enable the company to identify the levels of alignment of its stakeholders with the Codes of Conduct, policies and procedures.

Code of Ethics

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

Violations of the code of ethics	5 Employees
Zero Tolerance	5 Dismissals

Alignment of Supply Chain with the Sustainability and Social Responsibility Policy

The figures given in the table below refer to the levels of alignment between the policies and practices of PT compared with those verified in each vendor – showing general improvements compared to the previous year and a significant improvement in what relates to Occupational Health and Safety in most companies awarded.

Alignment of the supply chain under contract*

	2011	2012
Verified vendors	**97%**	**89%**
Conduct and labour relations	86%	89%
Child Labour	0%	0%
Health and safety at work	84%	94%**
Environmental Preservation and Management	71%	74%

During 2012:

*There were no complaints about suppliers through the confidential and anonymous communication channels;

**The trade unions in the sector identified a situation of poor working conditions in a construction work to be carried out by a subcontractor of a company contracted by PT; this situation was resolved in 24 hours, according to the plan of correction agreed between PT and the company hired for the purpose, and the evaluation conducted upon for workers has not detected any risk. Considering this situation, PT is considering incorporating in the tender documents, the total commitment of contractors to reflect the same principles of corporate social responsibility in companies that they subcontract.

Regulators and supervisors of PT's activity at national level

PT, besides undertaking to comply scrupulously with the existing legal framework, maintains an attitude of dialogue and proactivity with regulatory authorities participating in the meetings to which it is invited, collaborating with opinions and suggestions duly substantiated and accepting decisions made.

PT has, at corporate level, organic units that are intended to interpret the recommendations and resolutions of the regulatory authorities, as well as to foster dialogue between all. PT has maintained an attitude of dialogue and cooperation with these entities, participating in active mode in its various initiatives: recommendations, investigations and information sharing.

ANACOM – National Communications Authority
ERC – Regulatory Authority for the Media
AdC – Competition Authority
CNPD – National Commission for Data Protection
Portuguese Government
EC – European Commission
BEREC – Body of European Regulator for Electronic Communications	Issues discussed and the results of enquiries / audits and consultations, available on the websites of each entity.

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

Consolidated legal proceedings and tax contingencies

As at 31 December 2012 and 2011, there were several claims, legal actions and tax contingencies against certain subsidiaries of the Group for which the risk of loss is considered probable in accordance with the definitions of IAS 37 Provisions, Contingent Assets and Contingent Liabilities. Based on the opinion of its internal and external legal counsels, the Group recorded provisions (Note 42) for those claims, legal actions and tax contingencies to cover its probable future cash outflows, as follows:

		(Euro)
	2012	**2011**
Civil claims	422,963,377	497,475,067
Labour claims	186,174,481	252,874,349
Others	4,752,468	4,274,712
Sub-total	**613,890,326**	**754,624,128**
Tax	158,305,066	168,405,737
Total	**772,195,392**	**923,029,865**

As at 31 December 2012 and 2011, total provisions included the effect of the proportional consolidation of jointly controlled entities amounting to Euro 681 million and Euro 839 million, respectively. Excluding this effect, provisions amounted to Euro 91 million and Euro 84 million as at 31 December 2012 and 2011, respectively.

In 2012, the reduction in total consolidated provisions is primarily explained by the reduction at Oi, reflecting the impact of the depreciation of the Brazilian Real against the Euro and also, on a constant currency basis, a decrease in provisions for labour and civil claims.

03

RESEARCH & DEVELOPMENT AND INNOVATION

03

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03 RESEARCH & DEVELOPMENT AND INNOVATION

ICT activity is affected by the changes that society is undergoing at economic, ethical, social and environmental levels. Climate change and its impacts in the lives of citizens and businesses, the increasingly sharp divisions between rich and poor, the lack of access to reliable sources of knowledge, the globalization of markets and access to information are but a few examples of trends that have been accentuating at global scale and that directly and indirectly will affect the business of companies.

Against this background of change, we cannot continue to do "Business as usual", since the traditional methods are no longer synonymous with sustainability of companies and of society. There is an urgent need to reflect, rethink and readjust management and business models and adapt them to the new reality.

It was in this context that PT's innovation area extended its borders, adding new players and new areas to technology: processes, organisation, environment, raw materials, recycling, manufacturing processes, distribution processes, among others, have become part of the R&D and Innovation model. We have a new ecosystem for research, development and innovation which allows us to follow the evolution of societal change and, at the same time, leverage the competitive advantages in the entire value chain.

R&D AND INOVATION ECOSYSTEM

Mission	Create long-term value for all stakeholders

Agents with influence	Capacities in the company	Areas of intervention	
Universities	Codes of Conduct	Processes	**Economic** sustainability
Suppliers	Information Systems	Procedures	
Manufacturers	Procedures and Processes	Products	
Salespeople	Communication channels	Services and Solutions	**Environmental** Sustainability
Customers	Technology	Infrastructure	
Employees	Know-How	Businesses	
Public bodies			**Social** Sustainability
Consultants			

Create competitive advantages

1. Investment in R&DI

In the competitive context of the telecommunications universe, and taking into account the economic and social framework which we are experiencing in Europe, investment in research and development (R&D) and subsequent innovations adopted, and implemented, have revealed to be factors of creation of value for the companies of the group, creating positive impact on shareholders, customers, employees, suppliers and the environment and society in general.

Research & Development together with the established partnerships with domestic and international entities linked to science and knowledge are fundamental building blocks for PT in the re-creation of economic, social

and environmental conditions capable of ensuring every day, a balanced future. The last three years revealed to contribute to facing proactively the socio-economic situation today, leveraging levels of competitiveness in the provision of products and services to the market and greater efficiency and sustainability in infrastructure, processes, distribution and use.

PT is one of the Portuguese companies that invest most in R&DI. In 2012, it invested about 167 million Euro, totaling already 586 million Euro in the last three years.

AMOUNT INVESTED IN R&DI (million Euro)

ENERGY EFFICIENCY // INTELLIGENCE // ETHICS AND ECOLOGY IN THE OFFER

2012   167

Products and Services 22%

Infrastructure and Networks 53%

Processes and Systems 25%

2011   219

2010   200
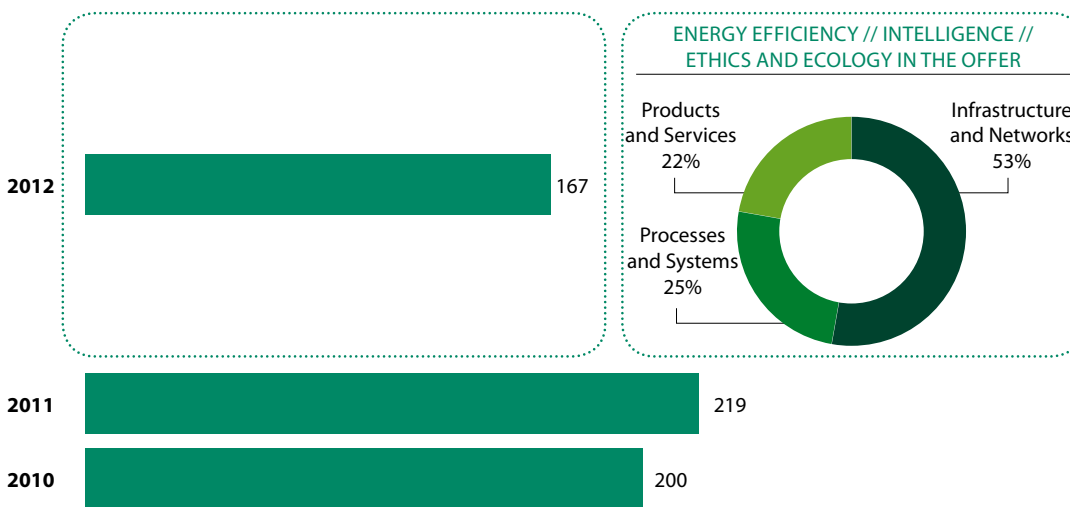
PT is one of the operators that invests most in R&D in the world

According to the 2012 EU Industrial R&D Investment Scoreboard study, PT is the 6th world telecommunications operator with greater investment in research and development (R&D), as a percentage of revenue.

- **Worldwide**
  The study of the European Commission, which included the 1,500 companies that invest most in R&D in the world, puts PT on the 6th place in the telecommunications industry with a share on revenue of 3.6%. The value is higher than the industry average, which reaches 2.4%.
- **In Europe**
  According to the analysis, PT is still the second telecommunications operator in Europe with greater investment in this area with a percentage on revenue of 3.6%, well above the industry average in Europe, which in this case amounts to 1.4%.
- **In Portugal**
  The study reveals that, like last year, PT remains the Portuguese company that most invests in R&D, with an absolute value of 219 million Euro in 2011 and 167 million in 2012.

Provisional and definitive patents obtained

In terms of intellectual creation, Portugal Telecom filed in 2012 two provisional patent applications, one of them being an international patent application PCT, and converted a provisional patent application into a non-provisional application.

2. R&D and innovation model

The IR&D model used at PT aims to be innovative and mobiliser of the entire organisation. In addition to the organisational units dedicated to Research & Development and the areas of implementation of projects, the genesis of this new model, motivates and integrates the initiative and participation of all the company's employees, and other participants.

Research & Development

PT Teams	Technology	Partnerships
	Organisation	
	Market	
	Environment	

OPEN Program

| Knowledge | Evaluation | Selection | Impact Measurement | Implementation |

Main lines of sustainability

Innovation

| **Incremental** (Short term) | **Planned** (Medium term) | **Exploratory** (Long term) |
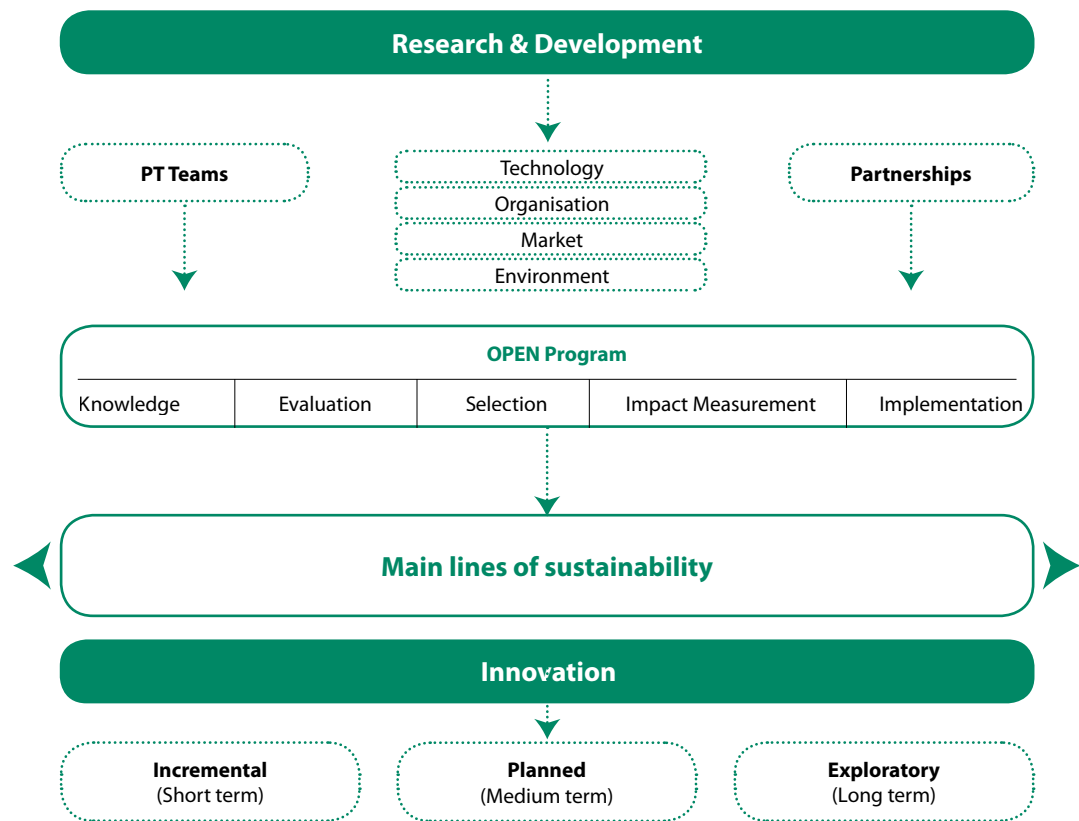
OPEN program

Through the OPEN Program, started in 2009, Portugal Telecom promotes a culture of innovation across the enterprise. With this program, there are synergies identified in several innovation initiatives carried out by various areas of the company, ensuring the correct capital allocation and monitoring the results. In addition to the internal units that are dedicated to research and development, PT participates in an innovation ecosystem with a wide range of stakeholders, including suppliers, other operators, universities and research centre.

The management of I&DI initiatives is done according to the respective risk profile and time horizon, in order to ensure consistency in the R&DI initiatives and alignment with the business strategy (see figure).
- **Incremental innovation** – short-term measures for continuous improvement;
- **Planned innovation** – developments in the offering of products and services in the medium term;
- **Exploratory innovation** – analysis of the main trends at technological, eco-efficient and behavioural level that configure the long-term industry trends**.**
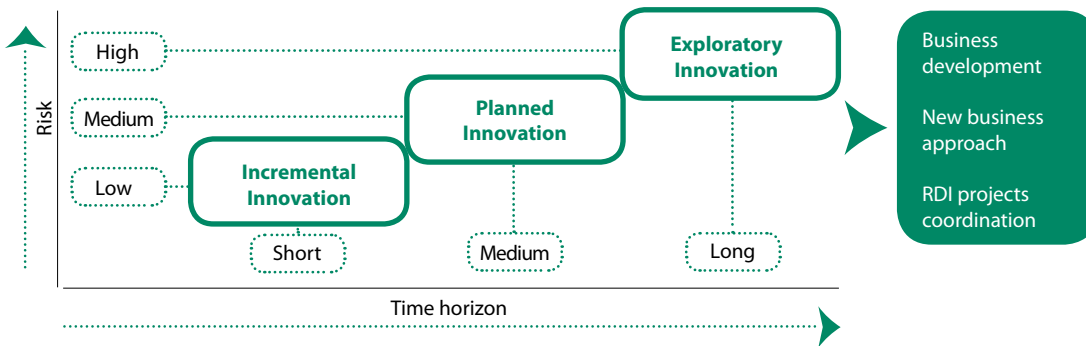
Incremental, Planned and Exploratory Innovation

The information and communication technologies (ICT) sector has a fast pace of change. Portugal Telecom created a RDI model that allows simultaneous monitoring of the changes predicted in the short term (incremental innovation), in the medium term (innovation planned on a maximum 3-year time horizon) and the general trends of sector in the long-term (exploratory innovation). In this way, Portugal Telecom ensures the sustainability of the innovation process.

Incremental Innovation

With a short-term perspective (up to 1 year), the Incremental factory operates on a daily logic and challenges all PT employees to contribute with innovative ideas that produce continuous operational improvements to PT's products and services. It aims to deepen a culture of innovation reflected in the daily life of each employee, promoting innovation as one of the main drivers of growth which does not end only on new products and services, but also considering new business models and market segments, improved customer experience, increased operational efficiency and a new culture and behaviours. The Incremental factory manages the Marketplace of Ideas, whose main purpose is to invite employees to participate in the major challenges of Management.

> **Incremental Innovation**
> In 2012 more than 2,500 employees participated actively, contributing with 2,437 ideas. A total of 53 ideas were implemented in the following areas: improvement of the customer relationship, new products and services, new culture and socially responsible behaviours, rationalization of consumption and cost reduction.

Planned Innovation

To ensure that the main trends in the market are addressed by Portugal Telecom, the OPEN Program has strengthened its collaboration with the different technical, operational and business departments, ensuring that the medium-term innovation roadmap is fully aligned with the evolutionary needs of the community in which it operates.

Based on a structured and periodic process, on a medium-term time horizon, the identification of priority areas is promoted for each of the different business segments in order to increase the sustainability of the company. Supported by work methodologies that facilitate innovation, and fostering a differentiating vision about the future, new approaches are structured for the implementation of new solutions in the market.

03 RESEARCH & **DEVELOPMENT AND INNOVATION**

> **Planned Innovation**
>
> To meet the goal of stimulating creativity and innovation throughout the organisation, the planned factory also operates by promoting "Ideas Laboratories" designed to respond to specific needs. Over the course of 2012, different session models were carried out, challenging employees in several areas:
> - Consumer labs to adjust the development of specific offerings;
> - Workshops for the identification of new solutions;
> - Sessions to promote different activities in the area of social responsibility.

Exploratory Innovation

To achieve the high standards of competitiveness required for business sustainability and future leadership, especially in a sector of intensive investment and rapid evolution as is the telecommunications industry, Portugal Telecom devotes considerable effort to exploratory innovation. In this area, Portugal Telecom relies on internal teams dedicated solely to this issue, and also on an innovation ecosystem consisting of strategic partners, which include suppliers, other operators, universities and research institutions of renown, both national and international.

Internal Units of Exploratory Innovation

PT Inovação is the company within the Portugal Telecom Group that is dedicated to exploratory innovation projects, having as its main focus the optimization of technological infrastructure, OSS/BSS platforms and technologies for the development of applications and services.

SAPO is the entity within the group more oriented towards exploratory innovation in terms of software integration and cross-platform applications.

Since it is exploratory innovation, return on investment is more uncertain, because the projects require a longer time span. In order to reduce the risk associated, Portugal Telecom resorts to various national and international funding programs for innovation. In this context, in 2012, a number of projects in the scope of programs like the NSRF, the CIP and FP7, the European Commission, on a fairly broad range of research areas, such as health, cloud services and cloud networking, smart cities, machine-to-machine, network management (e.g. mobility and off-load), energy efficiency, and identity management, privacy and security.

> **PT Inovação**
>
> In 2012, PT Inovação developed several exploratory projects, both using internal financing, and through participation in consortia within the framework of national and international funding program, including:
> - Infrastructure Upgrade and Technological Advances: research on planning and optimization of LTE radio networks; experimentation with network virtualization and on-demand network techniques (NaaS-Network as a Service); demonstration of integrated solutions of Cloud Networking (Cloud + network); creation of an integrated solution for managing Cloud Computing resources and services in IaaS environments (Infrastructure as a Service) with operations support systems (OSSs); implementation of an integrated Cloud Services portal, including the components of IaaS, PaaS and NaaS; development of a mobile application of Computer Vision-based augmented reality; experimentation and prototyping with emerging web technologies: HTML5, NoSQL, server side JavaScript; initiatives and projects in the areas of the future internet, Smart Cities and M2M, privacy and security;

- Environmental sustainability: performance evaluation of an energy efficient algorithm for hybrid access macro-femto handover in urban environments with high density of Access Points; energy efficiency improvement in cellular networks through cooperation between RATs (C2POWER Project); Green Terminals for Next Generation Wireless Systems (GreenT Project);
- Social sustainability: improving access to content and services in developing countries. Pilots in Africa in the area of health, agriculture and reforestation (VOICES project); primary care for AAL services (Ambient Assisted Living), in the AAL4ALL project; creation and delivery of services in "Internet das Coisas" environment in the area of health;
- Security: design and test of a security, authentication, authorization, information sharing and management private infrastructure within Europe, involving public and private entities (SEMIRAMIS project).

SAPO

With more than 200 employees dedicated to exploratory innovation, SAPO has played an increasingly active role in the development of new multi-device and multi-platform solutions and products, in the creation and sharing of content and in the development of online advertising platforms.

SAPO is also present in many countries where Portugal Telecom has operations namely East Timor, Mozambique, Angola, Cape Verde and Sao Tomé and Principe, taking its culture of innovation to other geographies.

3. Network of partnerships

Strategic Partnerships

In addition to developing research and development activities internally, Portugal Telecom is part of an ecosystem of innovation, accessing thus to cutting-edge technology internationally. Through this network of strategic partnerships with other companies, operators of reference, suppliers, customers, research institutes, universities – Portugal Telecom contacts with and participates in leading edge projects, bringing to the markets where it operates the most innovative that exists globally.

Portugal Telecom seeks to join partners with which it shares the same principles of sustainability. Example of this is the strategic partnership that Portugal Telecom keeps with SAP, the leader in the DJSI software sector, with whom PT developed and launched in 2012 commercial offerings with cutting-edge technology (SAP HANA on the SmartCloudPT platform).

In this ecosystem there are skills multiplied and matched, leveraging and sharing knowledge. It is possible to distinguish:
   (a) Technology partnerships;
   (b) Strategic partnerships with telecom operators;
   (c) Partnerships with universities and research institutes.

Technology partnerships

State of the art technology is essential for the sustainability of Portugal Telecom's business. For this reason, the company has been establishing partnerships with world leaders in their areas, so as to achieve the most innovative and appropriate solutions for current and future needs of the telecommunications market.

03 RESEARCH & **DEVELOPMENT AND INNOVATION**

One of these technological partnerships took place within the framework of the implementation of the next generation networks (FTTH and LTE) in Portugal. To this purpose, Portugal Telecom selected companies like Corning, Cisco and Huawei to develop solutions adapted to the Portuguese market, preparing the network of the company for the future.

In the area of equipment, in 2012, continued the partnerships with suppliers of reference such as the Samsung and ZTE.

To innovate in the commercial offering, Portugal Telecom established a partnership with SAP and Microsoft, launching products and services adjusted to the needs of SMEs and micro-enterprises, boosting the international competitiveness of the national business sector and thus contributing to the sustainability of these companies and to the economy of the country.

Partnerships with Telecom Operators

Portugal Telecom seeks to make partnerships with other telecommunications operators, in order to develop technological projects and establish best practices and international standards in the industry.

For example, Portugal Telecom and Singtel, the leading operator of Singapore conducted several joint initiatives for knowledge sharing, benchmarks and good operational and commercial practices.

In terms of the establishment of best practices and international standards to better use of ICT, Portugal Telecom is active in several international fora, notably ETNO (European Telecommunications Network Operators' Association); Broadband Forum; CENELEC (European Committee for Electrotechnical Standardization); DVB (Digital Video Broadcasting Project); ETSI (European Telecommunications Standards Institute); FIINA (Forum for International Irregular Network Access).

Partnerships with Universities and Research Institutes

The innovation ecosystem also includes national and International universities and research institutes of renown. In this context, Portugal Telecom maintains national partnerships with the universities of Aveiro, Porto, Coimbra, Beira Interior, Lisbon and INESC (Porto and Coimbra), Telecommunications Institute and Instituto Pedro Nunes; and international partnerships, through the Carnegie Mellon Portugal Program and with Eduardo Mondlane University in Maputo, Mozambique.

These partnerships produce innovative projects such as the following:
- **Infrastructure Upgrade and Technological Advances:** development of IPTV network management technology that will improve the performance and reliability of these networks (NeTS Project - Next Generation Network Operations and Management); interactive videos that allow you to manipulate individual media objects that compose them, enabling interaction with these objects to define different reproduction and interaction flows, in order to provide a custom communication (Interactive Communication Video Project);
- **Environmental sustainability:** development of a solution for monitoring environmental conditions of a Data Centre, allowing a higher optimization of the implementation and operation costs of the platform (SENODS Project - Cyber-Physical Systems Technologies for Energy-Optimized Data Centres);
- **Social sustainability:** design of a commercial offer to meet the needs of information communication and processing involved in the day-to-day management of an SME in the African context (Business Box Project); computing tools to teach children how to recognize emotions through facial expressions (FaceExpress Project); identify, define and implement scenarios and services in the area of digital identity management technology, turning the mobile devices into digital wallets or passes (Multipass v2 Project); Computational

journalism using information recovery, extraction and aggregation technology for news integration and organisation through the analysis of content available online (REACTION Project); social communication tool to be used in education context and also in business context, based on the production and aggregation of user-generated content (SapoCampus);

- **Security:** developed the first prototype of the framework of intrusion tolerant event collection, which will be implemented on the PT network to increase resilience of security systems; first fault detection model for virtual environments that allows real-time sensing of changes in the functioning of the systems, networks and services based on virtualized environments (TRONE project - Trustworthy and Resilient Operations in a Network Environment).

To bring innovation closer to the business solution and take out some solutions from the laboratory environment, Portugal Telecom also promotes the **SAPO Labs** project, where in an environment of incubation of StartUps technological projects are developed to the market.

4. Areas of intervention

Information and communication technologies allow consumers - individuals and companies – to make multiple savings (economic and environmental), to participate more actively in society, to have access to educational and/or healthcare services from remote locations, to find information, etc.

Portugal Telecom is an operator conscious of its contribution in the economic processes and in people's lives, so it provides a vast market offering, responding to the various challenges that society faces. These market solutions in the ICT area have been continuously renewed to become increasingly sustainable, both in environmental and social terms.

PT maintains a commitment to the future by investing in innovation and development in order to ensure a sustainable business growth. So, it follows trends and performs changes in its organisation and also in its market offering to remain at the forefront. The main lines of research and innovation through 2012 were:

Lines of action // R&D and Innovation	
Value chain	Employees Strategic partnerships
Market offering	Ecological Socially responsible
Energy efficiency	Infrastructure Processes
Ethics and security	Data privacy Information security Protection of minors
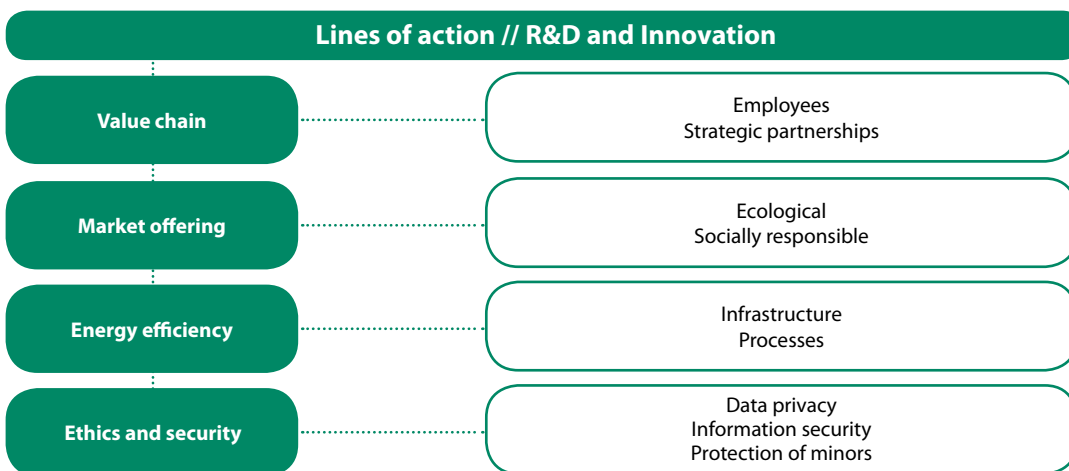
The strategic orientations have resulted in several innovative projects and initiatives. The investment shows the clear realization by Portugal Telecom that it is only possible to bring value to the marketplace in the future if there is an investment in R&D and Innovation in the present.

INVESTMENT IN R&D AND INNOVATION

Exploratory factory	Planned factory	Incremental factory
17%	58%	25%
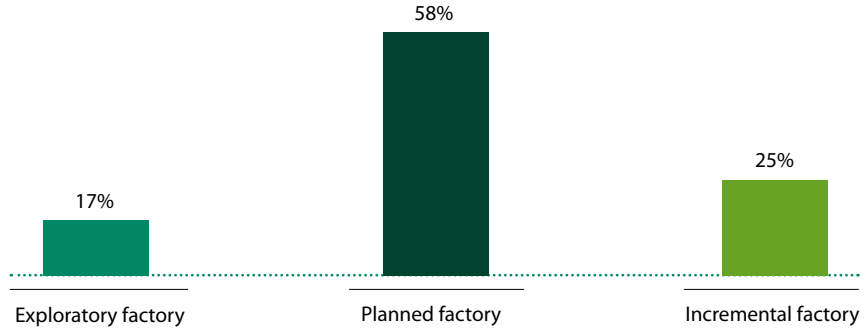
4.1. Extend the culture of innovation across the value chain

By sharing knowledge and creating synergies with other entities, Portugal Telecom leverages its capabilities to innovate and add value throughout the value chain of services and products, including in its projects suppliers, employees, customers, research institutes and universities.

Marketplace of Ideas // Employees as active agents of Innovation

Portugal Telecom invites all **employees** to participate in the creative and innovative process, through the Marketplace of Ideas. In 2012, more than 2,500 employees participated actively, contributing with **2,437 ideas**. This innovative contribution management tool works in a simple way: the employee submits ideas, which are discussed openly by all other employees, on an online platform through a commenting and investment system to pass or fail the idea. Ideas approved and which are subsequently regarded as added value for the functioning and activity of the company, follow for implementation. The authors of the ideas are recognized and their ideas announced in the internal media of the organisation.

ACTIVE PARTICIPATION OF EMPLOYEES IN THE MARKETPLACE OF IDEAS IN THE LAST THREE YEARS

■ 2010   ■ 2011   ■ 2012

Users registered	Ideas presented	Ideas implemented
7,000 / 7,565 / 7,696	2,179 / 2,461 / 2,437	5 / 42 / 53
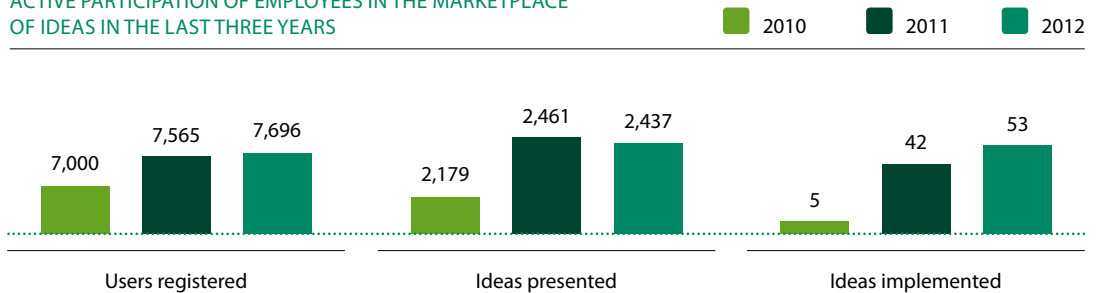
Since the beginning of the Marketplace of Ideas, more than 7,000 ideas were validated, resulting in the implementation of several new projects.

Implemented projects related to the following areas:

Improvement of the relationship with customers	22%
New products and services	20%
New socially responsible culture and behaviours	16%
Rationalization of consumption and cost reduction	11%

OPEN Awards

At the end of each year, Portugal Telecom's innovation team gathers the most innovative projects of the year that somehow stood out for their positive results. These projects are presented and voted on by the entire organisation and the winning projects receive an "OPEN Award", from the Executive Committee in the largest corporate event of the year, as a form of public recognition of the excellence of the work done.

The remaining value chain as active agents of R&D and Innovation

Partnerships	Studies, consultations and surveys
Technology partnerships	Customers
Partnerships with Suppliers	Public entities
Strategic partnerships with Telecom operators	Consultants
Partnerships with universities and research institutes	Salespeople
	NGOs

4.2. Environmentally and socially responsible market offering

In recent years, Portugal Telecom has been refocusing its commercial offering towards sustainability through the development of more environmentally friendly products and services (green offer).

Environmentally friendly products and services

MEO Energy: it allows consumers to monitor real-time energy consumption of their home, get recommendations on the tariff that best suits the consumption profile of the family, as well as receive suggestions on how to reduce consumption and achieve significant savings and reduce the environmental footprint.
It is estimated that every family user can reduce their consumption by up to 30%.

MEO Auto StandBy: remote control system of set-top-boxes (STB), which shuts down if there is no user interaction. Portugal Telecom has distributed more than 850,000 STB, in thousands of Portuguese homes, so this feature has a high impact on society because there are savings induced on customers without having to be on-the-spot intervention. In addition to these savings at the customers' homes, Portugal Telecom also got internal efficiencies because MEO Auto StandBy allowed lowering operational costs through reduction in energy and resources in the core IP network, access network and servers.
The energy consumption of a set top box in standby is 37% lower than the consumption of the same equipment connected, which means that each year the reduction of estimated power consumption will reach the 3.6 GWh, equivalent to 480 thousand Euro of electricity saved by customers, 827 tons of CO_2 issued annually or 1,267 tons of coal burning.

Equipment recovery and reuse: the rationalization of consumption of materials, including equipment, is one of the objectives pursued by Portugal Telecom in pursuit of greater environmental sustainability. In this sense, a process of recovery and reuse of set-top boxes and Home Gateway equipment was created in partnership with Cisco, which contributed to the reduction of waste, reduction of costs for the company and customers and reduced environmental footprint.
About 20% to 25% of equipment collected have been recovered and put back on the market.

Ecological packaging: PT developed ecological packaging in order to improve the sustainability of the life cycle of its products. These packages are made of recycled and recyclable materials, and contain information about the correct routing of the equipment (e.g. mobile phone, battery pack) at the end of its useful life.

03

RESEARCH & **DEVELOPMENT AND INNOVATION**

Cloud services offer: the option for PT's cloud services promotes environmental and economic sustainability, since it allows customers who acquire these services as the needs arise, to achieve efficiencies, in reducing investment in computer equipment, energy consumption, emissions of greenhouse gases, maintenance costs and, finally, environmental impacts.

Socially responsible products and services

IT/IS services and solutions for businesses // In a moment of difficult economic circumstances, PT has been providing innovative solutions to the business market, which help to promote the competitiveness of customers and the investment made in the network infrastructure. This offer is present in PT's cloud computing products and services, whose portfolio has been gradually extended with solutions developed internally (e.g. private server and corporate mail solutions) and in partnership with other business partners (e.g. Microsoft Office 365, GuestCentric).

The cloud computing services offered through the SmartCloudPT platform allow for greater efficiency and competitiveness to companies that use them because they are fully customized to the needs of each entity, enabling a significant reduction of the total IT cost (pay-as-you-grow model).

In the **SmartCloudPT offer**, highlight went in 2012 to PT's crediting as SAP Cloud Partner, which allowed the provision of SAP solutions, cost effectively and fully adapted to the needs of business customers. With the launch of this new offer, SmartCloudPT became the first and only platform to get this crediting in the Iberian market

The support for the Portuguese SMEs in 2012 was the launch, in partnership with Microsoft and with the Ministry of Economy and Employment of the Digital SME initiative, which aims to increase the productivity and competitiveness of Portuguese businesses, through the use of information and communication technologies (ICT), with emphasis on the solutions available on the SmartCloudPT platform. Other integrated offerings were also released, designed to meet the specific needs of certain sectors of the economy, namely tourism, through the OfficeBox **Hospitality and Tourism** offering.

Payment of products and services through mobile networks is a growing business, in particular in countries whose banking system is deficient. Although there are some attempts of mobile payments in Europe, participation on the part of citizens and companies in developed countries is moderate. This moderation is due in part to the existence of easily accessible and safe alternatives to credit cards, ATM network and the Internet. When we focus our attention in developing countries, the context changes radically. Access to internet is not so easy and banking networks do not serve effectively the population. **PT created a platform with interconnection to the banking system which allows the payment of services and products through the mobile telecommunications network. This service allows making transfers of money between its customers, facilitating the payment of goods and services and stimulating an increased security to those who prefer not to bring money with them.**

Rationalization of consumption through machine to machine services // the number of objects linked together is increasing exponentially, being undeniable that these relations in the future will have to be managed. Thus, in 2012 PT released a range of M2M services under the brand name SmartM2MPT.
The services provided include:
- Managed connectivity (i.e. **Management and real-time monitoring of all communications** with the machinery and equipment);
- Equipment **monitoring services** (e.g. **management of public lighting**);
- **Real-time measurement of consumption** (e.g. **water, electricity**);
- **Geo-referencing** solutions (e.g. **fleet management**).

Health and wellness services

Within the scope of management of chronic diseases, PT is initiating the process of review of the existing system, having worked on the development of an **Integrated Chronic Disease Management System**, SIGDC. The goal of this computer-based solution is to leverage the information of different healthcare providers, health units and even the own users, enabling more action in a preventive medicine (anticipation of risk situations).

The following projects in the area of health and wellness are included:

- **AAL4ALL:** to provide a better quality of life to the senior population using technology. This is a mobilizing project funded by the NSRF Program (National Strategic Reference Framework). Its objective is to promote the creation of an AAL-oriented (Ambient Assisted Living) domestic market, capable of responding positively to the increasing demand for better healthcare and wellness for the senior population;
- **SOCIETIES:** to design and develop an integrated platform, with a social dimension - Smart Community Spaces-contributing decisively to make the vision of "intelligent environment" a reality. This platform should be based on open standards and allow any entity to communicate with the others. It must also meet the essential requirements of privacy and confidence of a paradigm in which multiple users take the role both as a consumer and service provider;
- **Bravehealth:** development of a solution that allows making diagnostics and preventing cardiovascular accidents, using the telecommunications network for interconnection of sensors with information processing systems; integration of diagnostic mechanisms with innovative decision support algorithms and calculation of risk index;
- **Cognitive Tele-Rehabilitation:** development of a computer-assisted cognitive rehabilitation platform, for the rehabilitation, re-education and reintegration clusters (PT SI Project).

Education solutions

The **SAPO Campus** Platform, developed in partnership with the University of Aveiro was launched in 2012 with the aim of promoting communication between the various stakeholders (schools, students, parents). This platform was made available in various educational institutions (**14 school authorities, representing 49 domestic schools**) and enables students to have access to school content and also share their **own content with the rest of the educational community.**

The **Story Learn** project, currently under way, seeks to study, design, implement and validate scenarios for creating Learning Objects using Digital Storytelling as a communication strategy to complete in terms of content and features, the range of eLearning services currently offered by the Formare LMS platform and in particular by the new PoLO system (Portal of Learning Objects).

Educational content was also adapted through interactive channels on MEO (IPTV) and through platforms dedicated to teaching on **SAPO.**

Solutions for public services

To optimise parking in urban areas and, simultaneously, make life easier for residents, PT has developed a **Mobile Parking** solution, which allows the collection, **billing and monitoring of parking on public thoroughfares by mobile phones** (SMS, mobile application) **and payment using multiple means of payment.** This service was initially implemented in the municipality of Sintra, and is to be extended to other cities.

03 RESEARCH & DEVELOPMENT AND INNOVATION

4.3. Energy efficiency

Voluntarily committed to EU's Code of Conduct for Energy Efficiency in ICT, PT has been identifying areas for improvement of its energy performance.

Initiatives for rationalization of energy consumption and CO_2 emissions

- **Free cooling systems:** reduction of energy consumption in small and medium-sized plants, through cold air inflation handled by low power consumption fan, avoiding the current air conditioning equipment;
- **Application of cold paints on technical cabinets:** application of cold paints made of ceramic particles, preventing the absorption of heat by solar exposure in external multi-service cabinets, reducing the use of external cooling sources;
- **Lighting systems:** replacement of light fixtures equipped with T5 lamps and electronic ballasts with flow regulation, with presence detection and adjustment of brightness level.

In Infrastructure

Data Centre // taking into account the increase in data traffic, virtualization of the products consumed, need for data storage and processing, in 2012 PT began the construction of a Data Centre in the inner city of Covilhã. The new PT Data Centre will occupy more than 75,500 m2 and will have capacity for more than 50 thousand servers with 30 Pbytes, and will be connected to PT's backbone network (100 Gbps), allowing the export of data storage capacity and technological services abroad. This project represents a strong contribution from PT for Portugal's economic development and will allow the creation of hundreds of direct and indirect jobs and will come into operation at the end of the first half of 2013.
The energy efficiency of the PT Data Centre will be a world reference. In addition to differentiating itself for its high levels of efficiency, with savings of 144,000 tons of CO_2 and 40% in power consumption, the PT Data Centre uses environmentally responsible cooling (free cooling) and solar energy systems.

In processes

PT aims at the continuous improvement of its processes in order to make them greener and achieve operational excellence. For such purpose, it attempts to identify and innovate in terms of business processes, enterprise resource management and the relationship with the customer:

- **Click Software:** this project provided the operational management of the Field Force of a tool that allows the distribution of tasks to technicians and the monitoring of activities on the ground. PT's technicians can perform line tests remotely in real time, becoming more autonomous. Automatic routing/distribution implies less human intervention and allows a more precise schedule of activities. Using GPS, is it possible to optimise the route made by the technicians throughout the day. The impacts are visible at various levels, including a **reduction in travel times of technicians, the better control of commitments, reduced costs, greater customer satisfaction and less environmental impact;**
- **CopyPoint:** development of a print service with user authentication to generate sustainable behaviours and with active management of energy consumption and consumables (Project recently extended to TMN);
- **Public Lighting Management:** solution is a service that allows the intelligent and remote management of the lighting of streets, housing estates and business facilities. The management can be performed in two ways – a) Peer-to-peer regulation, b) Group regulation. This solution allows optimizing the energy consumption levels in community spaces;

- **GREEN-T (Green Terminals for Next Generation Wireless Systems):** the problem of energy management is to control dynamically a system to minimize the average energy consumed but without restricting performance. Many techniques of energy conservation have been proposed to increase battery life. Previous research has investigated the mechanisms of energy conservation in various layers of the protocol stack. However, cooperation between networks with a view to energy efficiency has not been the target to date of an in-depth study. It is intended, within the scope of this project, the development and evaluation of cooperation solutions between terminals, access network cooperation and radio interface design that enable greater efficiency in energy consumption and consequent autonomy of mobile terminal.

4.4. Ethics and safety

The correct use of ICT is a central issue for PT and as such, in 2012, there were projects developed to ensure the safe and ethical use of these technologies:

- **Communicate in safety:** Awareness raising and training of young people in the school network nationally, about the proper use of ICT, in order to ensure greater privacy in terms of personal data and access to appropriate content, avoiding situations of abuse and cyberbullying, among others;

- **PANORAMA Project:** the project aims to coordinate and integrate the development of a telecommunications system composed of advanced optical and radio platforms for access, metro and core networks with integrated management, likely to compete in the international market and contributing to the final projection of domestic technology. To address issues related to various aspects of security (e.g. privacy, authenticity, resistance to other types of attacks) on the proposed architecture, notably in mesh networks with GPON central access and local access;

- **"Reliability in information security" Project:** Create mechanisms of collaboration with researchers specialized in cryptography and information security in order to support the specification, implementation, and operation of components with cryptographic technology, aiming to maximize the warranties of trust that you can get in security-critical applications using this type of technology;

- **PRICE (Privacy Reliability and Integrity in Cloud Environments) Project:** this project aims to create solutions to optimise the security of the data stored in cloud environments;

- **SEMIRAMIS (Secure Management of Information across multiple Stakeholders) Project:** the concepts associated with identity management, privacy and information security of customers have been explored in several European research projects and have been the basis for development of various products. The existence of a wide diversity of technologies has led to the development of products and prototypes without guarantee of interoperability. The aim of this project is to close these gaps, through the:
  - Creation of a number of rules and specifications for the exchange and use in a safe way of private information of European citizens;
  - Definition and test, between public and private entities in the European area, of an architecture based on a number of existing technologies and prototypes for the correct use of private information of European citizens;
  - The use of the different identity management prototypes in real-world scenarios in the European space, making them interoperable. This way it will be possible to define a European strategy of concepts for identity management, privacy and security;
  - Creation of a European pilot in the area of security, privacy and identity management.

04

STAKEHOLDER ENGAGEMENT

04

04 STAKEHOLDER ENGAGEMENT

04 STAKEHOLDER **ENGAGEMENT**

Aware that stakeholders' options strongly influence the performance of the Group, PT has promoted mechanisms for dialogue with each one, fostering the exchange of information necessary for the adoption of appropriate management methods to the expectations of all parties concerned.

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

Stakeholders			
Power	Opinion and ability to influence opinions and behaviours of others	Have busines impact	Dialogue and involvement
Legitimacy			Identify risks and opportunities
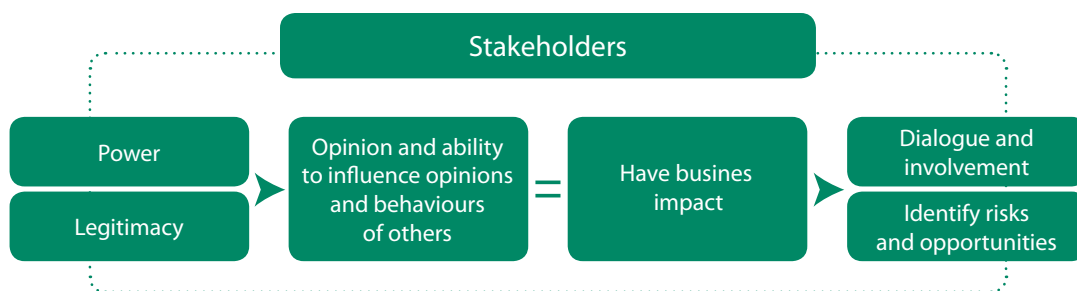
1. Relationship model

The process of stakeholder involvement and identification of relevant issues, in their relationship with PT, conforms to the use of complementary means and approaches that aim to incorporate market trends and perceptions and their likely impact, on the activity of the company.

The communication channels provided by the company are, and will continue to be the preferred means of dialogue and involvement with each audience. The close relationship that PT has built through these channels has allowed us to anticipate solutions, in so far as it contributes to, every moment, generate ideas, identify weaknesses and define improvement plans that include the interests of all parties. The communication channels available are described below and most of which are available 24 hours a day, 365 days a year.

Stakeholders	Means of relationship	
Analysts / Shareholders	General Meeting Quarterly and Annual Reports Face-to-face meetings Participation in consultations	
Customers	Call Centres Customer Portal Store/agent Network and Business managers Market surveys Marketing campaigns Invoice and Electronic invoice	*Website* www.telecom.pt Irregularity Denunciation Channels Specific Consultation
Employees	Employee Portal Organisational Climate Survey Company Agreement Confidential denunciation channels Corporate Intranet Performance assessment and feedback	
Suppliers	Supplier Portal Evaluation and feedback meetings Expert team for dialogue	
Regulatory authorities	Expert team for dialogue Directives issued by the authorities	
General public	Opinion polls Statistics and assessment Participation in working groups	

The relationship sustained over time with the various stakeholder groups has allowed registering the concerns and expectations of each, adding the different ways of expressing every kind of concern and, finally, systematize generically non-financial issues with relevancy and likely impact on corporate activity.

STRATEGIC MODEL OF CONSULTATION AND INCORPORATION OF FEEDBACK IN MANAGEMENT PROCESSES

04 STAKEHOLDER ENGAGEMENT
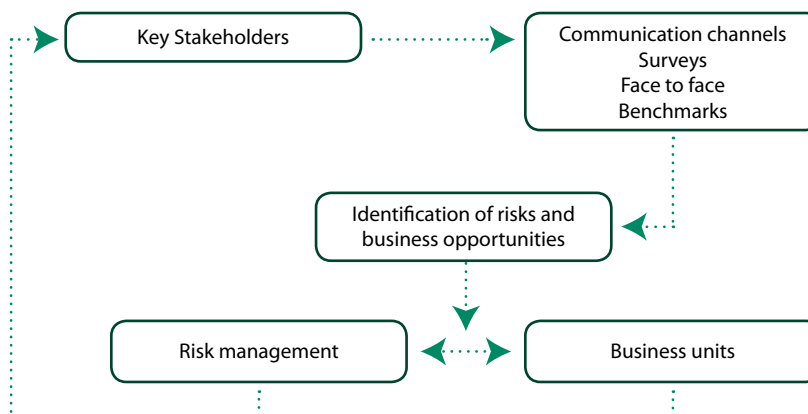
2. Identification of non-financial material issues with materiality

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

The materiality analysis was performed to identify sustainability issues with greater relevance to the sustainable management model, taking into account their importance for value creation for the organisation in the long run and the expectations of its key stakeholders. It was intended to provide this analysis still with the sustainability strategy established for the three-year period 2012-2014. Finally, it was also the goal of this analysis to verify the existence of disparities concerning the materiality analysis conducted in the previous year.

The analysis was structured into the following phases:

1. Identification	2. Selection	3. Assessment
The identification of material issues results from a number of external and internal analyses.	The selection is made from the issues referenced in the various analyses.	The materiality test methodology of the Global Reporting Initiative was used to assess the issues.
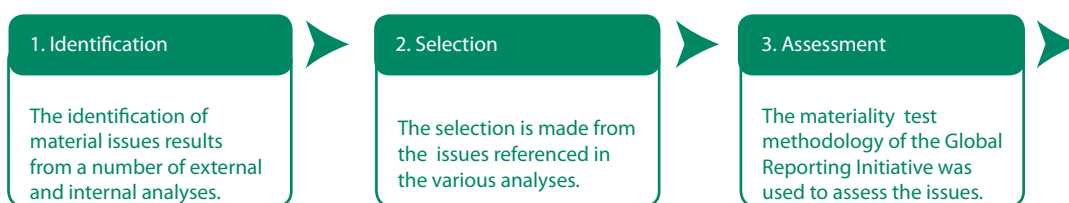
1-The identification of the material issues was structured based on a model that considers four distinct analyses

	Internal	External
Direct	Codes of Conduct Policies adopted	Stakeholder Involvement
Indirect	Principles subscribed Standards adopted	Institutional Analysis
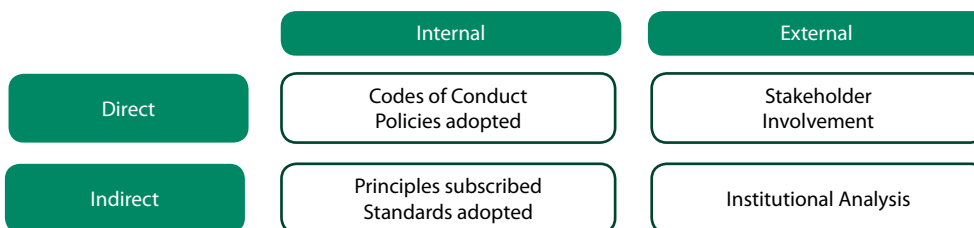
Direct Internal Analysis	The issues present in PT's codes and policies that shape the company's sustainable management model were taken into consideration.
Indirect Internal Analysis	The principles and codes of conduct developed by outside institutions, and subscribed by PT were taken into consideration. The sustainability standards and guidelines adopted in the company are also included.
Direct External Analysis	It includes the analysis of the dialogue with the key stakeholders.
Indirect External Analysis	It combines institutional analysis and research produced by international institutions and NGOs with the analysis of sustainability trends in the telecommunications industry highlighted in benchmarks.

2- The theme selection took into account the governance, social and environmental issues referenced in the various analyses. In addition to the themes considered by the international and national standards subscribed/adopted by PT, the sustainability trends in the industry identified in the benchmark analysis performed were also taken into consideration. There were also various reports consulted, produced by international institutions and NGOs that develop research on sustainability impacts in this sector of activity. The selection also took into account the concerns of the key stakeholders of the company, as well as the commitments expressed in the respective Codes, Strategy, Policies and Action Plan 2012-2014.

Standards	Benchmark	Institutional	Stakeholders	Codes / Policies
OECD Guidelines	DJSI Super sector leaders	Transparency International	Customers	Code of Ethics of PT
OIT		Greenpeace	Suppliers	Code for Financial Officers
GRI	DJSI – Members of the telecommunications sector	WWF	Employees	Code of Conduct for Value Chain
UNGG		UNEP	Shareholders and analysts	Code of Good Practice for Commercial Communications with Minors
ETNO	FSTE4GOOD – Members of the telecommunications sector	GSI	General Public	
CDP				Code of Good Practice for the Integration of Women in ICT
UNI Global	CDP – Carbon Disclosure Project		NGO	
European Road Safety Charter			Media	Guide for Responsible Communication
Energy efficiency code of the EU			Regulatory Bodies	Guide of Conduct on Social Networks
Responsible Communication Commitment of the Portuguese Association of Advertisers				Policy of Corporate Sustainability and Social Responsibility
				Integrated Policy of Quality, Environment and Occupational Safety and Health
				Security Policy for Information and ICT systems
				Privacy Policy
				Code of Social Responsibility

STAKEHOLDER
ENGAGEMENT

The issues identified have, in short, the following profile:

Digital Inclusion
Education
Health
Volunteering
Social Inclusion

Accuracy

Legislation
Policies
Codes of practice
Reputation
Trust
Relationship
Management

Regulatory Authorities

NGOs and Universities

Shareholders and analysts

Transparency

General Public

PT

Media

Honesty

Customers

Employees

Suppliers

Responsible Consumption
Green Offer
Social Offer
Ethics in the value chain
Health and safety
Waste Routing

Ethics

Human Rights
Labour rights
Origin of raw materials
Carbon chain
Ethics in the value chain
Health and safety

3-Assessment - The materiality matrix was built taking into consideration the GRI materiality test. Each theme was classified according to the impact on the organisation and the expectations of the parties concerned. The impact on the organisation was measured by the following factors: business risk, legislative pressure, business opportunity and industry trend. The assessment of the topics by stakeholders is the result of dialogue with the parties concerned carried out through various channels.

Compared with the previous year we noted the following changes in the materiality matrix:
New issues: Human Rights; Corruption; Talent retention; Equal opportunities; Raw materials; Governance;

Change of placement of issues: network Reliability; Customer satisfaction; Safety of children and young people in ICT; Volunteering; Climate change; Energy consumption; Responsible value chain; Responsible Marketing

Changes of name of issues: Equal opportunities (previously non-discrimination);

MATERIALITY MATRIX OF NON-FINANCIAL ISSUES

Relevance for concerned parties

	Important	Very important	Critical
Critical	Clear and transparent prices and tariffs — 1	Ethics Social solidarity Safety of children and young people in the use of ICT Responsible Marketing — 2	Access to ICT Digital inclusion Corruption Data privacy Customer satisfaction Health and safety Human Rights — 3
Very important	Promotion of biodiversity Volunteering — 4	Recycling and reuse Digital education Natural disasters Stakeholder Dialogue — 5	Eco-efficient products Climate change Responsible chain value Raw materials — 6
Important	Family-professional balance — 7	Equal opportunities Employee satisfaction and retention of talent Electromagnetic radiation — 8	Energy consumption Risk Management Governance Infrastructure capacity — 9

Relevance for PT

The issues that make up the matrix show the major mutual concerns and the assessment of the likely impact on each one of the axes of evaluation.

3. Stakeholder relations

3.1. Shareholders and analysts

PT took with shareholders the commitment to create value by ensuring a good economic and financial performance both today and in the future. Transparency, information accuracy and levels of trust in organisation management are increasingly determining factors in the processes of evaluation by analysts and of decision-making by investors concerning their capital allocation options.

Over the course of 2012, PT went on with its investor relations activities, conducting various events, including roadshows, presentations to investors and analysts, meetings and conference calls, and participated in conferences in Europe and the United States.

For the first time, an event was organized to display the technological and innovation capacity of the company –Technology and Innovation Conference - where shareholders and analysts were invited and participated from all over the world. See indications in the last table of this theme.

PT has a diversified shareholder structure, with about two-thirds of its capital stock owned by foreign shareholders, essentially divided between Europe, the United States, Brazil and the United Kingdom, representing approximately 31%, 18.5%, 10.0%, and 8.5%, respectively of the shareholder base. The Portuguese market represents about 31.6% of the shareholder base.

PT's shareholder composition worldwide had the following profile in December 2012:
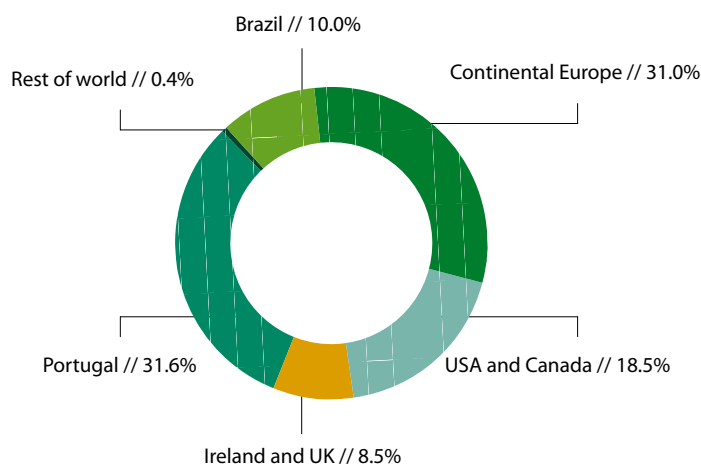
At the end of 2012, the shares of the qualified shareholders represented more than 50% of PT's share capital, as follows:

Shareholders with qualifying holdings

Qualified holdings

Date of report	Institutions	No. of shares	% of capital	% of voting rights
30 Dec 12	Espírito Santo Group	90,268,306	10.07%	10.07%
10 Jul 12	RS Holding, SGPS, SA	90,111,159	10.05%	10.05%
31 Mar 12	Telemar Norte Leste, SA	89,651,205	10.00%	10.00%
31 Dec 12	Caixa Geral de Depósitos Group	56,909,791	6.35%	6.35%
6 Feb 12	Norges Bank	44,442,888	4.96%	4.96%
12 Jan 12	UBS AG	42,024,498	4.69%	4.69%
31 Dec 10	Visabeira Group	23,642,885	2.64%	2.64%
7 Dec 09	BlackRock Inc.	21,025,118	2.35%	2.35%
3 Feb 10	Controlinveste Comunicações	20,419,325	2.28%	2.28%
14 Dec 12	Barclays Group[1]	19,525,168	2.18%	2.18%
17 Oct 12	Wellington Management Company	18,409,822	2.05%	2.05%
26 Oct 12	Ontario Teachers' Pension Plan Board	18,000,000	2.01%	2.01%

[1]On 28 January 2013, PT further disclosed that Barclays has reduced its holding and a long position corresponding to less than 2% of PT's share capital and voting rights.

In 2012, PT distributed 557 million Euro to its shareholders divided as follows:
• Ordinary interim dividend regarding fiscal year of 2011 amounting to 21.5 cents of Euro per share, announced on 15 December 2011 and paid on 4 January 2012; and,
• Ordinary dividend regarding fiscal year of 2011 amounting to 43.5 cents of Euro per share, paid on 25 May 2012.

SHAREHOLDER REMUNERATION (€ PER SHARE)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
0.10	0.16	0.22	0.35	0.48	0.48	0.575	0.575	1.575	1.30	0.65 / 0.325*
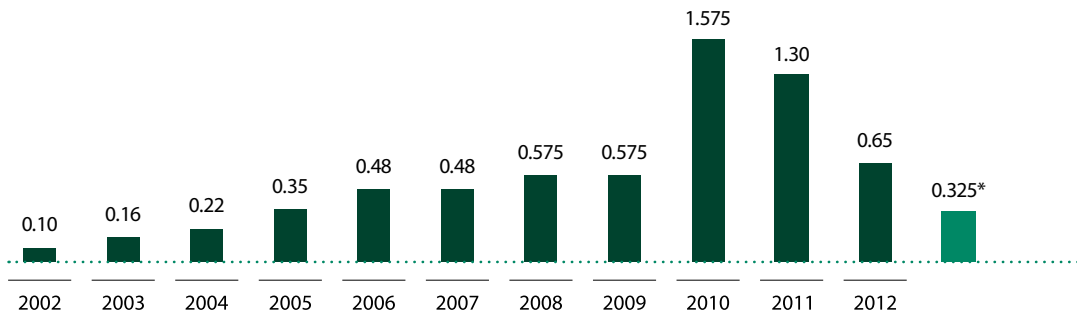
* Subject to the approval of the General Meeting of Shareholders

The main CSR topics discussed with analysts throughout the year relate to:	The information on these issues may be found in the following chapters of the report
Human Rights	Labour relations and human rights
Ethics and anti-corruption	Ethics and responsibility in management
Value chain management from the social and environmental viewpoints	Supply chain
Eco efficiency in infrastructure	Environmental preservation and combating climate change
Raw materials	Supply chain Labour relations and human rights
Responsible communication	Communication and marketing
Technological and innovation capacity	R&D and Innovation and online at http://www.telecom.pt/InternetResource/PTSite/PT/Canais/Investidores/techday/conference

3.2. Customers

The recognition of customers expressed through contacts and the score that they attribute to PT, is a strong motivation to continue to improve every day the relationship that we have established with the market.

In addition to the communication channels available, PT conducts regular surveys to the market in order to collect its perceptions and expectations in relation to the Group's performance.

These studies aim to assess the level of customer satisfaction in all market segments, following generally the following criteria:

Target segments
Residential customers
Business customers

Issues included in the surveys conducted throughout the year	The information on these issues may be found in the following chapters of the report
Overall satisfaction with the company	Stakeholder involvement
Resolution of complaints	Sustainability in the commercial offer
Fault repair	Sustainability in the commercial offer
Social responsibility of brands	Marketing and communication
Responsible communication	Marketing and communication

These surveys are conducted by external entities specialized in market research, in order to obtain accurate, neutral and impartial information and constitute a valid basis for decision-making processes and identification of corrective measures. The methodology adopted in these studies is based on statistically significant samples for each market segment and the overall results assessed, present the following profile:

	2010	2011	2012
Residential customer satisfaction index (1 to 10)	7.8	7.9	7.9
Personal customer satisfaction index (1 to 10)	8.0	8.8	8.1
Business customer satisfaction index - fixed service (1 to 10)	7.9	7.6	7.7
Business customer satisfaction index - mobile service (1 to 10)	7.5	7.6	7.7

Sources: Residential // Personal: Marktest // Business: DataE

Generally speaking, the average satisfaction levels expressed by customers throughout the three-year period were high and, therefore, reveal the existence of a positive relationship between both parties. The business market presents levels of satisfaction, on average, lower than those of the residential market and, in the three-year period, these assessments were at very high levels and improving year after year.

3.3. Employees

Ask for answers, listen to understand, and analyse to improve. These have been the basic foundations of the Employee Satisfaction Survey of that PT has annually provided to its universe.

Conducted in all PT companies, this survey has allowed not only giving the possibility to employees to express their views in a fully voluntary, anonymous and confidential way as well to adjust the human resource management to the strategy of the Group.

The survey implemented in 2012 included, once again, a wide range of issues regarding the concerns and issues that involve the day-to-day lives of those who work at PT.
The accessibility of all employees and the confidentiality of responses were guaranteed through direct access to the website to an external independent company.

EMPLOYEES WHO PARTICIPATED IN THE SURVEY (%)*

65%	81%	86%	85%
2009	2010	2011	2012
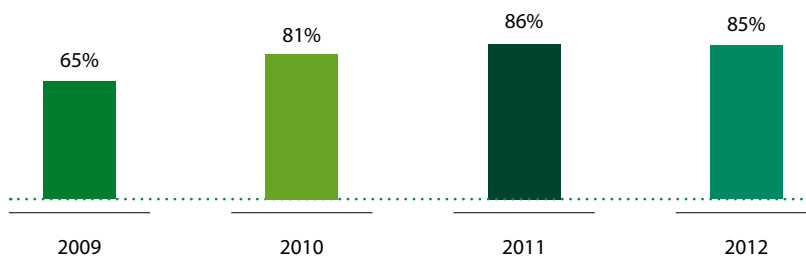
*Data from PT in Portugal

Over the past few years, the percentage of employees who voluntarily participated in the survey increased to levels that fall between 85 and 90% which indicates the recognition of the usefulness of this consultation instrument and the application of its results in human resources policies and practices adopted in the company.

DIMENSIONS ANALYZED IN THE ORGANISATIONAL CLIMATE SURVEY

Leadership
Team
Function
Involvement
Careers
Evaluation
Remuneration
Training
Company
Strategy
Image
Quality of service

Ethics
Social Responsibility
Discrimination
Working conditions

In 2012 the Overall Satisfaction Index reached 75 points, on a scale from zero to one hundred, in line with the level already attained in the last 2 years, which has remained high up, in the highest assessment percentile. This assessment reflects a balanced relationship level among the group structures.

EMPLOYEE SATISFACTION INDEX*

| 69 | 73 | 76 | 75 |

| 2009 | 2010 | 2011 | 2012 |

*Data from PT in Portugal

3.4. Suppliers

The base of pre-selected suppliers, registered on the website created for this purpose, has remained stable over the last few years:

	2010	2011	2012
Registered suppliers	1,246	1,217	1,269
Domestic [1]	**86%**	**87%**	**85%**
International [1]	**14%**	**13%**	**15%**

[1] According to the activity registry and the respective tax identification

DISTRIBUTION OF PURCHASES MADE IN 2012

International // 5%
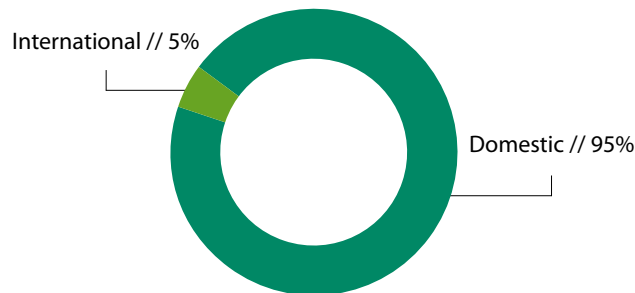
Domestic // 95%

Of purchases made in 2012, 95% were from domestic enterprises and 5% from international companies.

DISTRIBUTION OF SUPPLIERS AWARDED IN 2012 BY GEOGRAPHICAL AREA
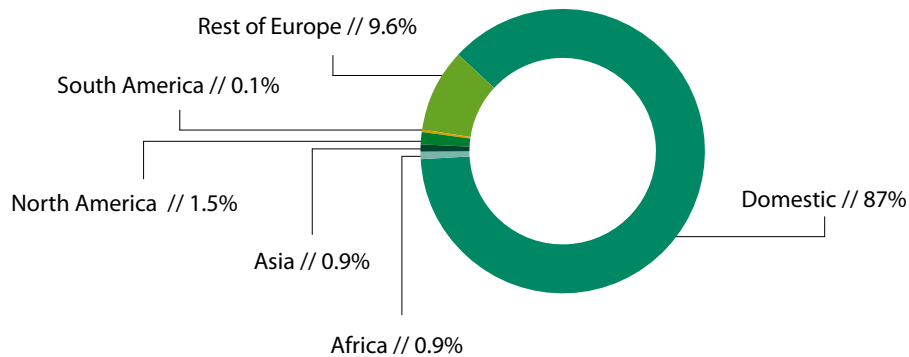
Rest of Europe // 9.6%

South America // 0.1%

North America // 1.5%

Asia // 0.9%

Africa // 0.9%

Domestic // 87%

Most vendors awarded throughout the year of 2012 - 96.6% - hold activity in our country and/or in a European country.

Main topics discussed between PT and the suppliers and business partners throughout the year	The information on these issues may be found in the following chapters of the report
Procedures	Supply chain
Green Procurement	Sustainability in the commercial offer
Human and labour rights	Labour relations and human rights
Efficiency areas	Supply chain
Conflict minerals	
Manufacturing processes	
Distribution processes	

3.5. Media

PT is one of the Portuguese companies with greater impact on the economy and society at domestic level. The businesses involving it, its contribution to GDP, the number of employees, its customer base, the capacity for innovation that it has revealed to have, the corporate social responsibility that characterizes it, the internationalization strategy that it has pursued and its exposure as a company listed on the stock exchange and in sustainability indexes, continue to generate high interest from the media that follow it and publish information regularly on its activity and impacts.

Aware that messages conveyed by the media significantly influence the reputation of any entity, PT maintains with the media, international, national and regional, a daily relationship of proximity, accuracy, transparency and impartiality, ensuring the collection, processing and dissemination of information on the activities of the Group – either proactively or clarifying the questions asked.

The universe of media with which we interact regularly presented last year the following profile:

Domestic	International
National, regional and specialized press – 1,200	Media Spain - 10
News agencies - 7	Media Brazil- 9
TV channels - 14	Media USA - 4
Radio - 6	Media UK - 3
Online media - 42	Media Africa - 25

Media releases made by PT during the year

Press releases - 121	
Press conferences - 30	

The result of this interaction produced the following overall result in terms of news:
Total no. of news about PT in the media – 23,959

EVOLUTION OF SPECIFIC NEWS ON BUSINESS SUSTAINABILITY   ■ 2011 ■ 2012

	Social responsability	Environment	Sustainability
2011	305	67	372
2012	369	66	435 (17%)
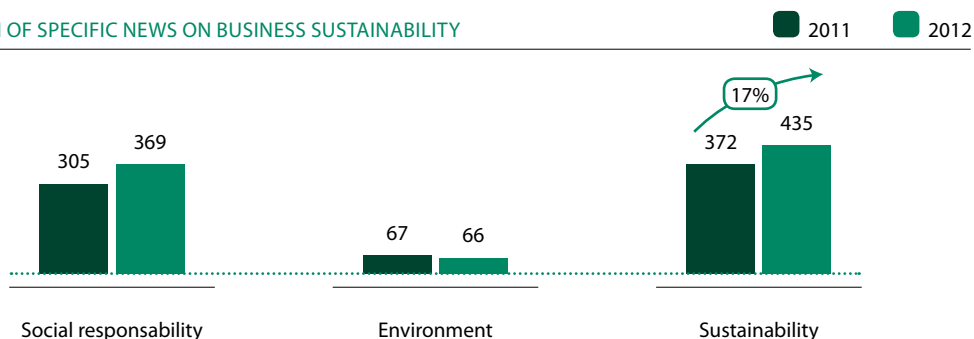
04 STAKEHOLDER ENGAGEMENT

The theme of corporate sustainability of the group has been fostering a growing interest in the media, since from one year to the next, there have been increasingly more news on this topic, around 15% to 20%. The area of Corporate Social Responsibility is most prominent with regard to issues related to environment and climate change.

3.6. Regulatory Bodies

PT has maintained an attitude of dialogue and cooperation with regulators, participating in active mode in their various initiatives, recommendations and investigations, collaborating with opinions and suggestions duly substantiated, sharing information and accepting the decisions taken.

National and international regulatory authorities with whom PT interacts actively	Topics covered during the year
ANACOM – National Communications Authority ERC – Regulatory Authority for the Media AdC – Competition Authority CNPD – National Commission for Data Protection Portuguese Government CE – European Commission BEREC – Body of European Regulator for Electronic Communications	Topics discussed and results of investigations / audits and consultations, available on the websites of each entity

3.7. NGOs

The studies, recommendations and warnings made by Non-Governmental Organisations regarding environmental, ethical and/or social issues are also considered in the daily management of stakeholders, as the majority relies on the active participation and commitment of PT in their designs.

The institutions with whom we relate in this scope are published on the website of the company and over the past year the themes that most contributed to the dialogue and initiatives carried out, were:

Material Issues for NGOs	The information about these issues may be found in the following chapters of the report
Human Rights	Labour relations and human rights
Data privacy and Protection of minors	Sustainability in the commercial offer
Access to healthcare services	
Access to education and literacy	
Access to ICT	
Climate change	Environmental preservation and combating

For better measurement of the level of satisfaction of the relationship kept throughout the year, we conducted a survey, whose levels of participation and satisfaction were as follows:

Response rate of institutions – 75% Results (on a scale of 1- Very Dissatisfied; 2- Dissatisfied; 3- Satisfied; 4- Very Satisfied):	
Importance of interaction / support for the institution and its activity	3.9
Meets the expectations of the institution	3.8
Impact on beneficiaries supported by the institution	3.7
Overall assessment	3.9

4. Risk and opportunity management

PT has defined as a priority commitment the implementation of mechanisms for risk assessment and management that may affect its operations, implementation of the plan and compliance with the strategic objectives set by the Board of Directors. These mechanisms are based on a model of integrated and cross-cutting risk management, which among others, seeks to ensure the implementation of good corporate governance practices and transparency in communication with all stakeholders.

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

Objectives of risk and opportunity management

1. Implementation of a corporate risk management model aligned with the strategic objectives of the PT group;
2. Identification and analysis of the main risks to which PT and its subsidiaries are exposed in the scope of the development and pursuit of their activity;
3. Identification and analysis of the main risk factors and events that may significantly affect the normal operation of PT and its subsidiaries in the following aspects:
   - Impact;
   - Probability of occurrence;
   - Control level associated 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;
4. Improve the quality of information that supports the decision-making process;
5. 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 PT's need to have clear mechanisms for assessment and management of the risks that affect its business, the following components in the implementation of the risk management process were 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 matter. This dictionary is not supposed to be deterministic, being systematically upgradeable whenever justifiable;

Risk Management Methodology that formalizes processes and procedures for identification, analysis, mitigation and reporting of relevant risks;

Centralised Repository of all information associated with each relevant risk, simplifying the correlation analysis between the various risk factors registered, as well as the hierarchy of the response and the identification of synergies among the various risk mitigation actions.

It is worth noting that the model set up also fits in the objectives imposed on business sustainability classified as strategic for the PT Group.

Dictionary of Risks

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

- **Strategic Risks -** Correspond to risks dependent on forces external to the PT Group and its subsidiaries, and that may affect its performance, strategy, operations and organisation. By nature, the origins of surrounding risks imply that they have to be properly anticipated, the associated impacts, and timely identified the materialization of the risk factors, as well as the mitigation strategy, in the event of a crisis;
- **Operational Risks –** They are due and inherent to business activities and internal processes, and Management can ensure their control at the origin, in a preventive manner;
- **Financial Risks** associated with the Group's financial performance and 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.

Dictionary of Risks

Strategic Risks	Competition Economic Environment Innovation Shareholder Expectations Legal Tax Regulation Customer Needs	Politics / Sovereignty Business Sector Governance Reputation & Image Licence / Concession Management Business / Investment Portfolio Social Environment & Stakeholder Relationship
Operational Risks	Environmental Sales channel & customer support Network/Platform Infrastructure IS/IT Infrastructure Development of Products & Services Brand Erosion Service Failure / Product Deficiency Logistics Hygiene & Safety Inefficiency Business Interruption Talent procurement / development & retention	Service Quality Purchases Partner Management / Outsourcing Revenue Assurance / Billing Authority / limits Communication Leadership Performance Incentives Information Security & Asset Protection Fraud Organisation Structure Performance Evaluation Pricing Contractual commitments / contractual management
Financial Risks	Credit Equity Exchange Interest rates Cash-flow / Liquidity	Financial Instruments Access to Funding Financial Reporting Company Quotation Movement Guarantees

INTEGRATED METHODOLOGY OF RISK AND OPPORTUNITY MANAGEMENT
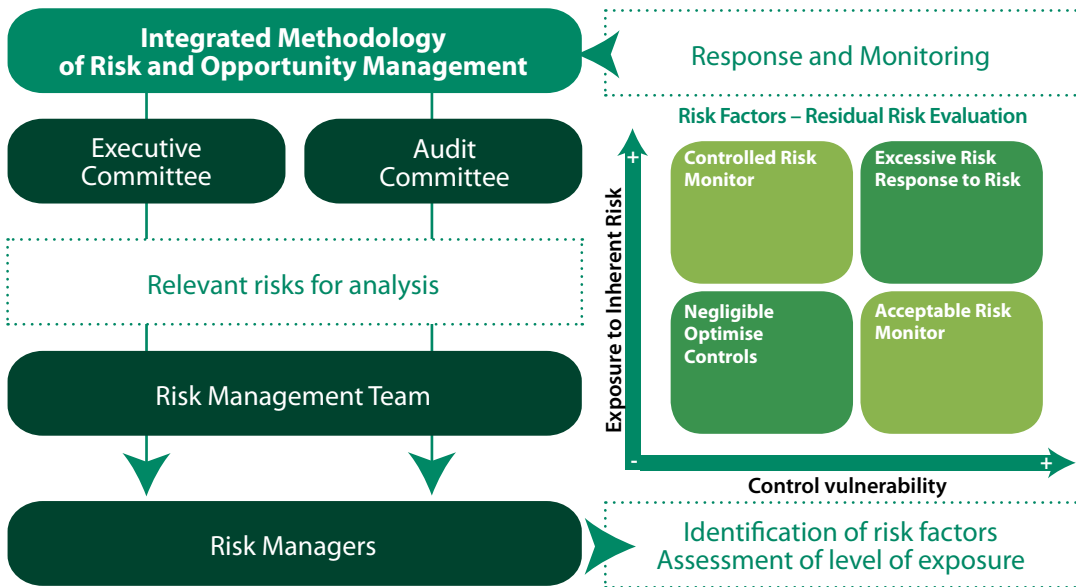
The implementation of the risk and opportunity management model in terms of sustainability is held in conjunction with the Sustainability Management Committee and is supported by a number of subcommittees that address the major critical issues identified in this area. The approach allows defining the operational strategy, the procedures and action plans suitable for a continuous improvement of management systems in the following areas:

1) Energy and Environment;
2) Labour Relations, Human Rights, Occupational Health and Safety;
3) Stakeholder and Supplier Relations;
4) Communication, Branding and Marketing of Products and Services;
5) Innovation and Development of Services and Solutions;
6) Citizenship and Personal Responsibility;
7) Sharing of Sustainability Practices with International Subsidiaries.

In the context of the Sustainability Committee, a cross-cutting risk analysis is performed, across the entire value chain of the company, according to the main issues identified by the company and by the various stakeholders. It should be noted that in the impact assessment, the evolution of the main sustainability indicators is taken into consideration, as well as the alerts or non-conformities communicated through the various dialogue channels. 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:

04 STAKEHOLDER **ENGAGEMENT**

Risk Managers

Identifying risk factors

Company goals & profile
Company commitments
Policies and procedures
Code of conduct
Legal framework
Organisational Culture

PT

Stakeholders
Relevant issues & opportunities

Assessing risk factors

Factor 1 ... Factor N

Management system
Indicators alerts/denunciations

Impact value chain
Suppliers and providers
Internal Organisation of group
Customers & other Stakeholders

PT Involvement	Exposure
Residual	Residual
Low	Low
Medium	Medium
High	High

Response to risk

Involvement

Share best practices

Promote and sponsor

Mitigate Correct

Exposure

05

LABOUR RELATIONS AND HUMAN RIGHTS

05

05 LABOUR RELATIONS AND HUMAN RIGHTS

05 LABOUR RELATIONS AND **HUMAN RIGHTS**

PT is committed to the development of an organisational culture based on policies which 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 the ILO 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, where we demand the same pattern.

PT regards its employees with respect and dignity, ensuring that they work freely, voluntarily, and that they are properly remunerated for their effort, in fulfillment of what has been contracted and in accordance with the laws and regulations of the countries in which we operate.

PT respects the sovereignty of Governments around the world, 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 the respect for human rights are 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
Prohibit any distinction in human rights on grounds of race, color, sex, language, religion, political opinion or of other nature, national or social origin, wealth, birth or any other situation.

Life and safety
The right to life, liberty and safety, as well as the right to be free from slavery, bondage torture or cruel, inhuman or degrading treatment by developing the notion of personal dignity and safety.

Personal Freedom
Rights that protect the privacy of a person in matters relating to family, home, correspondence, reputation, honour and freedom of movement.
The right of asylum, to a nationality and the right to 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 freedoms
The right to human dignity and the free development of the personality of each individual.
The right to work and equal pay for equal work, fair pay that guarantees for the worker and his family a life consistent with human dignity.
It also recognizes the right to form and join trade unions, the right to rest and leisure, and to periodic paid holidays.

Management of Human and Labour Rights in the value chain

| Subscription of the 10 principles of the UNGC and of the Universal Declaration of Human Rights | Code of Ethics and Policy of Sustainability and Social responsibility | Identification of risk of Corporate Social Responsibility | Existence of confidential communication channels, to denounce and management of situations | Verification and internal audits and to suppliers | Ratings and the evolution of risks and the level of compliance in the value chain |

.... Before 2012 ⋮ After 2012

The procedures added to Human Rights management are as follows:

| Targets | Principles and Policies |

Employees

Supply chain

Principles
10 Principles of the united nations global compact
The universal declaration of human rights
Principles of the ILO

Codes of conduct
Corporate social responsibility charter of UNI
Rights of children
Code of ethics of PT
Sustainability and corporate social responsibility policy of PT
Code of ethics of suppliers

Policy of PT
Human rights policy statement for the entire value chain

| Management systems | Corrective measures |

Employees

Social dialogue
Risk assessment and management
Training
Confidential, anonymous channels of denunciation
of irregular situations on the intranet
Awareness-raising campaigns
Perceptions survey, anonymous and confidential
Internal audits (including random interviews to employees)

Procedures for of Social Responsibility occurrences
Resolution procedures for situations of child labour
Training in areas of greatest weakness
Awareness-raising sessions and behavioural improvement

Suppliers

Commitment to Social Responsibility Code
Pre-selection procedures of partners and suppliers
Risk assessment (which includes, among others, child labour and forced labour)
Training and awareness-raising campaigns on Human Rights
Channels of denunciation of irregularities on the website (anonymous and confidential)
Portal dedicated to the sharing of good practices;
Audits (made by an internal and specialized team and surveys)

HR profile assessment of partners and suppliers
Resolution procedures for situations of child labour
Procedures for Social Responsibility occurrences
Training in areas of greatest weakness
Contractual clauses on Human Rights

05 LABOUR RELATIONS AND **HUMAN RIGHTS**

1. In the organisation

People who are part of the Organisation are of fundamental importance to the management, to the extent that their ability to adapt to market changes and innovation in the use of tools contribute decisively to the differentiation of our business and, consequently, to the company's positioning in the market.

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

Integrated model of human resource management

Codes of principles and agreements assumed
- Code of Ethics
- Code of Ethics for Financial Officers
- Collective labour agreement
- Principles of United Nations Global Compact
- Social Responsibility Code of Union Network International
- ETNO Sustainability Charter
- Universal Declaration of Human Rights

Development tools
- Recruitment model
- Host programs
- Mobility programs
- Training programs
- Business Intelligence System
- Talent retention programs
- Internal Social Responsibility programs
- Corporate Intranet
- Professional Development model

Management and evaluation tools
- Organisational climate survey
- Performance appraisal system (objectives/technical and management skills)
- Employee Portal
- Feedback meetings
- Personal development plan

Benefits
- Flexibility of work schedules
- Health plans
- Cultural, leisure and restoration spaces
- Communication channels
- PT Club
- Plan of discounts on acquisition of services
- Association of social support
- Support at the end of career
- Internal Social Responsibility

* The HR model ensures equality of opportunity, equality of remuneration for identical functions, protection of health and safety and the minimum periods of time stipulated by law, either in the company agreement or in the general labour law, for warning of any work-related change, to all PT employees.

Five strategic priorities

1. Increase productivity;
2. Complete the implementation of Career Model;
3. Improve Performance Evaluation process;
4. Talent attraction and development;
5. Strengthen Internal Social Responsibility."

1.1. Employee profile

The global profile of employees of the Group has the following configuration:

● National   ● International
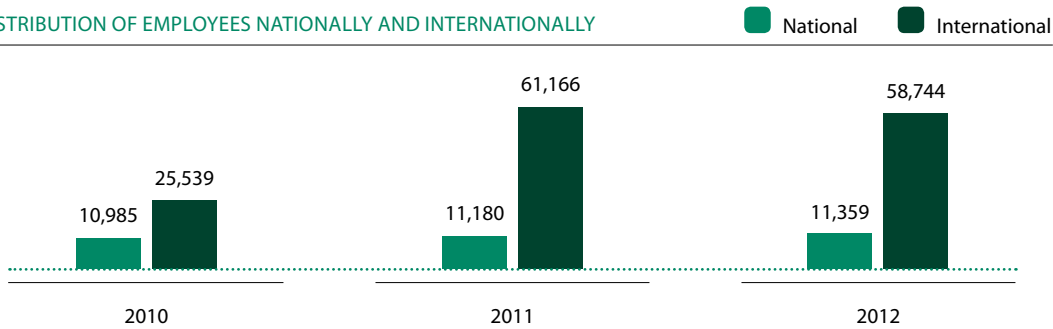
The average term in service of employees at the service of the company increased slightly in the last year, which corroborates the strategy of long-term human resource management.

● Permanent contracts   ● Fixed-term contracts

Throughout the three-year period, only 1 in every 10 employees has a fixed-term employment contract. The remaining 9 in every 10 have permanent contracts.

*Data from PT in Portugal

05 LABOUR RELATIONS AND **HUMAN RIGHTS**

TYPE OF EMPLOYMENT CONTRACT*

<legend>■ 2010 ■ 2011 ■ 2012</legend>

	2010	2011	2012
Collective fixed term contract	3%	1%	6%
Individual fixed term contract	9%	10%	5%
Collective permanent contract	64%	63%	75%
Individual permanent contract	24%	26%	14%
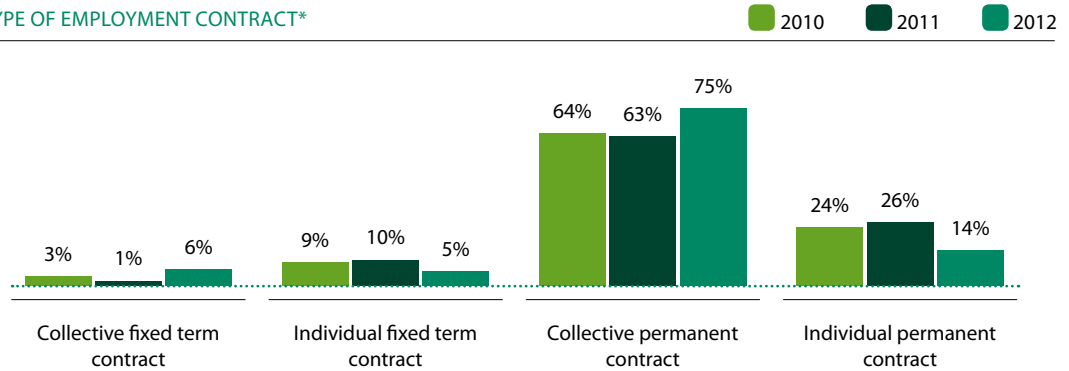
In the last year there was a migration of approximately 15% of employees with individual contracts to collective contracts.

ABSENTEEISM*

<legend>■ Absenteeism ■ Men ■ Women</legend>

2010	2011	2012	Men	Women
3.3	3.8	3.7	2.6	5.6
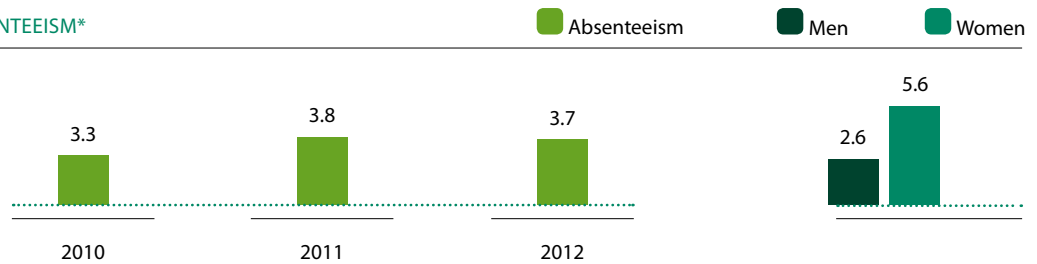
The rate of absenteeism at PT, calculated between the potential of working hours and the number of hours of absenteeism remained throughout the three-year period between 3 and 4% in 2012 and has globally decreased slightly, female absenteeism also declined to 5.6% (5.9% in 2011) as male remained at 2.6%.

MINIMUM REMUNERATION PAID BY PT / GUARANTEED MINIMUM MONTHLY REMUNERATION* = 1

At PT, in 2012, only 5 employees received the minimum monthly remuneration paid by PT.
Men – 2
Women – 3

ACADEMIC EDUCATION OF THE TEAM*

<legend>■ Basic ■ Secundary, technical ■ University, postgrad</legend>

	Basic	Secundary, technical	University, postgrad
2010	15%	35%	50%
2011	14%	36%	50%
2012	13%	37%	50%

*Data from PT in Portugal

Over three years, the academic qualification of employees has evolved to slightly higher training levels.

■ Men ■ Women

82%

18%

64%

36%

59%

41%

Basic

Secundary, technical

University, postgrad
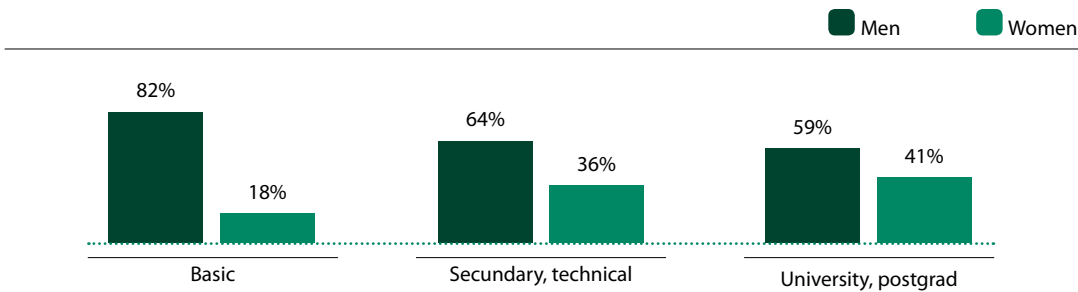
At PT, the proportion of women grows with the academic degree.

TURNOVER RATE OF EMPLOYEES*

1.4 - Of the employees entering and leaving the company, this value is 1.3 for men and 1.5 for women.

1.2. Diversity and equality

Diversity is a strategic priority in the company. Is a natural consequence of its world-wide globalization and of the code of ethics with which it regulates its conduct.

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

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

In addition to specifically integrating this issue in its Code of Ethics, it is also a signatory of the principles of the United Nations Global Compact, Social Responsibility Charter of UNI (Union Network International), it is a signatory to the European Code of best practices for women in ICT, and during 2012 was prepared to become a signatory, in 2013, of the Agreement on the Accession to the Business Forum for Gender Equality, an initiative of the Commission for Equality in Work and Employment.

Codes and Principles

Code of ethics of PT
10 Principles of the United Nations Global Compact
Social Responsibility Charter of Union Network International
European Code of Best Practices for Women in ICT
Business Forum for Gender Equality

* Data from PT in Portugal

05 LABOUR RELATIONS AND **HUMAN RIGHTS**

The processes of identifying a suitable profile to any function, by internal mobility or recruitment of an external candidate, are based on the respective technical and behavioural skills and on the appropriateness of the qualifications and skills of the candidates, for the performance of the activity.

GENDER DIVERSITY*   ■ Men   ■ Women   ■ Women excluding technical operations

	2010	2011	2012	2012
Men	64%	64%	64%	
Women	36%	36%	36%	
Women excluding technical operations				57%
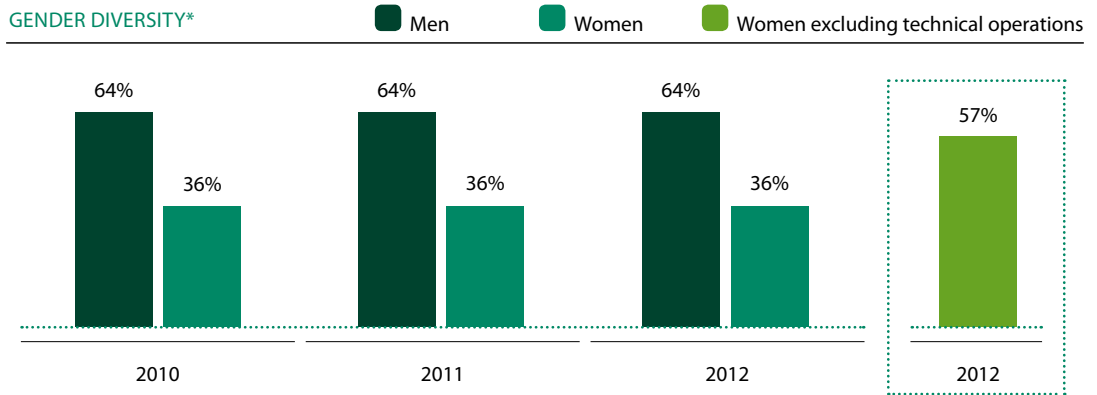
The distribution between men and women has remained stable over the three-year period – on average, in every 10 employees, about 6 are men and 4 women. If we leave out the areas of technical operations the proportion of women grows to 57%.

GENDER BY FUNCTION PERFORMED   ■ Men   ■ Women

	Business support	Transversal support	Customer care	Product & marketing	Commercial	Tecnology	Operations
Men	44%	27%	30%	45%	48%	78%	90%
Women	56%	73%	70%	55%	52%	22%	10%
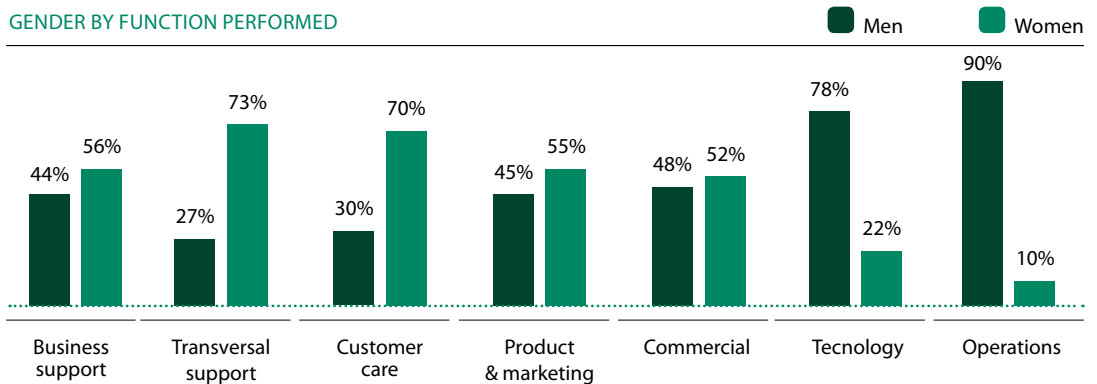
Women are more represented in the areas of Transversal Support and Customer Care, and men are more represented in the areas of Technical Operations and Technology.

WOMEN IN THE TRAINEES PROGRAMS

2010	2011	2012
33%	38%	43%
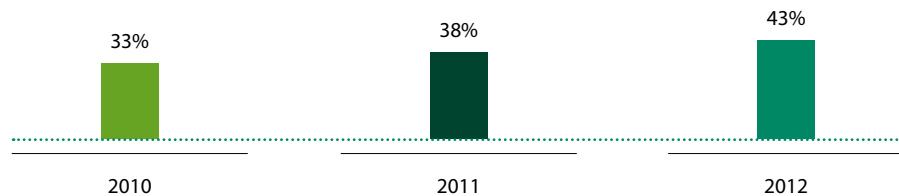
The trainees programs have been incorporating increasingly more women.

AVERAGE AGE OF EMPLOYEES* (YEARS OF AGE)

40.6	41	41.5
2010	2011	2012

DISTRIBUTION OF EMPLOYEES BY AGE GROUP*

2.4%	22.2%	35.9%	31.2%	8.1%	0.2%
18 - 24	25 - 34	35 - 44	45 - 54	55 - 64	65 +
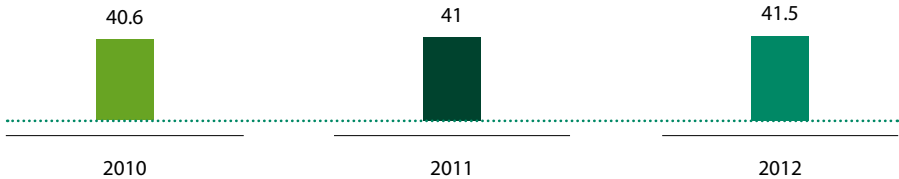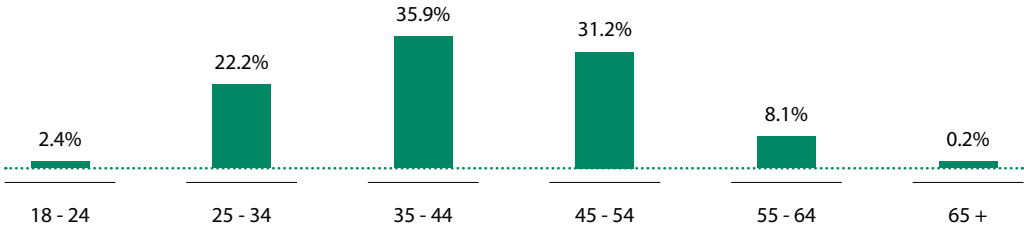
The distribution of employees by age group presents a balanced distribution between the younger and the senior officers.

DIVERSITY OF NATIONALITY*

Nationalities of PT employees	**29 Countries from 4 continents**

PEOPLE WITH DISABILITIES*

1.00%	1.07%	1.13%
2010	2011	2012
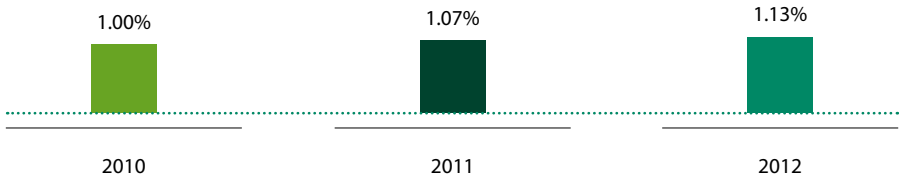
*Data from PT in Portugal

05 LABOUR RELATIONS AND
HUMAN RIGHTS

MANAGEMENT POSITIONS BY GENDER*   ■ Men // management positions   ■ Women // management positions

2010	2011	2012
68% 32%	67% 33%	67% 33%
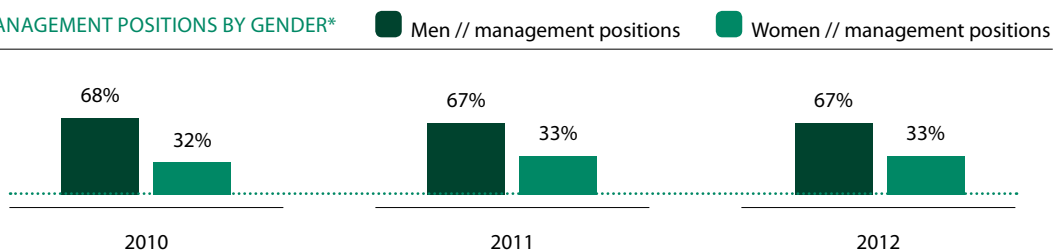
The percentage of women in management positions has increased slightly over the last three years, although it has not yet reached the level of the proportion of women in the company.

PROPORTION OF PAY FOR MEN/WOMEN*

Top management	Executives	Managers	Remaining staff
0.93	1.08	1.05	0.98

The average remuneration of Top Management and of the Remaining Staff is slightly higher among female employees. The average remuneration of the remaining Executives and of Managers in general, is slightly higher among male employees.

VARIABLE COMPENSATION BY FUNCTION PERFORMED 2012*   ■ Men   ■ Women

Top management	Executives	Managers	Remaining staff
20.00% 18.40%	7.80% 7.80%	5.40% 5.10%	3.50% 3.00%
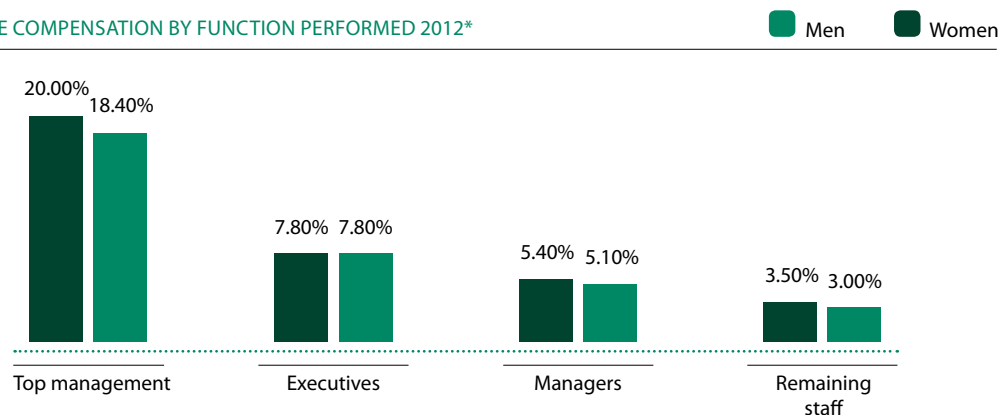
The variable remuneration of the employees of PT is so much higher, the higher is the level of responsibility. In general, male employees have variable compensation levels slightly higher than female employees.

*Data from PT in Portugal

RATE OF RETENTION AND RETURN AFTER PARENTAL LEAVE 2012*

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          99%   98%              99%   99%


          Men                   Women
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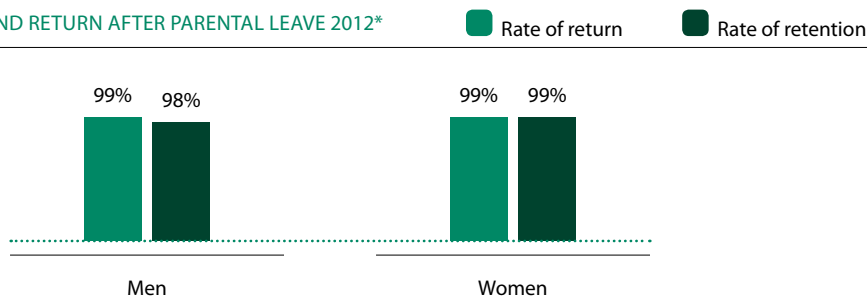
All employees are covered by the right to parenting license. In 2012, the rate of return after parental leave and the retention rate at the end of the year are referred to in the chart above.

1.3. Collective bargaining and representation

The policies and the employee management model are the result of the dialogue between PT's management and the heads of the structures of collective representation of workers.

The management model incorporates the dialogue between the structures representing the management and the structures of collective representation of employees, including unions and Workers' Committee.

Structures of collective representation of workers

Trade Unions	18
Workers' Council	1
Workers' Sub-Councils	38

The Council Staff is elected freely, as well as the respective sub-councils.

Social dialogue with the structures of collective representation of workers

Number of meetings held during the year	88

There was on average more than one meeting held per week, to discuss issues related to the collective labour agreement, among other topics related to labour relations and human rights.

*Data from PT in Portugal

05 LABOUR RELATIONS AND **HUMAN RIGHTS**

Topics covered in the negotiation of collective labour Agreement (ACT) of telecommunications operators - 2nd phase (year 2012)

a. Extension of scope;
b. Workplace
   Missions and duty travel
   (included in geographical mobility)
c. Work duration
   Adaptability
   Rest interval
   Daily Rest
   Weekly Rest
   General rules of work schedules
   Exemption from working hours
   Shift work
   Prevention
d. Remuneration of labour
   Remuneration and holiday pay
   Christmas allowance
   Work at great height
   Own transport allowance
   Allowance for faults
   Meal allowance
   Special meal allowance
   Breakfast allowance
   Sunday allowance
   Driving risk allowance
   Shift allowance
   Retirement allowance
   Additional remuneration for years
    of service Marconi
   Prize for seniority Marconi
e. Career model
   Professional development (promotions)
f. Matters provided for in the scope of the company agreement of PT Comunicações

Topics in agenda

a. Non-discrimination
   Gender equality
b. Occupational Health and safety
c. HR training of employees and suppliers
d. Attraction and retention of talent
e. Prevention of violation of HR
f. Monitoring
   Survey
   Audits
   Whistleblowing channels

UNIONISED EMPLOYEES*

2010	2011	2012
41%	39%	38%
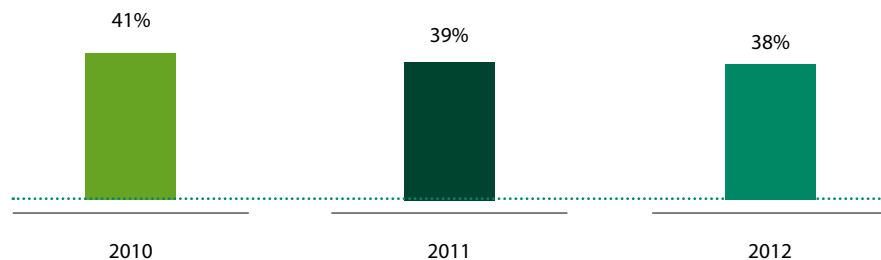
The percentage of unionized employees have registered a slight reduction over three years while the number of employees covered by the agreement — designed and approved by all entities representing the employees (including unions and Workers' Councils) - cover, in 2012, approximately 80% of all employees.

*Data from PT in Portugal

1.4. Conciliation of work and family life

Aware that many European studies indicate that families consider having great difficulties in reconciling work and family life, in particular as regards working time lag with the schedules of their children's schools and, where necessary, in support of children and/or illness of ascendants, PT has implemented a number of procedures and initiatives which aim to balance the interaction between these two aspects of the daily lives of its employees and thus contribute to every moment being enjoyed in its fullness.

WORK SCHEDULES*   ■ Fixed   ■ Flexible
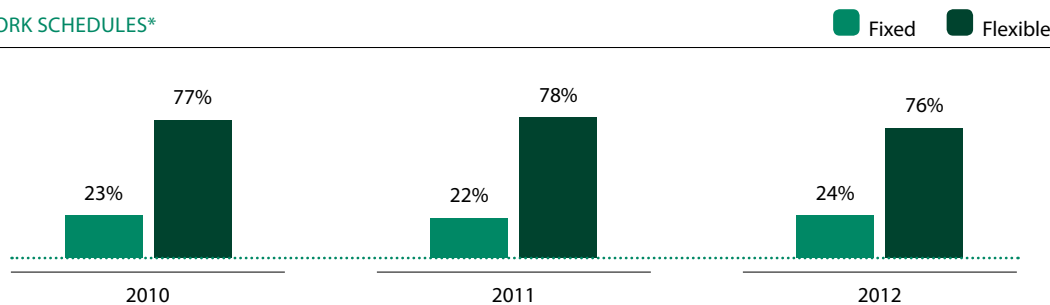
Over ¾ of the work schedules at PT are flexible, allowing a better conciliation between professional and family life.

Internal Social responsibility

The internal social responsibility area of PT leads a number of initiatives to support employees and their families by 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.

Internal social responsibility program for employees and their families	Description of scope of programs
Grow	Digital inclusion initiatives, skills acquisition and occupation of leisure time
Support	Initiatives to support employees and their families with special needs
Action	Sporting and cultural initiatives that promote wellness, anti-stress and reinforce the team and family spirit
Celebrate	Initiatives of celebration of special dates

Health

In terms of health, PT has a healthcare network to employees and, if they so wish, can be extended to the remainder of the household, in favourable conditions compared to other health systems.

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

*Data from PT in Portugal

05 LABOUR RELATIONS AND **HUMAN RIGHTS**

SnackPoint - Meal spaces
PT provides its employees with a network of spaces to have meals or light snacks as it wants to associate healthy eating to a balanced price/quality ratio. Those responsible for these spaces are supported by nutritionists for the preparation of the respective menus.

Support for the studies of employees' children
PT has a program of support to studies - grants and awards for excellence - to employees' children. It supports the education of children from households with lower per capita incomes and rewards academic excellence among young people.
2,989 grants were awarded (+15% compared to 2011)

Celebrate birth
The birth rate has fallen 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 parents.
366 kits were awarded (-12% compared to 2011)

Holiday camps for employees' children
During school holidays, PT organizes (by age) programs in holiday camps for employees' children. These programs include instructive, entertaining and sports activities and they are very popular, since they always contribute to the occupation of leisure time of children and for the tranquility of their parents.
There were 1,940 participants (+21% compared to 2011)

Social support for employees
Support for employees and family in situation of difficulty (health, finances, etc.)
There were 1,884 requests received (+15% compared to 2011)

Family Volunteering
PT organizes volunteer programs, outside of working hours which enables employees to participate individually or together with their families. These voluntary programs are often related to environmental protection activities, outdoors, and/or social support (to youth and/or seniors in need).
The family volunteering programs relied on 943 participants (+2% compared to 2011)

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.

Benefits in the purchase of 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 well-being
    Restaurants
    Travel, tourism and leisure
    Sport and physical activity
    Fuel

1.5. Recruitment and Retention of talent

Recruitment

The recruitment strategy of PT is based essentially on the attraction, selection and development of young people to start 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 domestic Universities and Technical Schools of reference.

PT Trainees Program	PT Academy Program
Recruitment of recent graduates at leading universities in the country with 1 year custom coaching and monitoring	Technical recruiting for operational teams and on job training.
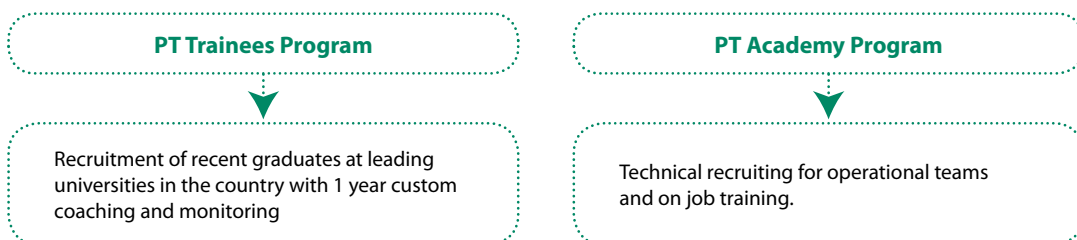
Recruitment model – attraction, capture and retention

Attraction and Capture	• Recruitment of young graduates with high potential for development in the telecommunications market • Development and capture at major universities in the country
Assisted Integration	• High sponsorship of top management • Constant monitoring of various entities in the Organisation
Growth and Development	• Alignment between personal and professional goals • Development of behavioural and professionals skills • Retention of those who show greater skills and adaptation
Investment in the Future	• Strengthening the innovation capacity of teams, differentiation of perspectives and creativity in solutions to meet the challenges of today and tomorrow

Recruitment process

Curricular selection → **Initial assessment** → **GroupTest / Interview** → **Final assessment** → **Selection with Meet the Management**

Recruitment	2012
PT Trainees Program	103 New Trainees
PT Academy	301 New Technicians

05

LABOUR RELATIONS AND
HUMAN RIGHTS

PROFILE OF EMPLOYEES RECRUITED BY GENDER (%)*   ■ Men   ■ Women

2010	2011	2012
67%	62%	57%
33%	38%	43%
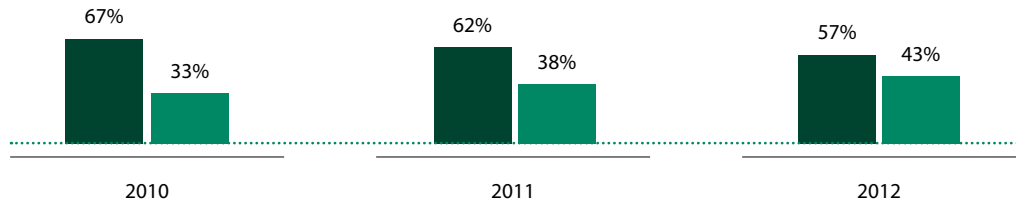
The percentage of women recruited for the internship programs has been increasing from year to year.

Attraction and retention of Talent

Talent Retention

Training and Development
Performance Management and Assessment
Career Model
Participation in Innovation
Communication Channels for Dialog
Satisfaction Assessment Surveys

Training

The training of employees is considered a priority for 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 10 million Euro in training actions of its team, and in 2011 the average value of training time per participant increased, not much in line with the period of economic contraction involving European society. In 2012, the average cost of training time per employee sank to the levels of 2010 ensuring greater sustainability of the program for the future.

INVESTMENT IN TRAINING   (million Euro)

2010	2011	2012
3.21	3.52	2.56
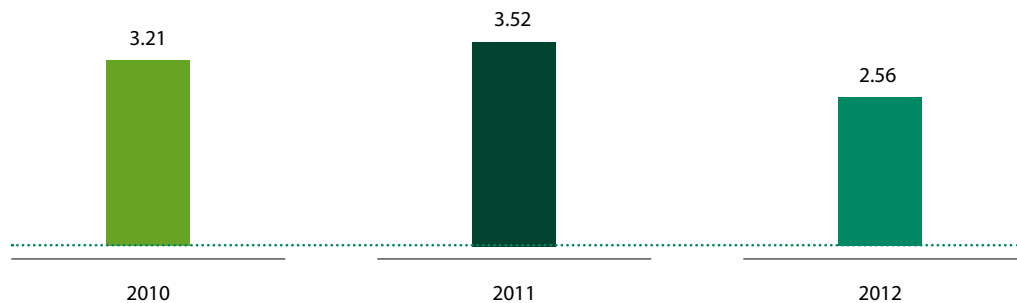
NUMBER OF TRAINING ACTIONS

6,077	6,464	5,225
2010	2011	2012

TRAINING SUPPORT (%)*

e-learning // 13%

b-learning // 2%

presential // 85%
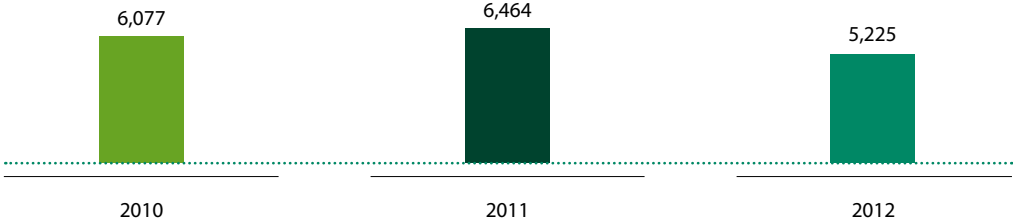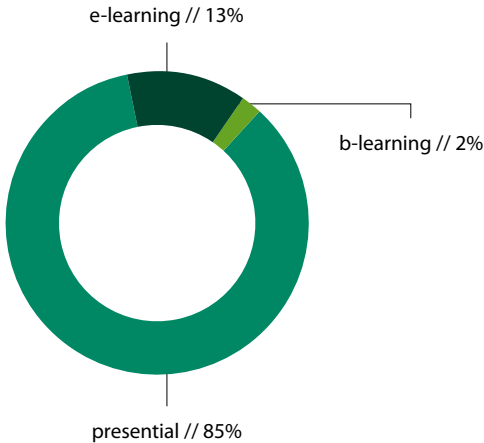
Participants in training actions on the universe of employees* // 89%

AVERAGE TIME OF TRAINING PER PARTICIPANT (IN HOURS)*

41	50	33
2010	2011	2012
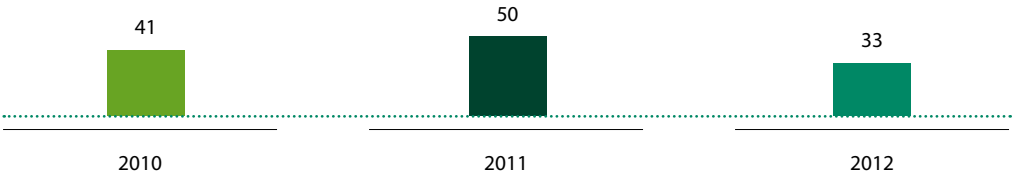
DISTRIBUTION OF AVERAGE TIME OF TRAINING PER PARTICIPANT AND PER GENDER*

Men // 55%

Women // 45%
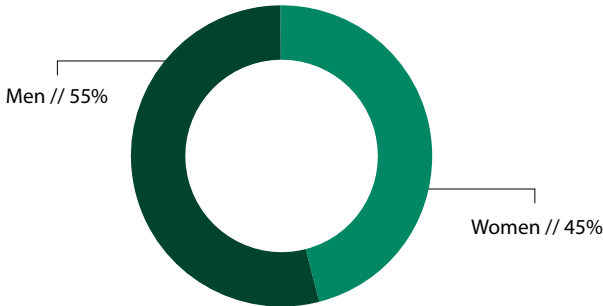
*Data from PT in Portugal

05 LABOUR RELATIONS AND **HUMAN RIGHTS**

DISTRIBUTION OF AVERAGE TIME OF TRAINING PER PARTICIPANT AND PER PROFESSIONAL CATEGORY*

Graduates // 54%

Non-graduates // 46%
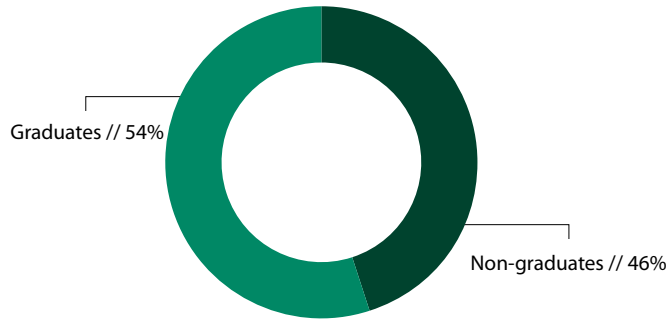
THEMATIC TRAINING AREAS*

Informations Systems // 9%

Management // 9%

Behavioural // 4%

Academic // 5%

Technology // 30%

Codes, policies and procedures (ethics)** // 20%

Social Responsability and Human Rights** // 14%
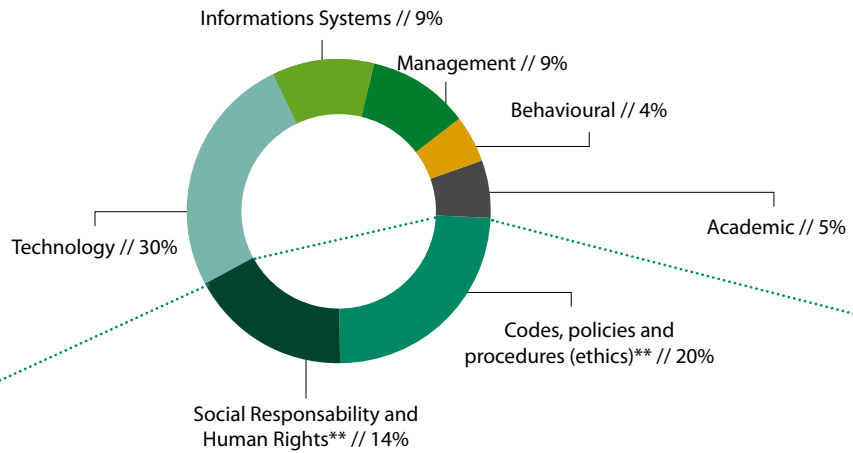
By the end of 2012, training of employees in these subjects had the following profile:

EMPLOYEES WITH TRAINING IN THE AREAS OF ETHICS, CORPORATE SOCIAL RESPONSIBILITY AND HUMAN RIGHTS

Total	Top management	Management	Managers	Non-graduated staff	Tecnicians of operations and maintenance
95%	100%	100%	97%	95%	87%
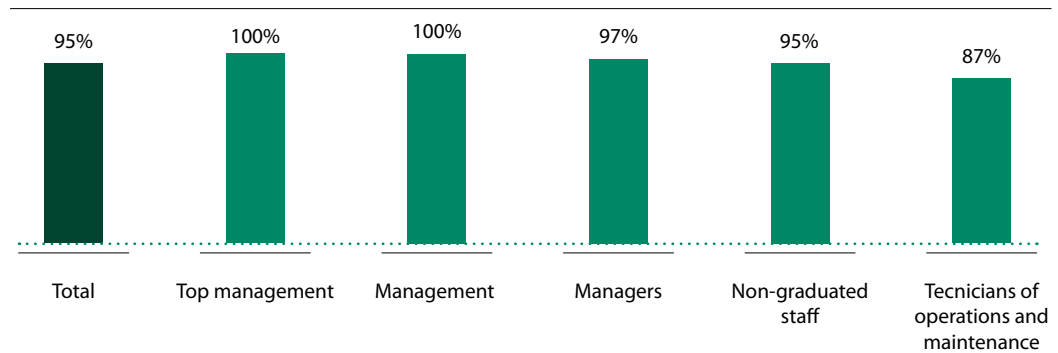
Given the growing importance of Ethical, Human Rights and Social Responsibility issues, PT has established a program of training for its employees that extends until the end of 2013.

Totaling 160,739 training hours overall.

*Data from PT in Portugal

Performance management and assessment

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

Performance assessment // Main goals

Motivate // Motivate people by establishing objective criteria that allow rewarding their contribution to the performance of the organisation.

Develop // Develop the performance of employees, giving them a clear direction Establish future commitments.

Improve results // Analyze the level of fulfillment of goals and the level of proficiency of skills.

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

Areas of assessment

Knowledge
Attitude
Initiative
Accuracy
Teamwork
  Team management
  Achieving results

The model comprises descendant evaluation, self-assessment and feedback meetings between evaluator and evaluated, resulting in joint development of a Personal Development Plan for each employee, which made a joint and constructive analysis to developing and maximizing employee strengths and identify development actions on areas to improve.

The performance evaluation is supported on an application residing in the internal portal, having as main features the ease of access by all employees and implementation of associated actions.
This management tool allows:

The company to

Deepen the knowledge of employee skills;
Increase their level of alignment with the company's strategy;
Strengthen the direction to achieving the objectives;
Encourage upstream and downstream communication.

Employees to

Gain greater knowledge of what management appreciates in their work;
Be aware of their strengths and skills to enhance;
Create opportunities for direct communication with the manager, with a view to finding the best solutions for meeting the goals set;
Identify vectors for improving their performance and development.

In order to ensure transparency in the process, once stabilized the completion of assessments in the system, the self-evaluations are available on the intranet to evaluators as well as the evaluation and respective Personal Development Plan to the assessed. Then the feedback meetings take place, closing this cycle that includes 100% of employees.

Career model
This model comprises 5 categories and 5 levels of development, in the various functional areas of the company's activity.

With simple rules and objectives, the new professional development model allows all employees to:
1. Have a clear realization of the evolution of their career in the company;
2. Know what they can expect from their career,
3. Know that performance matters to their evolution and feel more motivated to work.

2 opportunities are provided for professional development:
1. the progression that certifies the movement of employees to the following development-level in the same professional category, where he continues to perform functions of similar complexity;
2. the promotion that certifies the employee to the following professional category, as he performs more complex functions.

Communication channels

Employee Portal – electronic platform
Meetings of Feedback of Performance Assessment
Corporate Intranet
'É Consigo' - email and help line
Channel of denunciation of occurrences of social responsibility
Workers Council, Trade Unions and Parity Committee
Magazine and internal newsletter
Organisational climate survey
Welcome program

Innovation
The model of Research & Development and Innovation of PT, is within a framework of a program where all employees are agents that contribute actively to its development. In addition to technological innovation, employees have been invited to participate in the organisational, procedural, social and environmental areas, in particular in the context of incremental innovation.

The structured approach to the management of R&DI brought by the OPEN program, since its launch in 2009, has been decisive for the promotion of a culture of innovation across the PT group and to foster the motivation of the whole team.

Through the Marketplace of Ideas, - online platform resident in the company's corporate intranet -employees respond to challenges, submitting, debating and voting on solutions.
About 2/3 of the employees have already participated in challenges.

Employee Satisfaction Survey – Organisational climate
Ask, listen to understand, analyse to improve: these have been the basic foundations of the Employee satisfaction survey that PT has annually conducted in its universe.

*Data from PT in Portugal

Conducted in all PT companies, this study has not only allowed employees to express their views in a voluntary, anonymous and confidential way as well as to adjust human resources management to the strategy of the Group.

The accessibility of all employees and the confidentiality of responses were guaranteed through direct access to the website to an external and independent company.

EMPLOYEES WHO PARTICIPATED IN THE SURVEY*

2010	2011	2012
81%	86%	85%
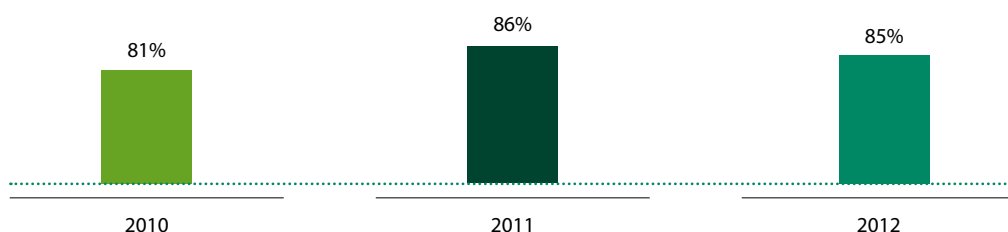
The dimensions analyzed in this survey are as follows:

Ethics	Involvement	Working conditions
Discrimination	Training	Social Responsibility
Company	Evaluation	Function
Team	Remuneration	Image
Strategy	Career	Leadership // Quality of service

Over the last three years the percentage of employees who participated in the survey increased significantly from year to year, which seems to recognize the usefulness of this instrument of consultation and the application of its results in human resources policies and practices adopted in the company.

EMPLOYEE SATISFACTION INDEX (ESI)*

2010	2011	2012
73%	76%	75%
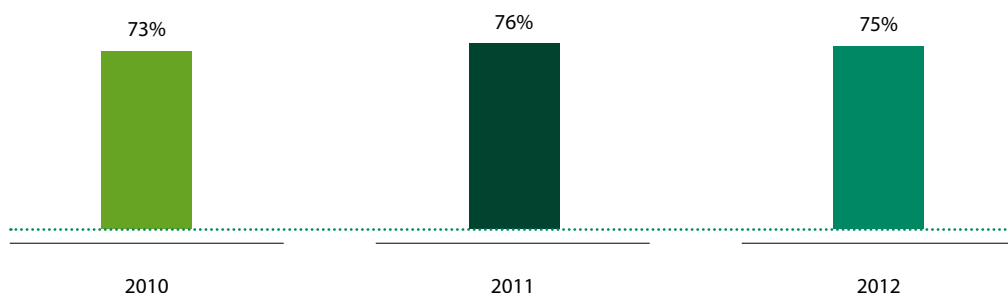
1.6. Occupational Safety and Health

The occupational safety, health and hygiene are ensured through specialized organisational units, by workers' representatives for safety and health at work, as well as, for all employees who are active party in the continuous improvement of the enhancement of their working conditions and their quality of life.

All employees are responsible for ensuring safety and health in the workplace, in particular through participation in the identification of hazards, assessment of risks and in the definition and adoption of control measures appropriate to each situation.

*Data from PT in Portugal

To better anticipate industry trends in this respect PT participates actively in an ETNO working group called "Good Work Good Health". In parallel, information and management systems of PT's business units are certified according to OHSAS 18001.

In terms of health support, PT has a healthcare network for employees and if they so wish, extensible to the remainder of the household, in favourable conditions compared to other health 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 lifestyle habits.

Screening programs in the workplace	46 Actions	15% of employees willfully participated in one or more surveys
Cardiovascular Screening	9	5%
Cardiovascular Screening + Body Mass	25	7%
Memory screening	4	1%
Stress Screening + Sleep quality	8	2%

Management model of occupational health, safety and hygiene

Occupational safety	Minimize occupational hazards, preventing accidents at work and occupational diseases, from a non-medical point of view, through the identification of the factors that can affect the environment and the worker
Occupational Health	Monitor the health of the worker, whose technical responsibility lies with the occupational physician.

OSH committees represent more than 75% of the Group's employees, and as they operate in 99% of the buildings of the PT group, it actually means that the workers represented can be considered superior to the value above described.

Objectives of the OSH model

- Improve the quality of life of employees
- Decrease the number and severity of work-related accidents
- Improve human relations in the workplace
- Ensure the productivity levels of the company
- Rationalize costs

Operation of the occupational safety, hygiene and health system

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

OSH programs undertaken by PT cover all active employees and during 2012 highlight goes to the following activities and their results are:

		Gender	
Accidents at work*	**Total**	**Male**	**Female**
Accidents in service, with sick leave	150	100	50
Hours worked	19,739,119.78	12,594,687.50	7,144.432.28
Accident rate	1.52	1.59	1.40
Number of deaths from accidents at work	0	-	-

Note: The accident rate is related to accidents at work occurring in service, and is presented by gender.

Types of work accidents

Service	Route	Sports	Other
203	88	19	3

Note: This table includes all labour accidents occurred in PT (with and without sickness leave).

Practices that Ensure the Safety and Health of Workers
The existence of procedures of continuous identification of hazards and risk assessment for Occupational Health and Safety associated with workplaces and the activities carried out, allows the Organisation to develop controls to eliminate or reduce the hazards and affect the resources needed for risk effective management. The activities developed in this framework were included namely in the process of assessment of the working conditions.

Assessment of working conditions*

No risk assessments conducted / establishment	156
Number of studies and reports issued	79

The assessments of working conditions made in 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 the adverse consequences for the safety and health of workers there are regularly exercises of simulation of response to emergency situations carried out.

Preparation and response to emergencies*

No. simulations	43
No. exercises of simulated practice in a room	6

Preventive Measures Adopted*

Overall plan of improvement of Individual protection equipment (IPE) used in PT companies;
Training Action "Work at height - wooden poles" for employees and some service providers that perform activities outside, particularly on wooden poles

In order to ensure the competence requirements, as well as to improve the OSH awareness among workers, a training program was developed and implemented to meet the needs and objectives identified.

*Data from PT in Portugal

Training

Training made to workers concerning safety at work	398
Training made to workers concerning safety at work	6.5

More specifically, in the case of technicians from operations, the following training actions were held:

Training for operational technicians*

	Workers	Hours	No. actions
Work at height	1,354	10,636	152
Work in confined spaces	414	3,414	53
Total	**1,768**	**14,050**	**205**
Average number of training hours per employee	-	7.9	-

*Data from PT in Portugal

2. In the value chain

Success in business and in good relationship with society is strongly related to the ability to manage the respective value chain, anticipating needs and aligning expectations with regard to ethics and respect for human rights.

PT is aware that this is a long path, in which all players must be clarified and that it must participate actively. Its value chain extends to geographies where respect for human rights has profiles of operation other than those in Europe.

PT is also aware that the globalization of the economy and ICT can contribute to building a better alignment between all participants of the value chain, seeking to identify risks and solutions that tend to generalize the respect for Human Rights.

2.1. Risk assessment

MANAGEMENT OF RISKS AND OPPORTUNITIES RELATED TO HUMAN RIGHTS
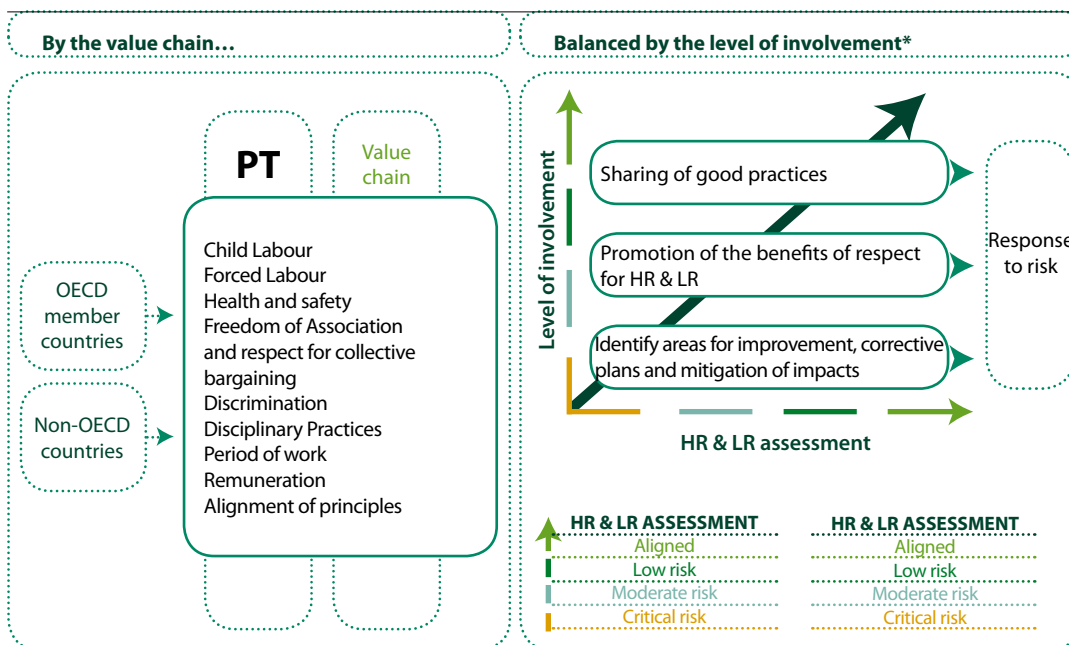
*Considers the relevance of the country, the business unit, the supplier or customer, the type of product or service.

EVOLUTION OF ALIGNMENT LEVELS OF EACH CRITERION INCLUDED IN VENDOR EVALUATION
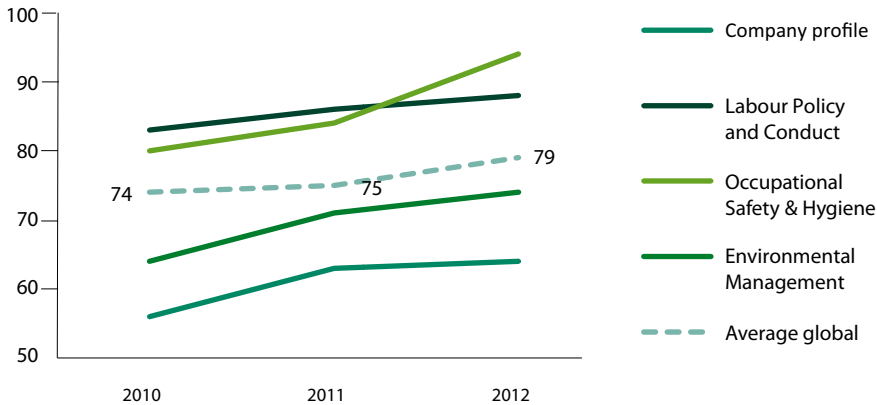
Use of minerals from conflict zones in electronic equipment

Throughout 2012, PT sought to engage in dialogue with all its suppliers of mobile equipment, directly manufacturers or not, in order to raise awareness of the human rights violations that this practice incorporates and suggested them a strong control over the origin of 3TG ores, used in the manufacture of equipment and finally a compromise on the total rejection of the use of such minerals.

Commitment to reject the use of conflict minerals – signed by 100% of mobile equipment suppliers.

Child Labour

Over the course of 2012, risk assessments and audits were carried out about the existence of child labour in suppliers to which PT awarded purchases.

Identification of cases of child labour in 2012 – 0
If identified situations of child labour, PT has a number of procedures designed to assess the circumstances of occurrence and to implement a mitigation plan and fix the situation. These procedures can be consulted online on the company's corporate website http://www.telecom.pt/InternetResource/PTSite/PT/Canais/Sustentabilidade/DireitosHumanos/PrincipiosProcedimentos/

2.2. Data privacy protection

PT has:
1. Committee on Data Privacy and Protection;
2. Information security policy at the level of the Information and Communication Technologies and Systems, and;
3. Is part of a working group at European level seeking to identify and test the robustness of computer security systems CSIRT (Computer Security Incident Response Team);
4. PT SI is certified according to ISO 27001.

05 LABOUR RELATIONS AND
HUMAN RIGHTS

The Data Privacy and Protection policy was prepared and adopted in the past three years, most of the employees were subject to specific training and the respective contents were promoted to customers and users.

The confidentiality and security of customer data, the protection of access and traffic of database information, as well as the confidentiality of communications content, are safeguarded by PT in order to ensure the freedom and fundamental rights of every individual.

PT follows scrupulously the national legislation – that is very detailed and specific with regard to this topic, 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 to all situations likely to undermine the protection of personal data carried out by lawyers and by security experts.

When we refer to personal data we mean any information of any kind and irrespective of their support, including sound and image, relating to an identified or identifiable natural person: it is considered to be the person who can be identified directly or indirectly, in particular by reference to an identification number or to one or more factors specific to their physical, physiological, mental, economic, cultural or social identity.

Information Security Policy

In 2010, PT prepared and adopted its Information Security Policy for Information and Communication Technologies and Systems. This policy contains a wide range of procedures, for which most employees have had specific training.

Knowing however that this is a sensitive area and where developments are fast, PT has been participating in discussion forums on this topic and implementing the measures regarded as best practices in safeguarding of data protection and customer privacy.

The rules defined in this Privacy Policy complement the provisions on personal data, provided for in the contracts that clients celebrate with companies of the PT group, 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 in the respective websites.

Exclusively at the request of the judicial authorities and in accordance with the procedure defined by national law, PT provides customer data to a third party.

International Conference on Data Protection and Privacy – participation and results

• Following the **31st International Conference on Data Protection and Privacy** held in Madrid, 50 countries agreed on new joint measures of data protection and privacy, predicting that some of the measures already carried out and applied in the EU should extend to outside its borders;
• The "Madrid Resolution", as the document is known, intends to establish international standards to ensure more privacy and restriction on 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 linked to the universe of the new communication and information technologies;
- The document approved **may be seen online**, and sets the basic principles for the use of personal data: loyalty, legality, proportionality, quality, transparency and responsibility. It also recognizes the need for supervisors;
- 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, so the protection of data of Portuguese citizens in the absence of rules in other States may be undermined.

Committee on data privacy and protection

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 that it is treated and of their rights in this matter.

Computer Security Incident Response Team – participation and results

The active participation in CSIRT (Computer Security Incident Response Team) whose mission is to contribute to the national effort of cyber-security - within the framework of the National Network of CSIRT -, in particular in the coordination and processing of responses to security incidents involving networks under the direct responsibility of Portugal Telecom, has allowed to:
- Produce alerts, with associated mitigation recommendations; and
- Promote a culture of security on the internet in Portugal with particular emphasis on business sectors.

csirtPT responds primarily to computer security incidents in the context of networks and services operated by Portugal Telecom that are reported by other national or foreign CSIRT, as well as legal entities, telecommunications operators and bodies engaged in or providing relevant services in the scope of cyber-security.

2.3. Minors protection

The ease with which nowadays one can access and provide content is truly stimulating and uniquely contributes to bringing people together and these are from the most diverse levels of knowledge. However, we know that this reality raises concerns related to the misuse of this potential on the part of sections of the population with less critical capacity and of selection of appropriate content suited to their interests.

Aware of this fact, PT has triggered initiatives that aim to raise the awareness of the population to the responsible consumption of content, offers equipment guides and parental control software, follows the recommendations of international bodies on this issue and, in 2009, signed a Protocol of collaboration with a scientific computing entity for monitoring of content and network security.

Code of conduct

PT signed in 2008 the Code of Conduct for the provision of content services that aims to protect minors against the exposure of harmful content when using mobile communications services.

05 LABOUR RELATIONS AND **HUMAN RIGHTS**

Collaboration Protocol for computer security and safe use of the internet

In 2009, PT signed a cooperation protocol with the Foundation for National Scientific Computing (FCCN), aimed at the areas of computer security and the safe use of the internet.

In terms of computer security, there are safeguards against situations related to an action or a number of actions taken against a computer or network of computers 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, the interference or denial of service on a computer system.

As regards the safe use of the Internet, there are provisions to identify and report clearly illegal content, in order to fundamentally remove and disable 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

PT is also a signatory and founder of a number of guiding principles to ensure greater safety of children and young people in the use of ICT 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 member of the industry alliance that has developed them and that gathers players representing the entire ICT value chain: operators, manufacturers, social media, gaming and content providers.

"Communicate in safety" program

In order to educate the school community for the good use of content accessible through electronic communication equipment, PT, through its corporate volunteer programs, prepared an initiative to bring to a wide range of schools nationwide and that aims, in classroom environment, to:
1. Promote the safe and responsible use of content and of electronic equipment;
2. Raise the awareness of educators to the parental control tools currently available;
3. The program was prepared and tested in some schools, and has been running in schools across the country in the last 3 years.

Guides of good practices for use of services and parental control

The interactivity of new media not only opens doors, but also, as in other aspects of everyday life, requires care to preserve the security 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 to ensure that the experiences in the current digital universe are the most enriching and responsible. PT, aware that this path is the most suitable to safeguard its customers, in particular the young people, offers to parents and young people a number of services and guidelines that tend to promote a safe use of ICT, that can be found online at the respective website.

http://www.telecom.pt/InternetResource/PTSite/UK/Canais/SobreaPT/Security/Secure+Children/securechildrenhome.htm

Help Line

In order to ensure better support for minors in terms of protection and safety when using ICT, PT started a dialogue with specialized Associations in support of children so that these can – together with PT - receive complaints or requests for clarification and support the resolution mitigating any negative impacts. This agreement should be completed during the current three-year period, in principle throughout the year of 2013.

Equipment and software for parental control

PT has sought together with the ICT industry to have equipment with parental control features and, specifically for mobile devices, has sought to provide services and applications to manage a case-by-case basis access to content and sharing of personal information.

06

SUPPLY CHAIN

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06 SUPPLY CHAIN

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Suppliers are for PT business partners with whom it is essential to maintain a relationship of proximity and complementarity in terms of ethical, social and environmental behaviour.

At PT, the collection and management of suppliers at PT, is based on the following assumptions:
- Sustainability as a mandatory requirement in the process of collection and selection of suppliers
- Commitment to act according to socially responsible principles
- Dialogue and knowledge sharing
- Verification and evaluation of the fulfillment of commitments subscribed and contractual requirements
- Procedures for resolution of occurrences related to social responsibility

SUPPLIER MANAGEMENT

| Sustainable Procurement Model | Sharing of information and good practices | Clauses on environment, human and social rights in contracts | Identification of Risk of Corporate Social Responsibility | Verification and Audits on CSR to suppliers | Ratings and evolution of risks and level of compliance |

.... Before 2012   After 2012

Sustainability in the procurement model

Selection and Hiring Model : Sustainability and Social Responsibility Policy

Phases of procurement model
- Identification and selection of potential suppliers
- Evaluation of proposals for potential suppliers
- Awarding
- Evaluating suppliers

Specific instruments for each of procurement phases

Risk assessment of corporate social responsibility

- Subscribing the Code of conduct for suppliers
- Contractual clauses of sustainability
- Control and audit Resolution of specific situations of non-alignment

The information is available at: http://www.telecom.pt/InternetResource/PTSite/PT/Canais/Sustentabilidade/fornecedores/
http://clubefornecedores.telecom.pt/PT/Paginas/Homepage.aspx

1. Sustainable model of selecting and contracting suppliers

Business success and the satisfaction of end customers are strongly related with the ability to select suppliers that meet the needs of the company and which simultaneously are aligned with its conduct and ethical, environmental and social principles, among which are those related to human and labour rights.

Therefore, the selection and contracting of suppliers is based on rigorous principles of transparency, honesty, equality, loyalty and confidentiality and is managed by an expert team and specifically trained for this purpose.

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

Platform for dialogue and supplier management

Capture, pre-selection and registration of suppliers	Dialogue and knowledge sharing	Purchases	Verification and evaluation
Presents the values and the minimum requirements to be part of the universe of suppliers of PT	Registered companies can participate in the portal for dialogue and knowledge sharing	Strategic planning by purchase and tender request category	Procurement processes are subject to monitoring
Requires the subscription to the Code of Conduct of Social Responsibility	Interaction is based on the sharing good practices between PT and the suppliers	Tender request, receiving proposals, negotiation and award decision in Procurement Board	Verifications are made on the fulfillment of the contractual conditions of the codes of conduct assumed
Requires the inclusion of company documents showing its responsiveness and alignment with the Code of Conduct and values of PT	Dialogue and sharing leverages synergies, market potential and greater efficiencies	The Procurement Board is constituted by a Committee and the decision is unanimous	The verifications of compliance on Social Responsibility commitments are verified by survey and by face-to-face audits
After validation of the documents submitted, the company may register	Knowledge sharing includes training / awareness raising of employees of the companies involved	Vendor selection, award of the conditions agreed and drafting of contract	Non-observance of the principles of action agreed is subject to evaluation and the implementation of a plan of correction and/or improvement jointly agreed on a case-by-case basis
Registered companies can participate in the portal for dialogue and knowledge sharing		Contract management and reception of orders	
Registered companies can participate in tender request processes and present proposals	Topics discussed: • Procedures • Green Procurement • Human and labour rights • Areas of Efficiency • Raw Materials • Conflict minerals • Manufacturing processes • Distribution processes		
Capture and Records made at domestic and international level, in the various categories of supplies		The contracts include clauses regarding environmental issues, labour relations and occupational safety and health	The results of the verifications conducted are a critical success factor in the subsequent alignment of the value chain

Suppliers that do not meet the requirements included in the selection platform are automatically rejected.

Capture, selection and pre-registration

Therefore, PT has sought to attract suppliers that:
1) **Share the same values** with regard to **human rights, ethics** and e**nvironmental responsibilities;**
2) Are available to **cooperate and innovate**, ensuring greater efficiency in production processes and delivery of products and/or services on the market, and improving the rationalization of costs, the environmental footprint of their activities and the social appreciation of employees, of customers and of the community as a whole.

06 SUPPLY CHAIN

To ensure a broad supplier base, in line with PT's values, principles and procedures, is an important factor of competitiveness and sustainability for all businesses.

In the capture phase, selection and pre registration of suppliers, integrating sustainability obeys to the following procedures:

- All registered PT suppliers subscribe to the Code of Conduct of Social Responsibility. This code seeks to ensure the alignment of suppliers in 3 main areas: Human Rights, working conditions and environmental responsibility. You can find the detailed social and environmental parameters at http://clubefornecedores. telecom.pt/PT/comprasnapt/CodigoConduta/Paginas/CodigodeCondutadeResponsabilidadeSocial.aspx;
- The suppliers provide documents that prove their responsiveness and alignment with PT's Code of Conduct and values. The effective registration of the supplier occurs after validation of the documentation submitted to PT. The registered supplier becomes part of the consultation processes. He also gets access to the portal for dialogue and knowledge sharing.

	2010	2011	2012
Registered suppliers	1,246	1,217	1,269
Domestic (1)	**86%**	**87%**	**85%**
International (1)	**14%**	**13%**	**15%**

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

Dialogue and knowledge sharing

The dialogue and the sharing of good practices between PT and its suppliers aims to leverage synergies, efficiencies and market potential, encompassing also the awareness-raising and training sessions of the companies involved.

In 2012, some of the issues discussed were:
- Procedures
- Green Procurement
- Human and labour rights
- Areas of efficiency
- Conflict minerals
- Manufacturing processes
- Distribution processes

Procurement

PT's procurement process consists of the following phases:
- Strategic planning by purchase category and market consultation;
- Market consultation, receipt of tenders and planning on the procurement board, composed of a multidisciplinary team;
- Vendor selection, award of contract and agreed conditions;
- Management of the contract and receipt of orders.

All contracts include clauses regarding environmental issues, human rights, working conditions and occupational health and safety.

PT established procedures to boost transparency and anti-corruption in procurement processes, in particular with the subscription to the Code of Ethics and a training plan in ethics and Corporate Social Responsibility.

- 100% of employees performing procurement functions have signed the Code of Ethics;
- 100% of employees performing procurement functions had training in ethics and Corporate Social Responsibility;
- Procurement Board - by negotiation and agreement - composed of multidisciplinary teams of interested parties (includes internal teams and suppliers) – 100% .

The volume of purchases had the following outline:

| Volume of purchases for domestic companies/international subsidiaries | 843 million Euro |

From purchases made in 2012, 95% were for domestic companies and 5% for international subsidiaries.

International // 5%
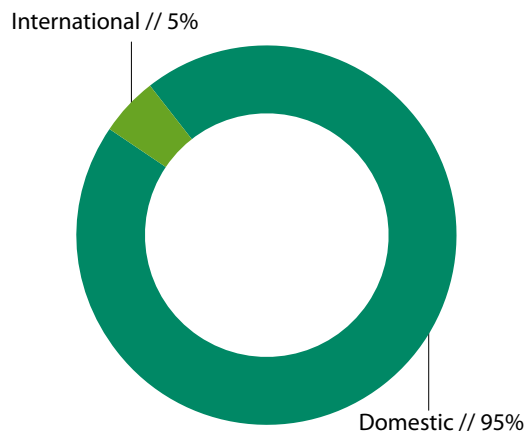
Domestic // 95%

Number of suppliers awarded in business processes during the year	578
Domestic	**87%**
International:	
Europe – 9.6%	
Africa – 0.9%	
Asia – 0.9%	**13%**
North America – 1.5%	
South America – 0.1%	

DISTRIBUTION OF SUPPLIERS BY GEOGRAPHICAL AREA
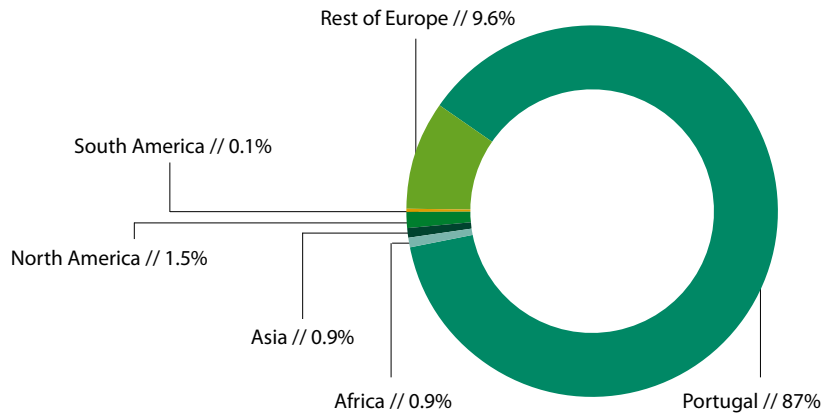
Rest of Europe // 9.6%

South America // 0.1%

North America // 1.5%

Asia // 0.9%

Africa // 0.9%

Portugal // 87%

Most vendors awarded throughout the year of 2012 – 96.6% –, hold activity in our country and/or in a European country.

Purchases by category of service and/or product

Purchases made for business PT companies, focused mainly in the area of building the world's 6th largest Data Centre, in the area of telecommunications networks and terminal equipment.

■ 2010 ■ 2011 ■ 2012

Terminal Equipment: 28% / 27% / 22%

Services, Marketing and Media: 7% / 9% / 10%

Information Systems: 8% / 19% / 20%

Telecommunications Networks: 22% / 31% / 24%

Market Products: 34% / 14% / 24%
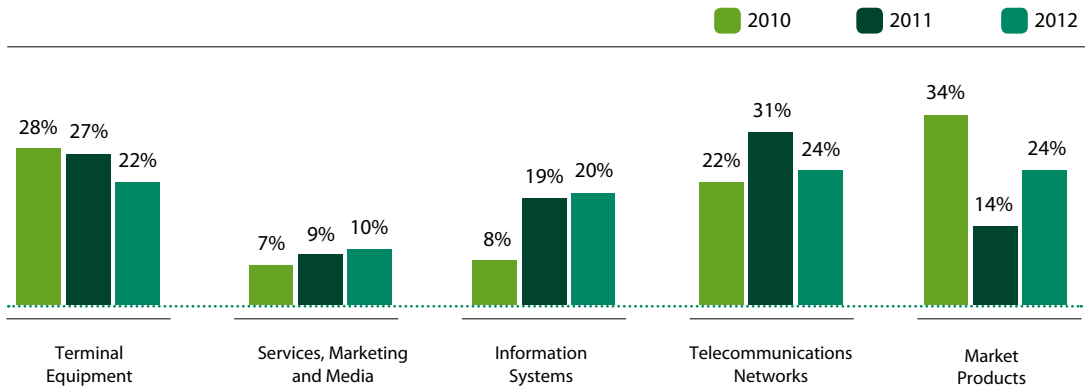
2. Transparency and anti-corruption in the procurement process

Apart from being governed by PT's Code of Ethics and Sustainability and Social Responsibility Policy, the application of PT's Procurement Model to the bargaining relationships with suppliers is translated into the following practices published and verified with all interested parties:

Transparency

All the information should be made formally available to the potential Suppliers during a procurement process, ensuring full transparency in information access.

Equal opportunities

During the bargaining process, the equality of opportunities is guaranteed to all suppliers that meet comparable requirements.

Information access

Suppliers may have access to all the information and clarifications that they need on any matter of the negotiations in course, in a clear, complete and cordial form.

Reciprocity and accuracy

All conditions relative to the delivery dates, prices, conditions of payment, conditions of acquisition and attribution of responsibilities should be defined in detailed form, by both parties.

Loyalty

Employees intervening in the negotiation must take into account the company's objectives, trying to meet its needs in the most credible and advantageous form.

Reciprocal Procurement

Reciprocal procurement should not condition or interfere with the result of any bargaining process.

Confidentiality

Both PT and prospective suppliers should keep secrecy on all the information exchanged during a procurement process.

See additional details at: http://clubefornecedores.telecom.pt/PT/comprasnapt/CodigoConduta/Paginas/CodigodeCondutadeResponsabilidadeSocial.aspx

Procedures that contribute to transparency and anti-corruption in procurement processes

On the side of PT
- Employees performing procurement functions and who have signed the Code of Ethics – 100%;
- Employees performing procurement functions and who have undergone training on Ethics and Corporate Social Responsibility – 100%
- Procurement Board - by negotiation and agreement - composed of multidisciplinary teams of interested parties - 100%

On the side of the suppliers in 2012
- Subscribed to the Social Responsibility Code of Conduct – 100%
- Subject to verification surveys of social responsibility practices - 89%
- Randomly selected and audited personally for verification of social responsibility practices – 1%

3. Environmental and social sustainability in procurement

The promotion of sustainability throughout the value chain has led PT to interact with its suppliers at two levels, which tend to be complementary and to increase social responsibility in the industry and in the equipment, services and solutions marketed.

Energy Dependency GHG Emissions	Raw materials	Human rights
• Evaluation of energy efficiency and carbon footprint.	• Identification of substances incorporated in products and rejection of ores from conflict zones; • Identification of routing of waste at end of life cycle.	• Identification and commitment of respect for Human and Labour Rights.
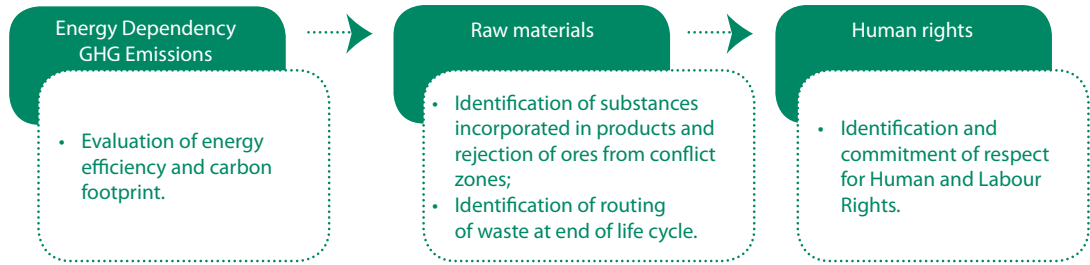
3.1. Human Rights

PT is aware that its value chain extends to geographies where respect for Human Rights assumes acting profiles quite distinctive from those in Europe. There is also the awareness that economic and ICT globalization can contribute to building a better alignment among all stakeholders of the value chain, seeking to identify risks and solutions that tend to generalize respect for Human Rights.

Therefore, all PT suppliers are invited to commit themselves and to respect the following aspects related to Human Rights:
• Freedom of employment
• Non-Discrimination
• Prohibition of child labour
• Decent Labour remuneration
• Workdays
• Training
• Occupational safety and health
• Right to Communication

In the case of situations of violation of these principles, PT has defined a number of procedures that aim to approach the vendor and define an action plan with to ensure the correction of the situation identified.

3.2. Raw materials and manufacturing processes

The identification of raw materials – materials that make up the equipment and products to acquire has taken on increasing importance either because it should be rejected the incorporation of minerals from conflict zones - commonly referred to as 3TG conflict minerals – into equipment, or because it is necessary to know how the equipment should be forwarded at the end of its life cycle.

This issue has become increasingly important in society, and PT has started to address the issue and to work on it with its suppliers of electronic equipment.

3.3. Energy Efficiency

According to current knowledge – SMART 2020 study - the ICT sector will induce its customers/users about 15 percent reduction in carbon emissions by 2020. On the other hand, all estimates on information storage

and management in Data Centres, point to its exponential growth from year to year which will require higher levels of energy consumption and carbon emissions for providers of this type of services.

In general, energy costs have been affecting the sustainability of the sector and of its commercial offer.

It is in this challenging context that PT is proposing to innovate, seeking solutions at the same time to reduce energy consumption and carbon footprint of its customers, and streamline its own energy consumption and the respective CO_2 emissions.

The areas of intervention are the following:
Equipment: Identification of equipment with less energy dependency and high-efficiency;
Green Energies: Identification of alternative energy for powering and cooling their networks and Data Centres;
Suppliers: identification of suppliers that incorporate objectives of rationalization of energy consumption in their activity and the products and/or services that they market;
IT: Development of software and applications to enable the monitoring of energy consumption by customers, as is the case of Smart Grids, among others.

4. Risk assessment and alignment

For PT is essential to create conditions to promote alignment between its principles and its suppliers, believing that only in this way lasting partnerships can be created with mutual benefit and with beneficial results for society and the environment.

Supplier selection and management will satisfy risk assessment of Corporate Social Responsibility of each, based on the following template:

DIMENSIONS OF ASSESSMENT
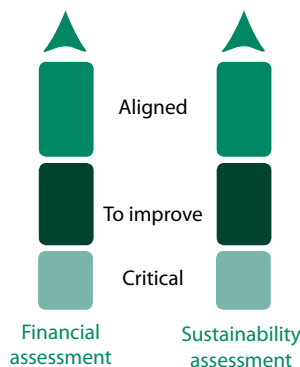
RISK MANAGEMENT MATRIX
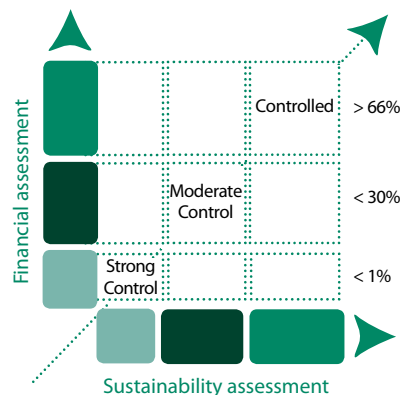
The instruments used to ensure the subsequent alignment, are described below and can be found at: http://www.telecom.pt/InternetResource/PTSite/PT/Canais/Sustentabilidade/fornecedores/ :
• Corporate sustainability and social responsibility policy
• Commitment to Adoption of the Code of Conduct
• Relationship
• Selection and Contracting Model
• Risk Assessment of Corporate Social Responsibility
• Control and Audit
• Resolution of specific of non-alignment situations

06 SUPPLY CHAIN

It is essential to make periodic reviews to assess the level of alignment between PT's procedures and sustainability policies and those of its suppliers so that considering the findings it may possible to identify the path that ensures greater and successive approximation of those presenting a less suitable profile.

4.1. Surveys, audits and control

Following the verification of the sustainable practices of suppliers, PT conducted in 2012 a new wave of the Sustainability Survey.

The response to the survey was once again high, since 516 of its suppliers participated voluntarily, and there was a positive evolution of the average assessment scoring that grew by over 4% as compared to 2011, to 79.6 in a scale of 100.

The performance outlined in the table below indicates a high level of alignment in most suppliers.

ASSESSMENT OF ALIGNMENT BETWEEN SUPPLIERS AND PT (%)

Excellent // 25.0%
Bad // 0.8%
To improve // 2.3%
Reasonnable // 17.1%
Good // 54.8%
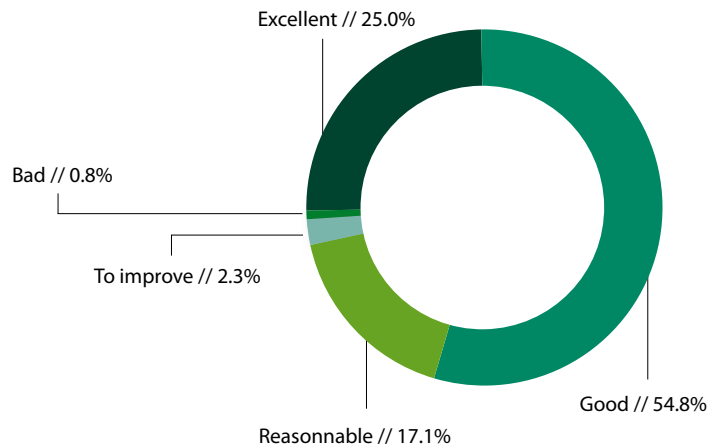
EVOLUTION OF ALIGNMENT OVER THE LAST THREE YEARS   ● 2010   ● 2011   ● 2012

	Excellent	Good	Reasonnable	To improve	Bad
2010	5%	51%	37%	6%	0%
2011	10%	61%	24%	4%	1%
2012	25%	55%	17%	2%	1%
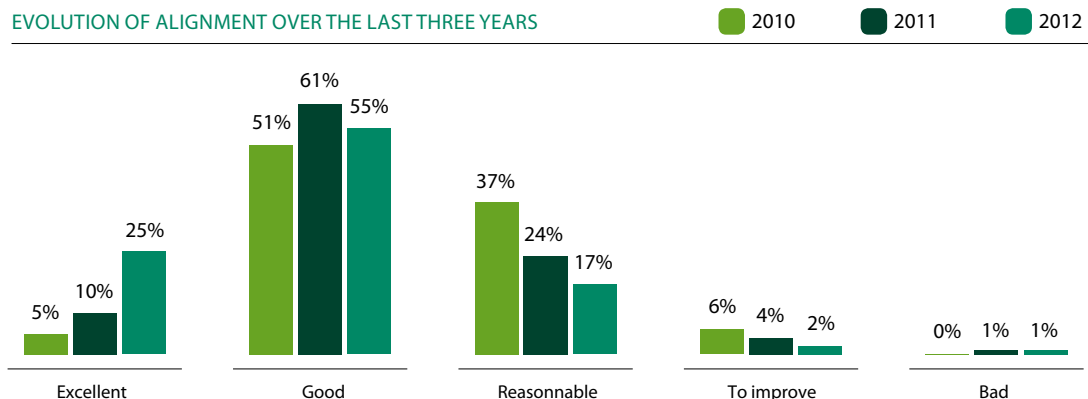
EVOLUTION OF ALIGNMENT LEVELS OF EACH CRITERION INCLUDED IN VENDOR EVALUATION
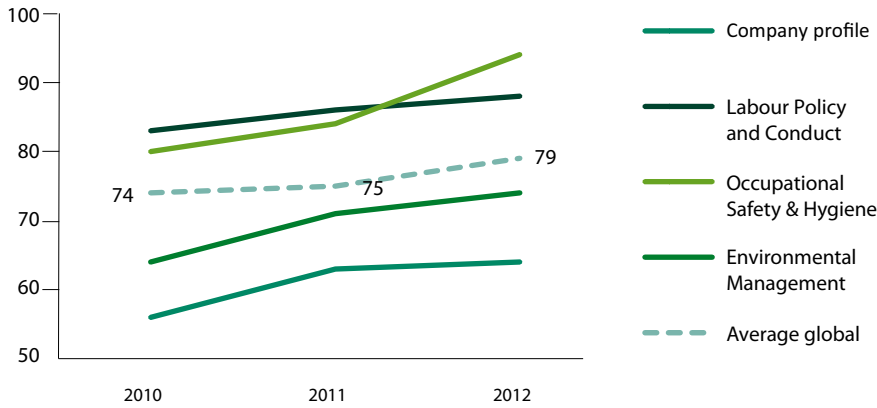
Face-to-face audits

In the scope of supplier verification, there were 5 additional face-to-face audits conducted by an internal audit team to monitor the environmental, human rights and labour alignment, in particular in terms of Occupational Health and Safety, Labour Market Policy and Working Conditions.

Five Face-to-face audits
to randomly selected suppliers

Issues: Environment, Health and Safety, Labour Market Policy and Working Conditions

Control and supplier relationship initiatives

	2012	Control initiatives	
Aligned Suppliers	80%	Exchange of experiences and good practices	Audits
Suppliers to be improved	19%	Feedback and identifying areas for improvement	face-to-face
Suppliers at risk to be controlled	1%	Control and suggested areas for improvement	random

From PT's supplier base, only about 1% revealed to have levels of alignment, considered at risk, to be controlled.

Generally speaking, the average rating improved over the last three years, as PT believes that this is due to the approach adopted: successive approximation and identifying areas of improvement with advantages for all. So far PT did not identify the need to reject suppliers after being pre-selected and accepted through the registration procedures defined and required in the existing electronic platform.

However, and as a result of the action of individual feedback to undertake, PT will raise the awareness of the entities assessed in order to consolidate their position or, as appropriate, to evolve to higher levels of alignment going towards the objectives recommended by the company and required by many of its stakeholders.

07

COMMUNICATION, MARKETING AND REPUTATION

07

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Nowadays, corporate reputation is critical to business sustainability, for the trust that our stakeholders have placed in relation to each brand and, consequently, to the appreciation of brands on the market.

PT is focused on building strong ties by establishing lasting relationships, respect, rigor, transparency and trust with each stakeholder to thereby achieve a growing connection between its brands and corporate social responsibility.

To do this, communication channels 24 hours a day, specialized teams to dialogue with each public and media with the information tailored to each were provided.

Over the previous three years a new model of corporate reputation management was started that aims to awake the various audiences to the path of successive approximation of its brands to the sustainability of businesses and services.

A Guide of Responsible Communication was created and the communication of products, equipment and services has been integrating new attributes related to protection of minors, personal data privacy, information security, good habits of use, electromagnetic radiation, reuse of packaging, waste forwarding, among other aspects that can contribute to a more enlightened and more responsible acquisition, subscription and/or usage of products and services.

Additionally, the company's brands are committed to giving an effective response to the market, adapting the whole range of services and solutions of PT, to the needs expressed by each user, ensuring at the same time the continued provision of services subscribed and the satisfaction of its customers.

1. Brand management and reputation

PT is one of the largest Portuguese business groups, listed on the stock exchange at national and international level, and its activity has direct and indirect impacts on the economy of the country. Therefore, the management of the Group's corporate image is performed through the identification and segmentation of the most critical audiences for the development of its activity: financial community, customers, employees, suppliers, the media, regulators and the community as a whole.

The interaction with each of these publics requires availability, planning, rules and appropriate communication channels. Only in this way, we believe, it is possible to meet the expectations of each guaranteeing, at the same time, the continuing appreciation of the company and its institutional and commercial brands.

From corporate vision and objectives to brand and reputation management

Strategic goals	Positioning strategy	Stakeholder Involvement and relations	Vision of brand reputation	Brand reputation management	Monitoring and evaluation
• 100 million customers • 2/3 of revenues originated by international holdings • Leadership in all segments and geographies • Upper quartile on return • A reference in sustainability	• Based on innovation and operational implementation with a sustainable approach • At the national level, to be the leader in all markets • Internationally, the focus is on growth and profitability	• Stakeholder management model; • Identification of key stakeholders; • Communication channels per stakeholder; • Identification of relevant topics per stakeholder; • Measuring and control tools	Reputation and brand image is the result of the experience of emotional and rational relationship that the company establishes with society: • Main objectives • Brand identity • Brand functions • Brand evaluation • Corporate reputation	Commercial and institutional brands: • Positioning and values • Designations • Operational application • Planning and communication	• Identification and monitoring of reputation risk • Measurement • Transparency in communication and dialogue • Communication channels

1.1. Corporate identity, image and reputation

PT sees the brand as a signature that is associated with the personality of its business group. It is an intangible asset of the company, which should be managed to disseminate the company's strategic objectives, values, attitudes and commitments to businesses and society in general.

PT Code of Ethics of the attitude that guides its institutional and commercial relations are strong allies in the construction and constant enhancement of brands and, consequently, in the consolidation of its identity and image.

According to PT, the brand must reflect the characteristics of its corporate personality across all its businesses, thus contributing to the proper positioning of the company in each sector of the market and society.

Main objectives	Brand Image		Reputation
	Brand Functions	Brand Valuation	
Brands must reflect the characteristics of corporate personality of PT in all its businesses and in this way contribute to the proper positioning of the company in each market sector and in society	• Identity and distinction • Identification of products and services • Attraction and retention of stakeholders • Emotional involvement	• Economic • Commercial • Emotional • Social Responsibility	

The brand image is for PT the mirror of the emotional and rational relationship that the company establishes with society in its multiple exchanges of experience. And, so, for each brand there is a manual with the following areas:

07 COMMUNICATION, MARKETING AND REPUTATION

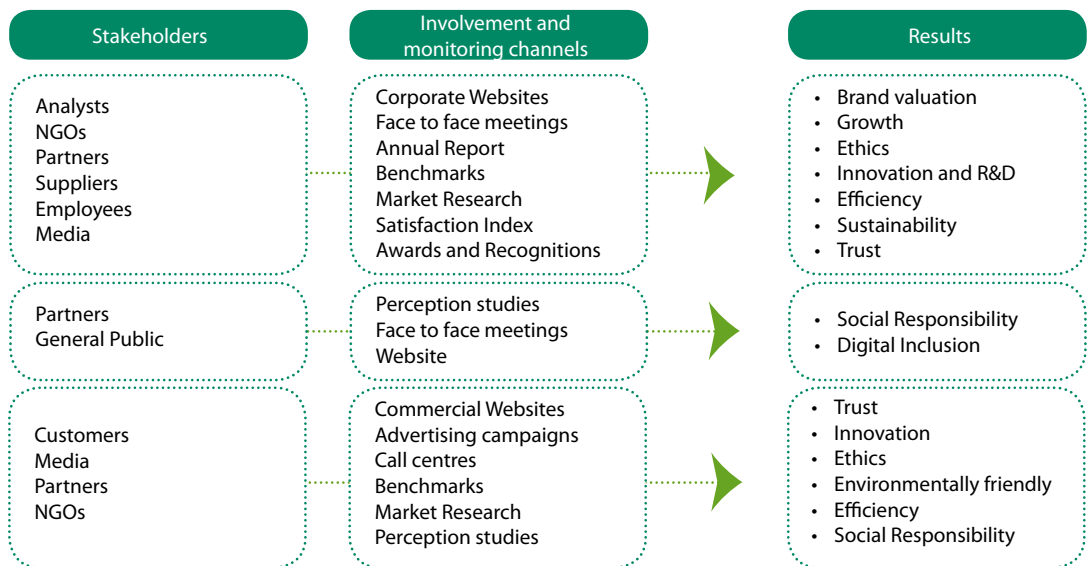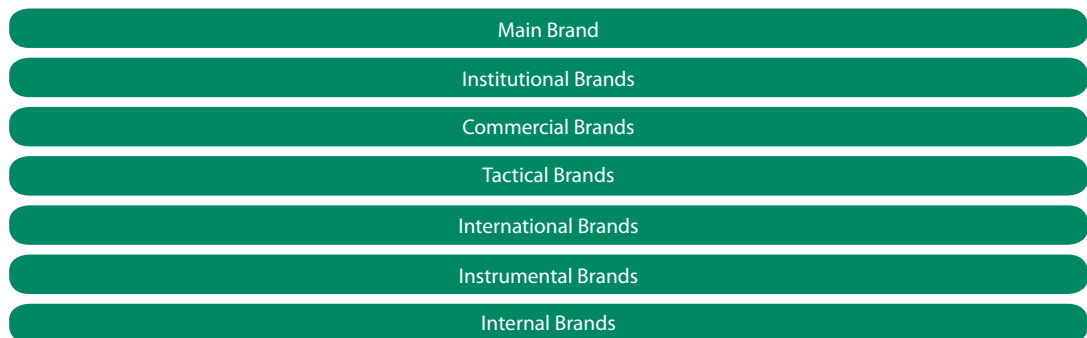| Values and Positioning	Statement that reflects the identity of each brand based on their respective strategic objectives. It includes the definition of the values and desired positioning for each brand.
Names	Development of new brands or products and service offerings. It requires a knowledge of strategic and/or operational objectives of the desired names. It includes a list of names proposed in accordance with the objectives and selection of the most appropriate names.
Operational Application	Ensure the correct application of the brand in several pieces based on different types. It can include the development of a manual with rules for each defined category.
Planning and Communication	It includes regular analyses of different market surveys and available data that support the communication strategy of each brand.Produce presentations / reports with complete information based on data from regular market surveys and data from other companies, in order to allow the proposal of strategic orientation and the type of media actions best suited to the brand under analysis.

The management of each brand and the respective reputation takes into account the following aspects:

Stakeholders	Involvement and monitoring channels	Results
Analysts NGOs Partners Suppliers Employees Media	Corporate Websites Face to face meetings Annual Report Benchmarks Market Research Satisfaction Index Awards and Recognitions	• Brand valuation • Growth • Ethics • Innovation and R&D • Efficiency • Sustainability • Trust
Partners General Public	Perception studies Face to face meetings Website	• Social Responsibility • Digital Inclusion
Customers Media Partners NGOs	Commercial Websites Advertising campaigns Call centres Benchmarks Market Research Perception studies	• Trust • Innovation • Ethics • Environmentally friendly • Efficiency • Social Responsibility

The brands of the company obey strict rules of segmentation and application, according to the following structure:

- Main Brand
- Institutional Brands
- Commercial Brands
- Tactical Brands
- International Brands
- Instrumental Brands
- Internal Brands

1.2. Responsible Communication

Aware of the influence of communication on all stakeholders and of advertising on customer satisfaction, attitudes and lifestyles, PT accepted the challenge of having communication practices consistent with its commitments to business sustainability.

The responsible communication adopted in the company obeys the following principles:

- law enforcement
- compliance with the codes of marketing and advertising
- media and telecommunications
- respect for the environment and for people
- clarity and truthfulness as starting points
- leading trends in responsible communication

Additionally, 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 media that it uses and messages that it conveys. And, therefore, it has been reoriented towards:

- Privileging the eco-designed media and using ecological arguments only when it is justified and it is true;
- Refusing the promotion of behaviours that impact negatively on the quality of the environment and social relations;
- Promoting the positive evolution of the ways of thinking and of life in society and of change in behaviours and attitudes.

To support the path to responsible communication at its various levels, two orientation guides were created, of voluntary and auto regulatory nature, that aggregate a number of best practices and recommendations to be adopted by the entire value chain either internally or externally, with suppliers and partners. These guides are dynamic and are subject to revisions that reflect the development of the market and new services.

Guide of Responsible Communication

Of its contents stands out the approach to the following issues:

Transversal Challenges
Environment
Human Dignity
Child Protection

Industry challenges
Information security and Privacy Guarantee
E-Inclusion

Communication challenges
Rethink
Reduce
Reuse
Recycle
Communicate

Guide of conduct on social networks

Of its contents stand out the following issues:

   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 that foster discrimination against any particular group,
   Reject malicious subversive messages or that knowingly intended to disparage something or someone in particular,
   Respect copyright,
   Publish only up-to-date and true information.

Aware that the path to achieving the goals and purposes set out in the Guides of responsible communication is achieved gradually, a first application test and control of the principles and recommendations of the Guides was carried throughout the year and the first results have the following profile:

Assessed Campaigns	60%
Campaigns that fully comply with the guide	34%
Campaigns that partially comply with the guide	66%

1.3. Brand value

At international level
PT is among the 100 most valuable brands in the Telecom sector globally in 2012, according to the Brand Finance study.

> **PT brand in 100th position among the 500 most valuable in the sector worldwide and the first at national level:**
> **Valued with AA + and in the amount of USD $ 896 million**

The methodology of the study and its findings may be found on the website http://brandirectory.com/league_tables/table/top-500-telecom-brands-2012

At national level
According to the "Trusted Brands in Europe 2012" study, conducted by Reader's Digest Selections, PT's brands, TMN and Sapo are among the 10 national brands that have aroused greater confidence in consumers.
Trusted Brands 2012 - Reader's Digest Selections:
• Sapo wins in the category Internet Service Providers
• TMN wins in the category Mobile Networks

> **TMN** and **Sapo** are among the Portuguese brands in which national consumers place more trust

The methodology of the study and its findings may be found on the website http://www.rdtrustedbrands.com/tables/Winners%2520by%2520country.country.Portugal.shtml

2. Axes of corporate social responsibility to enhance in communication and marketing during the three-year period

Ethics in communication with stakeholders

Trust relationships should be encouraged through the permanent willingness to interact and meet the expectations of all:
(i) Rigor and transparency in all interactions;
(ii) To respect and ensure respect for the privacy of personal data.

Infrastructure for the next 100 years

We are building the foundation that will support the evolution of the forms of working, living and communicating in the next 100 years:
(i) Invest in next generation networks and ensure global coverage in the country - FTTH (Fiber to the Home) and 4G/LTE (Long Term Evolution) – high-capacity broadband;
(ii) Create strong convergence and interaction between content, communications and electronic equipment.

Have and encourage responsible behaviour in ict

Knowledge and ethics are key influencers of each one's attitude:
(i) Stimulate the consumption/responsible use of equipment and services;
(ii) Provide information for the protection of minors in the use of ICT;
(iii) To respect and enforce respect for human rights;
(iv) Align value chain;
(v) Digital inclusion: access and literacy.

Climate change and energy efficiency

The systematic search for solutions that do something about the impacts of ICT activity in society together with the contributions that its use can induce on the market, will be certainly the guarantee of better environmental balance in the future:
(i) Stimulate energy efficiency;
(ii) Streamline carbon emissions;
(ii) Rationalize and route waste to appropriate destinations;
(iv) Preserve biodiversity and landscape balance.

Development of ecological and inclusive services and solutions

Diversify the commercial offering, incorporating environmental and social sustainability in equipment, services and solutions that it develops and markets:
(i) Cloud Computing;
(ii) Geotagging;
(iii) Security;
(iv) Health;
(v) Education;
(vi) Assistance to people with special needs;
(vii) Electronic payments (electronic purse).

08
SUSTAINABILITY IN THE COMMERCIAL OFFERING

08

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PT's commercial offering seeks to incorporate products and solutions adapted to market expectations of the, 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.

Over the past few years, the equipment, products, services, solutions and the features made available to the market have been provided with attributes to improve the sustainability of the commercial offering. To do so, the continuous involvement of the entire value chain has been crucial, including suppliers and business partners, upstream and customers downstream as subscribers and users.

1. Environmentally responsible products and services

Environmental sustainability in the commercial offering can induce a strong reduction of the carbon footprint of customers, in addition to constituting a new market opportunity for all those in the ICT industry. PT's agenda in this area is summarized in the table below:

Green Intelligence in the market offering – topics on the agenda

Energy – consumption, GHG emissions and sources

| Telecommunications networks | Information storage | Climate Control | Electronic equipment | Lighting | Travel |

Water – consumption, source and destination

| Climate Control | Administrative Consumption |

Materials – consumption, origin and proper routing

| Paper | Wood | Plastic | Copper | Optical fibre | Communications equipment |

Value chain – from suppliers to customers

| Policies | Consumptions | Emissions | Behaviours |

Activity impacts – direct and indirect (suppliers, customers and the community in general)

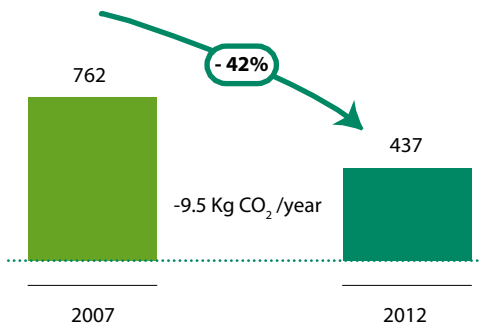| Landscape | Noise | Electromagnetic fields | Re-routing of waste | Natural disasters | Carbon footprint |

1.1. Energy efficiency and carbon footprint

Lower energy dependency of equipment together with its efficiency, reduces not only the carbon footprint of customers as well as the respective costs.

Therefore, PT has sought to market equipment with less energy dependency and has provided services and features that allow each customer to monitor and benefit from better management of their energy consumption and their spending.
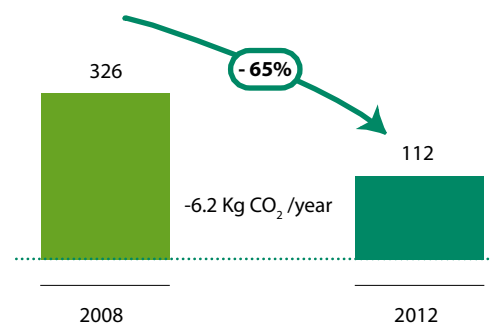
Equipment for reception, decoding and processing of TV signals

EQUIPMENTS

ANNUAL CONSUMPTION KWH | IPTV

762 — **- 42%** → 437

-9.5 Kg CO_2 /year

2007   2012

ANNUAL CONSUMPTION KMh | SATELLITE

326 — **- 65%** → 112

-6.2 Kg CO_2 /year

2008   2012

The equipment for receiving, decoding and processing of signals of the television service (IPTV), benefited from an overall reduction of 42% in energy consumption between 2007 and 2012, which corresponds to a global average reduction of 9.5 Kg of CO_2/year. And the satellite equipment benefited from a reduction of 65% in energy consumption, in the same time period, corresponding to a global average reduction of 6.5 Kg of CO_2/year.

This study is published on the company's corporate website, and can be found at http://www.telecom.pt/NR/rdonlyres/7CF0B123-AFBD-4118-A751-6D3CA9567065/1463445/CLIENTESREDUOPEGADADECARBONO EEFICINCIAENERGTICA.pdf

Services that allow remote control of energy consumption in the home

MEO Energy is a service, supported on a device that connects to the electrical panel and that allows you to view on TV - Interactive MEO - or on the PC to, through the internet, the home electricity consumption, providing information about:
- Energy consumption in different periods of time
- Forecast of costs, depending on the consumption
- What is the best plan for the electricity consumption of your home

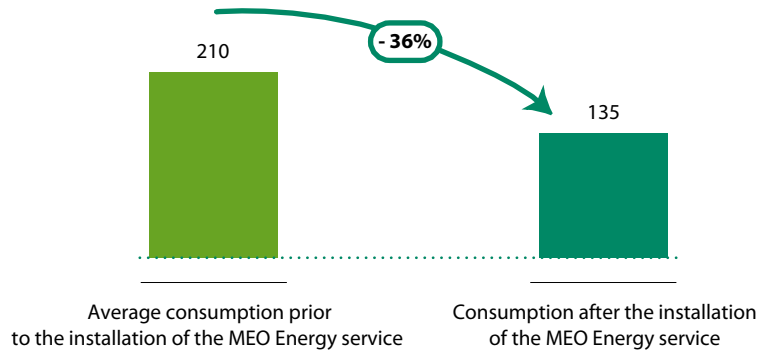With MEO Energy consumers can adopt good energy saving practices in their homes:
- Saving in energy consumption and reducing waste
- Saving in energy consumption and reducing waste
- Choosing the electrical power and the pricing more suited to your home
- Following advice and recommendations on energy savings

Use of the energy consumption monitoring service in the home

MONTHLY CONSUMPTION KWh*

210

- 36%

135

Average consumption prior
to the installation of the MEO Energy service

Consumption after the installation
of the MEO Energy service

*Average consumption in Portugal, in an urban area, in a household with 3 elements.

The tests carried out lead to the conclusion that the reduction of energy consumption in homes that adopt this service may vary between 20% and 40%, and in the type of family tested the reduction achieved was 36%.

This study was published on the company's corporate website and can be found at http://www.telecom.pt/NR/rdonlyres/7CF0B123-AFBD-4118-A751-6D3CA9567065/1459385/MeoEnergyReduodapegadadeCarbonodosClientes.pdf

Carbon footprint of a minute of conversation between mobiles in Portugal

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

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

CARBON FOOTPRINT OF MOBILE COMUNICATION SERVICES

CO_2 emissions at each stage of the life cycle of mobile services. Total = 2.7 g CO_2 / min

| Production and network construction 1% | Network administration 3% | Transportation and Logistics 2% |

| Network utilisation 28% | Production, Use, EOL of equipment 64% | Packing 2% |

Lifecycle
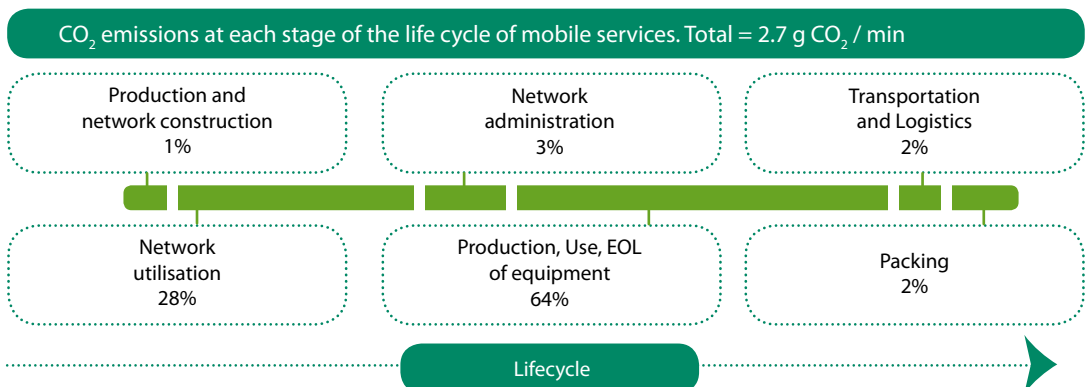
PT's commercial offering provides various other services that save costs, save time, unnecessary travel, fuel costs and materials, namely:

- Machine-to-machine Solutions // Important steps were also taken in the consolidation of a machine-to-machine (M2M) offer, by providing a number of solutions that allow interaction, without human intervention, between assets/devices/machines and information systems that support the management of these assets.

> **Solutions:**
> Remote management of fleets
> Georeferencing
> Remote control of energy efficiency
> Telesecurity
> Teleassistance

- IT/IS Solutions // PT has been providing services that are a reference in the national pioneering translating into competitive advantages for customers promoting IT cost savings, increased productivity, mobility and reduction of energy consumption (electricity and fuel).

> **Services and solutions:**
> **S**mart cloud – virtual storage and information management
> Video surveillance
> E-learning
> Telemedicine
> E-procurement
> Teleconference

1.2. Raw materials and conflict minerals

PT is not an equipment manufacturer. Whenever it needs, whether for its own use or for its customers, it consults the market and seeks 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 rationalization of consumption of materials, PT has sought to get more and more information and increasingly stricter about the raw materials incorporated in equipment purchased for own use or to market, to progressively ensure two situations deemed crucial:
- That equipment manufacturers reject and undertake not to use minerals from conflict zones, namely tantalum, tungsten and coltan (usually designated 3TG);
- That the existing information allows giving correct information about the forwarding best suited to each component of the equipment at the end of the respective life cycle.

PT's supply chain is composed of entities subject to a very strict pre-selection process and after selected, the suppliers, must be available to receive and participate in random face-to-face audits and/or documentary validation surveys of the respective environmental performance.

The Global e-Sustainability Initiative (GeSI) in partnership with the Electronic Industry Citizenship Coalition (EICC) are developing efforts for the screening of mineral sources used by the telecommunications industry. The Conflict-Free Smelter (CFS) program has enabled us to perform a self-assessment on the use of sources of conflict in the value chain www.conflictfreesmelter.org.

08 SUSTAINABILITY **IN THE COMMERCIAL OFFERING**

The general results of the validation carried out are the following:

	Mobile equipment	Other equipment
Suppliers who assume the commitment not to use minerals from conflict zones	100%	in development

Evaluation of suppliers in respect of the alignment of environmental practices adapted to each activity

2010	2011	2012
64	71	74
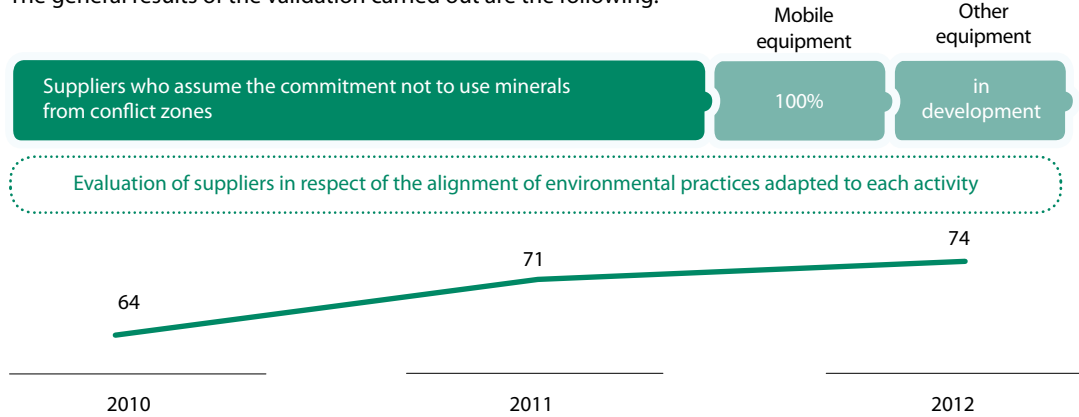
The alignment of environmental practices of suppliers with PT's Social Responsibility Code and the respective environmental practices has been improving from year to year, reaching a satisfactory level. The assessment of this alignment was improved with new criteria in 2012: those related to raw materials – and their importance in relation either to their origin or to the level of treatment at the end of their lifecycle.

1.3. Reuse and recycling

Reuse and recycling of materials has deserved special attention from PT either in what regards directly to the company's activity or with regard to information and programs provided to customers.

Packaging

Concerned about the environment and fulfilling one of its strategic goals, PT began the process of creation and production of ecological packaging, with a view to improving the sustainability of the lifecycle of the products.
In addition to the materials and the form that characterize them, the packs contain information about the forwarding of materials when they reach the end of their useful life.
• Ecological packaging: creation of recyclable and reusable packaging with user guides on how to route materials provided online;

Sustainable Packaging = Cost Reduction + Reduction of Environmental Impact + Packaging Reuse + Guides to Good Use

PT expects to progressively extend this concept of sustainable packaging to the entire product line that it markets:

Wireless Triennium 2009-2011 – ✓

Wireline Triennium 2012-2014 – in development

Equipment Recovery, Recycling and Reuse:

Equipment reuse prevents the consumption of materials, saves costs and reduces waste production. Therefore, PT proceeded to the evaluation, recovery and reuse of equipment returned by customers for

migration to other solutions or services. Over the last three years, about 25% of the equipment of PT's triple play offer – MEO - has been reused.

PERCENTAGE OF EQUIPMENT RECOVERED AND REUSED

■ Rerouted for recycling ■ Recovered and reused

Set top boxes	Home gatways	Set top boxes Satelite
72% / 28%	80% / 20%	77% / 23%
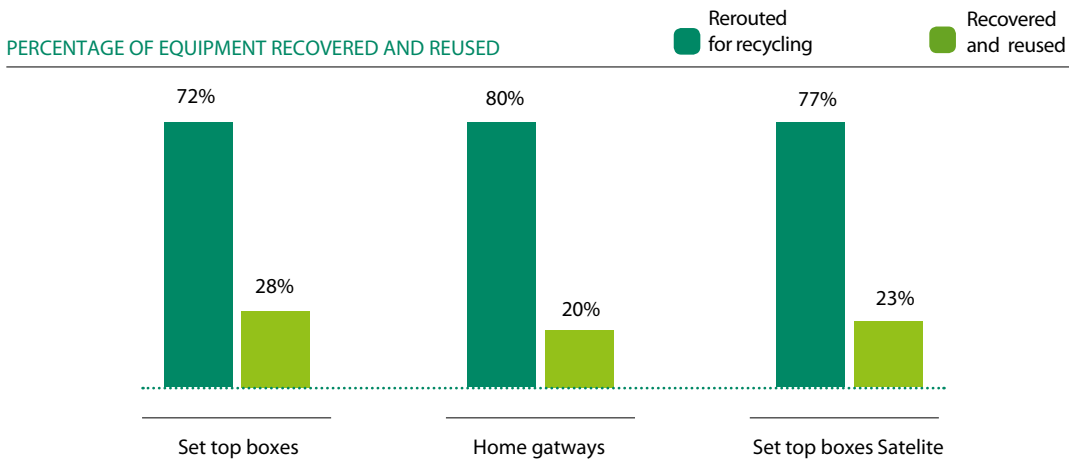
2. Socially responsible products and services

From PT's point of view, social responsibility of its commercial offering lies in providing a portfolio comprising the communication needs of the entire population, budget profiles of all households, the materials, services, features that respect human rights, the protection of minors and of layers of population with characteristics of greater vulnerability, and above all these features that they are based on infrastructure ensuring quality communications on broadband with sustainability over the next 100 years.

2.1. Access and service for all

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.

Public Payphones

At national level PT provided the following public payphones with telephone service and/or internet:
- Public payphones – 23,390
- Public payphones with Internet access – 46 (32 of which in public payphone stores)
- Public payphones on the street accessible to users with special mobility needs – 363
- Public payphones in places considered to be of special social interest by the regulator (hospitals and health centres, schools, airports, prisons, rail and road terminals, underground stations, courts, boarding houses and hotels, and other public facilities – 2,079
- Public payphones operated in partnership with local businesses, communities and other institutions – 14,382
- Public payphones installed at localities with less than 1,000 inhabitants – 8,600
- It began at the end of 2012, the experimental use of the infrastructure associated with some public payphones as support for WiFi HotSpots

08 SUSTAINABILITY IN THE COMMERCIAL OFFERING

Universal Service

Within the framework of the provision of universal service, PT continued to ensure access to telecommunications services to communities of lower purchasing power and/or geographically distant from major centres, ensuring that all citizens have access to a basic number of services of general interest regardless of their location and/or consumption profile.

Contingency plan to ensure the continuity of service provision

For out-of-service situations through acts of vandalism, natural disasters (floods, fires) or other situations, the PT has a set of contingency plans that may be triggered by ensuring as soon as service replacement in acceptable conditions.

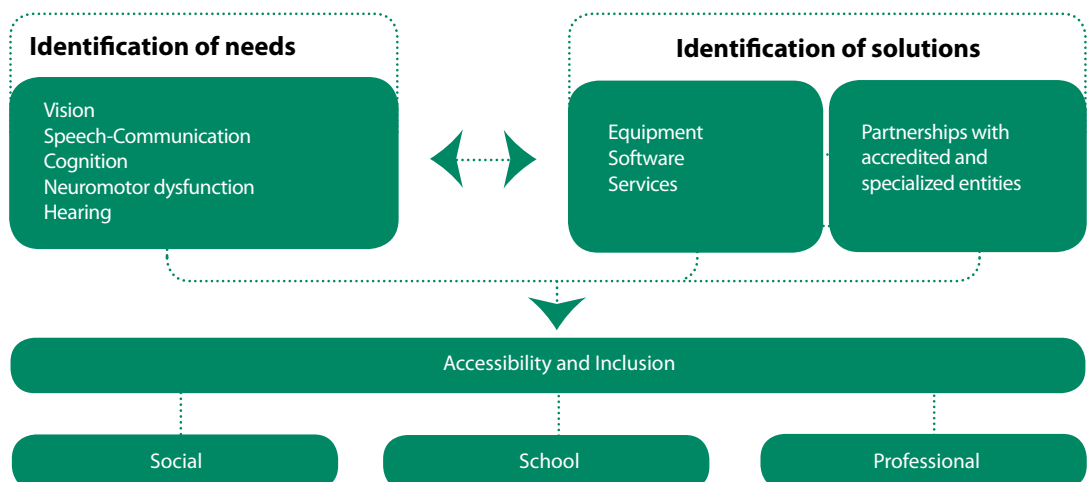**Special solutions for citizens with special needs**

In programs aimed at ICT accessibility by organisations working statutorily in the field of disability, or by citizens with special needs, PT continues the development and provision of a variety of products and services (Special Solutions, fixed and mobile) aimed at persons with disabilities, incapacities, severe disease or elderly at risk considering the specificities inherent in the following disability areas:
• Vision;
• Speech-communication;
• Cognition;
• Neuromotor dysfunction;
• Hearing.
The composition of these solutions requires targeted adjustments according to each need identified and can be found at http://www.lojapt.pt/PT/Pages/SolucoesEspeciaisPT_Visual.aspx

Access to ICT and the skills for its use are differentiating factors in social opportunities and, consequently of utmost importance today. They are a powerful instrument of 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.

Identification of needs

Vision
Speech-Communication
Cognition
Neuromotor dysfunction
Hearing

Identification of solutions

Equipment
Software
Services

Partnerships with accredited and specialized entities

Accessibility and Inclusion

Social   School   Professional

In the scope of innovation at the service of the population with special needs, we highlight the following solutions

- Teleaula – aimed at children or young people unable to attend classes because they are in a situation of disease in a hospital, in convalescence or in prolonged treatment;
- Call Centre for the deaf – Call Centre for people with deafness where the service is provided in Portuguese sign language;
- Equipment adapted to augmentative communication – intended for people with diseases of neurological type or degenerative disability.

Solutions addressed to senior people in isolation and/or situations of prolonged illness

- Remote management of households: centralised system for organisations in support of seniors, with integrated programming of home visits and volunteers, clinical health record of users, scheduling of treatments, among others, allowing on the one hand the efficiency of resources allocated to households, and on the other hand ensuring the quality of service provided to users;
- Teleassistance: in order to combat isolation and provide greater security for seniors, a solution of Teleassistance was created – permanent medical support service by telephone using a phone that allows, in case of emergency, to enter into direct contact with the assistance services 24 hours a day during the 365 days of the year;
- Senior Age Portal: development of a SAPO portal with dedicated content and services and targeted to the active living of the senior segment. It presents very positive results, exceeding 856 registered persons already and about 1,032 thousand visitors.

E-health – solutions addressed to the general population in the area of health

- Tele-consultation: electronic platform that allows performing remote queries with sound and image, avoiding travel of patients and that naturally brings patients closer to their doctors. This solution has been adopted, for example between hospitals in Portugal and hospitals in Cape Verde and Sao Tomé and Principe;
- Baby Care: It is a pioneering service worldwide, developed by PT, that allows parents of babies that are in intermediate or intensive care units of hospitals equipped with this system, a permanent contact with their children from any location, or country, provided that they have a fixed or mobile internet access.

Solutions to ensure safe communications for children and young people

- TMN Kids: New service that allows parents to define the phone numbers that can contact with the mobile phones of their children. Directed to the growing appetite for mobile communications of this segment, focusing its service on concerns in terms of safety and cost control of parents and teachers;
- MEO Kids and Sapo Kids: Content channels specifically directed at children and with guides of good practices for the use of online media;
- Communicate in safety: Awareness program for young people and parents for the safe use of online media in terms of protection of equipment, personal data privacy, and appropriate use of content. This program is being carried out in primary and secondary schools throughout the country and relies on the volunteering of PT and of the Safe School Program of GNR police force;
- Parental Control: Identification and dissemination (online) of guides of good practices for use of each device and/or service provided by PT.

Safety solutions for the general population

- TMN Drive: navigation application for smartphones, which turns the phone into a real navigator. Tmn Drive provides access to thousands of points of interest with maps of Portugal (includes islands) free of charge;
- Localizz: It allows sharing the location of a person and knowing in real time via mobile phone or PC where the children, friends or other persons with whom you interact are;
- Car Control: It allows locating and locking your car remotely, receiving alarms, pressing the alarm button and access to an emergency telephone line (accident and theft).

Marketing solutions

- SPOTYAD: Innovative service that provides advertisers with the opportunity to promote their products to customers of PT's mobile service, in an easy and fast way, by sending SMS for various promotions and discounts from their favourite brands.

2.2. Data privacy protection

The Information security policy at the level of ICT systems was prepared, adopted in this three-year period, most of the employees was subject to specific training and the respective contents was promoted to customers and users.

Human Rights and Freedom of Speech

The confidentiality and security of customer data, the access protection and the traffic of the database information, as well as the confidentiality of the contents of communications, 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 – that is very detailed and specific with regard to this topic, 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 scan all situations likely to undermine the protection of personal data carried out by lawyers and by security experts.

When we refer to personal data, we mean any information of any kind and irrespective of its support, including sound and image, relating to an identified or identifiable natural person: it is considered to be the person who can be identified directly or indirectly, in particular by reference to an identification number or to one or more factors specific to his physical, physiological, mental, economic, cultural or social identity.

Management model	
Governance and Information Security Policies • Security Committee • Information security policy • Standards and Guidelines	
Operational management of information security • Security incident management	Interaction with other operators and national and international bodies, related to the identification and mitigation of the impact of computer security incidents.
Responsibilities of users • Care to be taken • Mandatory training • Test to password robustness	

Information Security Policy

In 2010, PT prepared and adopted its Information Security Policy in terms of ICT systems. This policy contains a wide range of procedures, for which most employees have had specific training.

Knowing however that this is a sensitive area and where developments are fast, it has been participating in discussion forums on this topic and implementing the measures regarded as best practices in the safeguard of data protection and customer privacy.

The rules set out in this Privacy Policy supplement the provisions on personal data, provided for in the contracts that customers established with companies of the PT group, as well as the rules laid down in the Terms and Conditions governing the provision of various products and services that are duly advertised on the respective websites.

PT only provides customer data to third parties exclusively at the request of any judicial authority and strictly in accordance with the procedures defined by national law.

Operational management of information security at PT, at home 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, the name that designates the 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 Introducer and ensuring: • Handling of computer security incidents; • Coordination of security incidents; • Dissemination of alerts.

Participation in the 31st International Conference on Data Protection and Privacy

• Following the **31st International Conference on Data Protection and Privacy** held in Madrid, 50 countries agreed on 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 linked to the ICT universe;
- The document approved can be seen online and defines the basic principles for the use of personal data: loyalty, legality, proportionality, quality, transparency and accountability. It also recognizes the need for supervising 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.

2.3. Content security

The ease with which nowadays content is accessed and provided is truly stimulating and unequivocally contributes to bringing people together, and bringing these closer to the most diverse levels of knowledge. However, we know that this reality raises concerns related to the misuse of these potentialities on the part of sections of the population with less critical capacity and/or selection of content appropriate to their interests.

Aware of this fact, PT has triggered initiatives that aim at raising awareness of the population for the responsible consumption of content, offers equipment guides and parental control software, follows the recommendations of international bodies on this issue and, in 2009, signed a protocol of collaboration with a scientific computing entity for monitoring of content and network security.

Code of Conduct

In 2008, PT signed the Code of Conduct for the activities of provision of content services to protect the exposure of minors to harmful content when using electronic communications services.

Collaboration Protocol for computer security and safe use of the internet

In 2009, PT signed a cooperation protocol with the Foundation for National Scientific Computing (FCCN), aimed at the areas of computer security and the safe use of the internet.
At the level of computer security, the situations are safeguarded that relate to an action or number of actions taken against a computer or computer network which result, 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, the interference or denial of service on a computer system.
At the level of the safe use of the Internet, it is maintained the identification and reporting of clearly illegal content, in order to fundamentally remove and disable 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

PT is also a signatory and founder of a number of guiding Principles to ensure greater safety of children and young people in the use of information and communication technologies 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 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 educate the school community for the good use of content accessible through electronic communication equipment, PT, through its corporate volunteering programs, prepared an initiative to bring to a wide range of schools nationwide that aims, in a classroom environment, to:
- Promote the safe and responsible use of the contents and electronic equipment;
- Raise the awareness of educators to the parental control tools currently available;
The program was prepared and tested in some schools in 2009, and is running in schools across the country.

Guides of Good practices for use of services and parental control

The interactivity of new media not only opens doors, but also, as in other aspects of everyday life, requires care to preserve the security of each individual, 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 to ensure that the experiences in the current digital universe are the most enriching and responsible. PT, aware that this path is the most suitable to safeguard its customers, in particular the younger generation, offers a number of services and guides to parents and young people and that tend to promote the safe use of ICT, that can be found online on the respective website.

> - Applications that block adult content
> - Campaign for prevention of behaviours in the use of mobile services

2.4. Communications continuity in adverse situations

Portugal Telecom aware of the importance of its contribution in the economic processes and in the lives of people has as its fundamental goal that its networks and services meet all protection requirements, so that they can be used even in adverse situations.

In emergency or disaster situations, Portugal Telecom assumes the following objectives:
- **Ensure the well-being and safety of people**
  Ensure the safety of life and health of its employees and other people who are on its premises;
- **Ensure continuity in the functioning of the services and critical processes**
  Services and critical processes are identified, are resilient and are constantly monitored in order to prevent abusive, malicious and fraudulent access;

08 SUSTAINABILITY **IN THE COMMERCIAL OFFERING**

- **Minimize losses and impacts to customers**
  Ensure that the recovery solutions implemented minimize the impacts on customers, allowing a quick and effective recovery;
- **Ensure compliance with legal and regulatory requirements**
  Liaise with the regulator to adopt best practices in accordance with legal and regulatory requirements to which it is subject.

Business Continuity Management is supported on a three-level structure, which in case of occurrence of a serious or very serious incident affecting the employees, facilities, network infrastructure or information systems, individually or as a whole, set out the guiding principles of an appropriate response, the approach to crisis management and offers a number of tools that allow a correct recovery.

Strategic Incident Management Plan

| Tactical Incident Managemet Plan | Business Continuity Plans |

| Security Plans | IS Disaster Recovery Plans | Network Disaster Recovery Plans |

2.5. Electromagnetic radiation

Mobile equipment

The increased use of mobile phones has sparked concerns in public opinion about the effects that the electromagnetic fields of mobile telecommunications may cause on the health of the population.
PT, over time, has sought to monitor and publicize the evolution of existing knowledge on the subject, both with regard to scientific research on the effects of non-ionizing radiation on human health, both with regard to European and national conclusions and recommendations on the safety limits for radiation levels.
The European Commission, WHO (World Health Organisation) 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 network stations and, of course, to identify best practices to be applied in this issue.

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

100%	100%	25%
Terminals marketed by PT, which meet the radiation value recommended by EC - below 2.0 W/Kg	Equipment marketed by PT with information on the respective SAR - in the manual and online	Antennas shared with other operators

Radio stations

The National Communications Authority adopted the reference levels set by the European Union through the Council recommendation 1999/519/EC. These reference levels are applicable to all radio stations, installed under a network or workstation license.
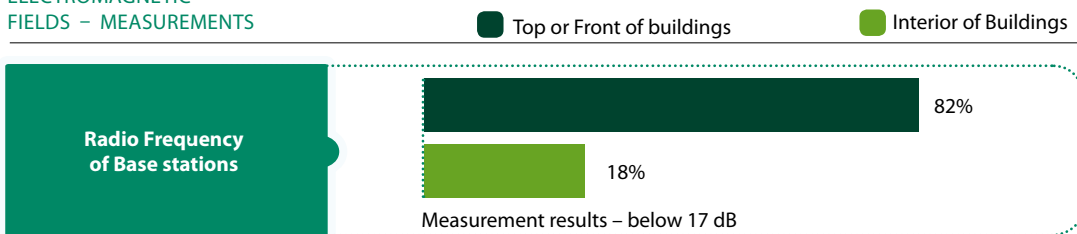
In addition, in accordance with national legislation, all mobile telecommunications operators have to deliver, in all Municipalities of the country, a number of documents to obtain municipal consent inherent to the installation and operation of radio communications infrastructure. This legislation also adopted mechanisms for the fixing of reference levels on exposure of the population to electromagnetic fields.

The supervision is strict, pledging the national regulatory authority to carry out verifications and tests to check the compliance with the regulations.

PT, besides following the development of the knowledge produced on this topic and sharing the use of antennas with other operators at national level regularly, randomly monitors its network, in addition to performing the measurements and to clarify the questions requested by the competent authorities or directly by the users.

It should be noted that, to date, measurements made to the network showed levels below those recommended by the EU. However, in the event of any case with values higher than those agreed, PT will trigger a correction plan defined for such purpose.

ELECTROMAGNETIC
FIELDS – MEASUREMENTS

■ Top or Front of buildings ■ Interior of Buildings

Radio Frequency of Base stations

82%

18%

Measurement results – below 17 dB

2.6. Promoting responsible consumption

For PT, it is essential to provide the necessary knowledge to customers so that they can take their purchasing, subscription and/or use options consciously and responsibly.
The increased convergence between content and equipment, between the fixed and the mobile network and the new features offered by the fibre optic network (FTTH - Fiber to the Home) and by the 4G/LTE network (Long Time Evolution), together with the consolidation of the management and customer interaction platforms, of the programs for quality improvement of customer care and the added attributes for greater sustainability to the commercial offering, were some of the main topics on the agenda of the management of the business units of the Group's companies over the past 2 years.

Initiatives that contribute to a more responsible consumption

In order to ensure the clarity of the tariffs associated with the acquisition, subscription and use of its services, PT had already launched in 2009 a new invoice to present to customers a greater clarification of each of its items and kept its prices and simulators online, so that each customer has full control and can select the most convenient solutions for his needs and specific characteristics.

08 SUSTAINABILITY
IN THE COMMERCIAL OFFERING

Communication of Prices and Tariffs associated with the Acquisition, Subscription, and Use of services	
Online **Available and updated 365 days a year**	Price plans Prices of service packages Simulators of services/prices Customer Portal
Invoice **On paper and online**	Detailed description of each item billed
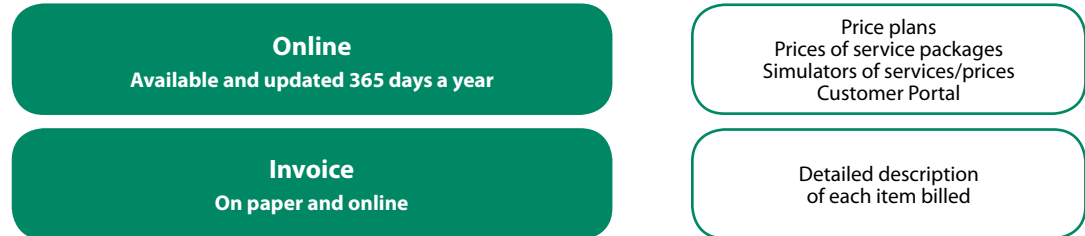
User guides that promote healthy and environmentally friendly use of products and services

• All products and services marketed by PT are subject to rigorous testing to ensure the health and safety of their users and, for each, there is a manual of procedures and/or labels with the specs on their proper use and how to forward them whenever these are replaced or discontinued by their users;

• Additionally, PT has developed and promoted a minisite, with an entertaining content where it elucidates customers on opportunities and risks to be taken into consideration in the selection and use of ICT-related equipment and services http://sustentabilidade.telecom.pt/;

• The packaging of products marketed contains tags that indicate the appropriate routing of the respective waste, in addition to identifying the level of electromagnetic radiation of the equipment, where applicable.

> In 2012, there were no controversies related to the products and services marketed by PT.

Guides of protection of minors and parental control

• On the corporate website, customers can also find guides of good use that include not only indications of parental control as well to indications to protect the identity of each user and the access to harmful content. Soon, we will provide also information on healthy ways to use the equipment and telecommunication services. http://www.telecom.pt/InternetResource/PTSite/PT/Canais/SobreaPT/Seguranca/Crian%c3%a7as+Seguras/criancasseguras.htm

Impacts of products and services

• Through case studies, published online on its corporate website, PT makes known to its customers the impact of some of its services: highlight should go to the study on the carbon footprint of the mobile service and its comparison with the carbon footprint of other services. http://www.telecom.pt/NR/rdonlyres/0EF3D6DB-B23C-4288-86C3-046832F85D95/1458006/MobileCarbonFootprint.pdf.

Products and services that reduce the environmental footprint of customers

- The marketing of ICT-based services and solutions contributes decisively to make our customers less energy dependent and, consequently, reducing the emissions of carbon dioxide into the atmosphere. The areas of health, education and home automation have already begun to form the basis of this new paradigm and are already a new window of opportunity for environmental preservation.

Products and services suitable for people with disabilities and minorities

- The commercial offering available includes products, services and solutions for people with special needs and offers packages adapted to persons residing in the country from other nationalities.

Responsible Marketing

- Promotional campaigns carried out by the company seek to respect the beliefs and values of the target audiences in addition to providing accurate information about the characteristics and forms of use of the services/products advertised;
- All campaigns are aired containing one or more forms of contact - email address, a website and/or a telephone number - through which the customer or potential customer might clarify doubts, give suggestions, request detailed information or subscribe to the product/service promoted;
- The messages used in the campaigns are built consciously and responsibly, appealing to the benefits of the brand, product and/or service. Messages are avoided that establish comparisons with competitors or showing situations likely to undermine the values and beliefs prevailing in Portuguese society.

> Last year, PT was not the target of any controversy related to the communication campaigns that it launched.

3. Relationship with customers

PT is committed to building a lasting relationship, respect and trust with each customer.

For this, the company's brands are committed to giving an effective response to the market, adapting the whole range of services and solutions of PT, the needs expressed by each user, while ensuring the continued provision of services subscribed and customer satisfaction.

The recent years have been marked by significant improvements in the areas of customer service, delivery/installation of services and breakdowns, early identification and resolution of problems, in line with the suggestions and the next subsequent recognition by the market.

The increasing sophistication of the services and the expansion of the commercial offering of the Group triggered an increase in the amount of contacts for the subscription of services, requests for information, complaints and/or participation of malfunctions. So, PT has implemented a number of processes and platforms that made it possible to deepen the knowledge about each customer, adjusting the provision of services to the responsiveness of each need.

3.1. Organisational model

Customer relations are a priority for all Group employees, regardless of their functions and/or responsibilities within the organisation.

Areas of customer focus
- Listen to customers
- Customize the relationship with each client
- Innovate in the market offer
- Offer quality services
- Ensure continuity in the provision of services
- Ethics in the commercial relationship
- Promotion of correct habits of use of the services

Within this context, PT continued to be recognized as the national company which best relates to customers, and has successively received such recognition from various entities.

With this increased responsibility, we have continued to seek the path of excellence in this area and to strengthen the channels of communication with customers, in order to meet the expectations that we have identified in market consultations.

CRM - CUSTOMER RELATIONSHIP MANAGEMENT

PT				Customer
	Online	Website / Customer Portal / Wikicare	Available 24 hours a day 365 days a year / Customer management and customization to respective profile / Allows the customer to give suggestions for improvement	
		Campaigns	Advantages of market offering with environmental and socially responsible attributes	
	Personalized contact	Customer managers / Employees / Stores and agents		
		Customers Ombudsman	Receives customers and consumer defense bodies	
		Opinion polls / Satisfaction surveys		
		Contact centre	Available 24 hours a day and 365 days a year	
		Invoice	May be in electronic format	

The path of excellence in customer relationship is based on a management model across the entire company.

Customer Management Model

Segments

Personal	Residential	SMEs	Corporate	Wholesale

Customer Management Platforms

Customer Relationship Platforms

Operations and Network

Commercial Offering

Marketing

Business support areas
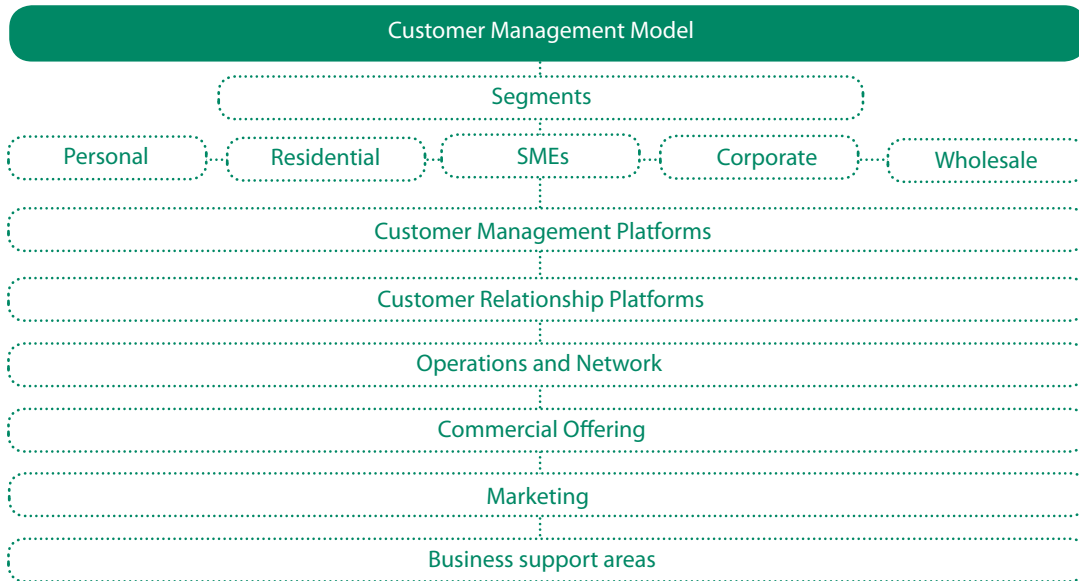
CRM (Customer Relationship Management)

The Customer Relationship Management (CRM) platform includes a number of features that lets you know customer profiles according to their preferences and lifestyles. This information is fundamental for a better matching of the services portfolio to the market.

To date, the segment of customers who value environmentally and socially sustainable attributes is not statistically significant.

Tactical Centre // Identify problems and anticipate solutions to alleviate negative impacts on customers

With about 100,000 daily contacts together with the launch of new services and updates on the network, PT has the problem of recording customer situations/complaints for which it has no appropriate, fast and efficient solutions.

So it created an observatory where all cases submitted are monitored in the context of customer service and where new problems are identified and the appropriate solutions are defined. This observatory, called the Tactical Centre, contributed heavily to speed up response to customers and to improve the success rate in customer service made through the contact centres.

Tactical Centre objectives
Focus on Customer impact – minimize the number of customers affected by anomalies; Articulation of the various interventions:
- Articulate the intensity of interventions with weather forecasts (fault estimate);
- Measure the impact of interventions on the network acting as customer service;
- Promote communication, involvement and participation across the organisation: customer support, technical, operations, business;
- Customer impact control - analytical and objective quantification;
- Continuous monitoring – reduce analysis based on perceptions;
- Service assurance – provided by technical team dedicated to tuning of upgrade processes.

08 SUSTAINABILITY IN THE COMMERCIAL OFFERING

In 2012, there were 484 new situations identified, distributed by the following areas:
Wireline – 199
Wireless – 264
Common – 21

Of the situations identified in the course of the year, priority goes to the resolution that may affect:
• greater number of customers;
• civil protection;
• hospitals and health services;
• security-related entities;
Last year, about 80% were corrected immediately, thus mitigating the impact on more customers and protection, health and public safety services.

Example of a typical situation identified and resolved in the context of the Tactical Centre:
Common: the quality of telecommunications services is affected by atmospheric conditions, so, following the severe weather alert issued by the National Civil Protection Authority (ANPC), in the context of the Tactical Centre a number of preventive actions were defined, in conjunction with the technical areas, in order to minimize possible negative impacts of severe weather expected for the days identified in October. This operation reduced the negative impact that the weather conditions usually have on communications.

3.2. Customer Ombudsman – minimize situations of dissatisfaction

The Customer Ombudsman Office evaluates the complaints of customers who feel unsatisfied after having been exhausted the solutions presented by other areas of the company.
Any customer has communication channels (including online) to present occurrences and ask for support from the Customer Ombudsman Office:
During 2012, about 73,111 complaints were evaluated and resolved.

Origin of situations presented	No. of situations
Customers	61,667
Consumer organisations and other external bodies	11,444
Total	**73,111**

All situations presented and evaluated in this Office, are settled in accordance with customer expectations and within a short time which, according to the assessment of the urgency of the situation, varied between 4 and 24 hours.

3.3. Performance in customer service

For PT is essential that customers feel satisfied with its customer care services.
Aware that the number of contacts had necessarily to increase due to the increasing sophistication and diversification of services, the monitoring of the performance achieved shows that the introduced improvement measures have helped to improve the capacity of customer care on the part of PT in terms of time and quality of response.
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Customer contact	2010	2011	2012
Total contacts received /1,000 customers (monthly average)	182	160	129
Contacts answered (monthly average)	91.3%	95.4%	95.3%

Complaints	2010	2011	2012
Total complaints received /1,000 customers (monthly average)	26.6	30.7	26.5
Time spent in treating each one - days (monthly average)	4.1	2.2	1.8

Service Installation	2010	2011	2012
Total Installation requests (monthly average)	67,455	63,865	61,906
Time spent in installing each one - days (monthly average)	8.3	9.2	6.9

Faults	2010	2011	2012
Total faults reported /1,000 customers (monthly average	29.4	24.7	19.4
Time spent on each repair - days (monthly average)	1.7	2.1	1.1

The last three-years showed an unusual capacity from PT to adapt to the market as, not only it innovated significantly its commercial offering - with multiplatform services and expansion of the fibre optic network and LTE/4G across the country –, but it adapted efficiently its customer care services and to its customers who legitimately increased their requests for support to get clarifications, resolve breakdowns or have new services installed. Also during 2012, the single invoice was released and the analog television network was discontinued, which contributed simultaneously to increase the number of requests for clarification that occurred throughout the year.

In line with the goals defined, the time-to-resolution of requests has improved on average and this year the average time to resolution of complaints was significantly reduced (17%), compared to the previous year, and the average time to resolve a fault was reduced by approximately by 48%.
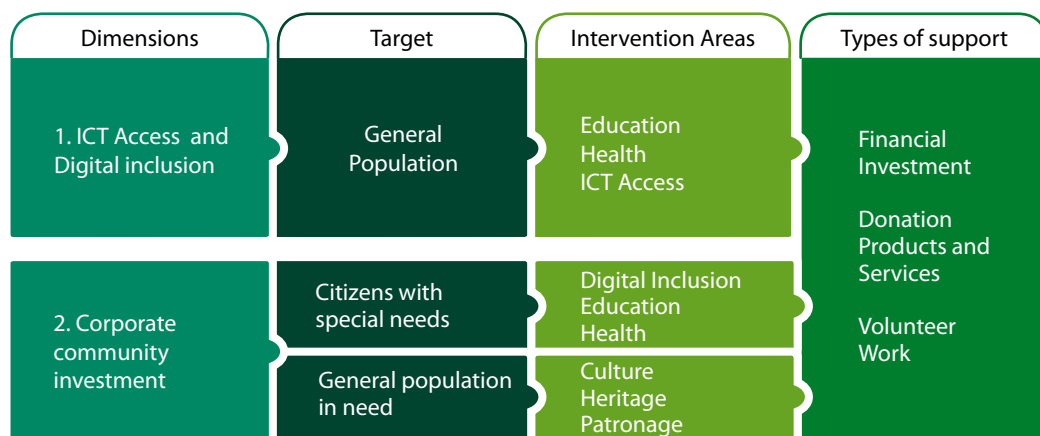
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CORPORATE CITIZENSHIP

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09 CORPORATE **CITIZENSHIP**

PT has assumed the commitment to contributing to the improvement of the quality of life of the population in general, particularly through programs where ICT can make a difference, particularly in the areas of social, school and professional integration and in promoting knowledge, health and the 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 the inclusion and 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 support for culture and heritage.

STRATEGIC INTERVENTION MODEL

Dimensions	Target	Intervention Areas	Types of support
1. ICT Access and Digital inclusion	General Population	Education Health ICT Access	Financial Investment Donation Products and Services Volunteer Work
2. Corporate community investment	Citizens with special needs	Digital Inclusion Education Health	
	General population in need	Culture Heritage Patronage	

Facilitating access to knowledge is fundamental to PT as an ethical, cultural, social and economic value.

The generalization of the use of information and communication technologies, the increasing offer of broadband solutions and services as well as support programs for the community and groups of citizens with special needs, are examples of PT's involvement 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.

1. ICT access and digital inclusion

Portugal is one of the European countries with better access to broadband, fixed and mobile, Internet and television services, accessible from various devices: mobile phone, television, PC, tablet, etc.

PT has strongly contributed to this reality, since, being the leading operator in various broadband Internet access platforms, has invested heavily in upgrading the network and in 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 each one makes of these new information and communication technologies.

Customers of the Internet access service

At the end of 4Q2012 there were some 2.3 million customers in Portugal with fixed Internet access and about 3.5 million users that effectively used the Internet via mobile broadband, of which 978 thousand through boards/modems.

EVOLUTION OF THE NUMBER OF BROADBAND CUSTOMERS (thousand customers)

— Fixed broadband customers — Users of mobile broadband (active during the reporting period)

Source: ICP-ANACOM http://www.anacom.pt/render.jsp?contentId=1154140#n8
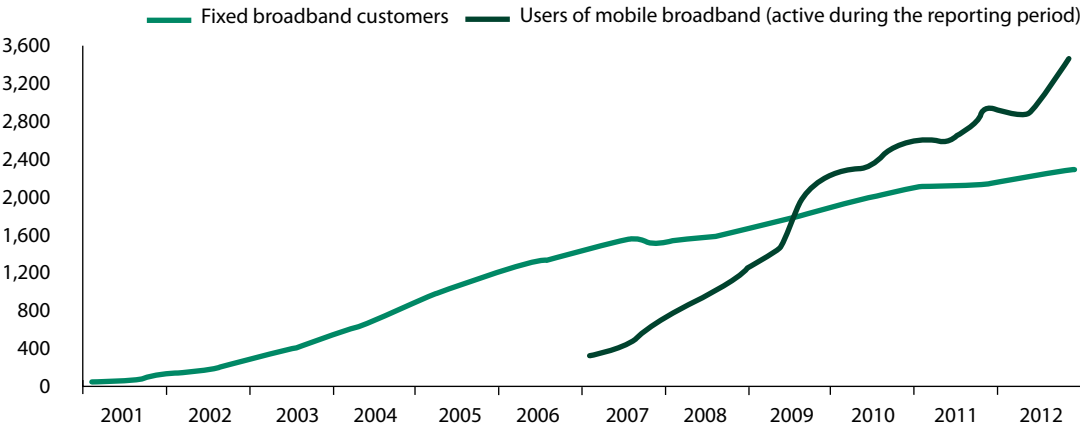
According to the statistics available at European level, currently, Portugal is the second EU 27 country with a higher penetration rate of broadband above 10 Mbps in the population - 77.5% -, being above the European average - 48.4%. It is also well above the EU 27 average - 8.5% - in broadband penetration over 30Mbps, which is already at 13.6%.

COUNTRY PROFILE FOR PORTUGAL, BROADBAND ■ Under EU27 average ■ Above EU27 average
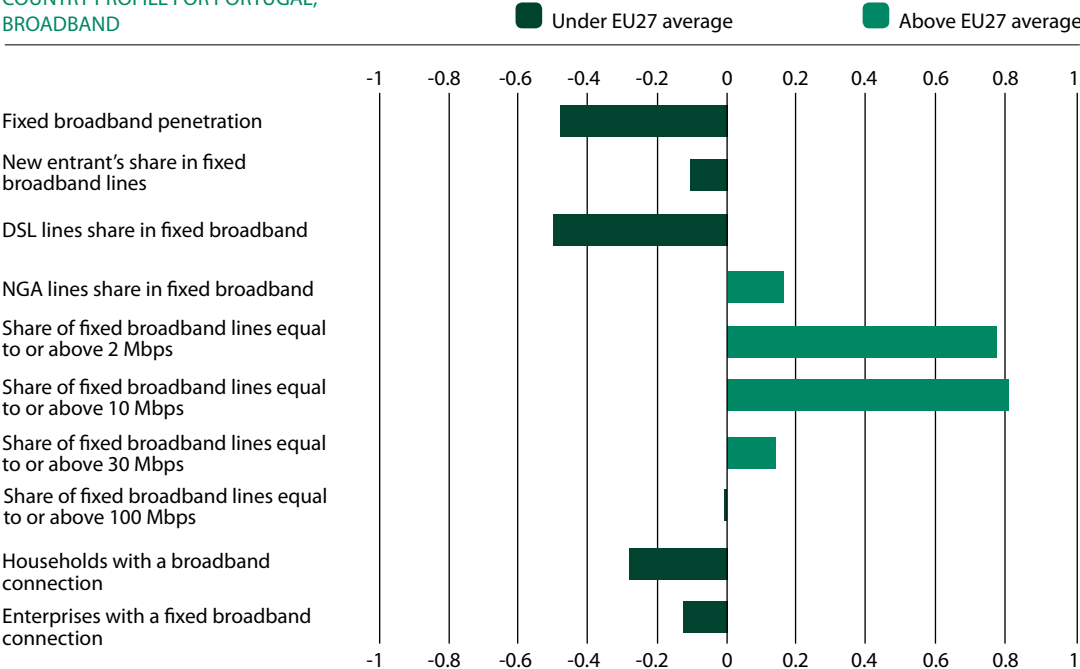
Source: European Comission, Digital Agenda Scoreboard

09 CORPORATE **CITIZENSHIP**

COUNTRY PROFILE FOR PORTUGAL, TAKE UP
OF INTERNET SERVICES (% OF INTERNET USERS)

■ Under EU27 average ● Above EU27 average

- Information about goods and services
- Reading online newspapers / magazines
- Online banking
- Seeking health information
- Looking for a job, sending a job application
- Doing an online course
- Information about education & training
- Participating in social networks
- Taking part in online consultations or voting
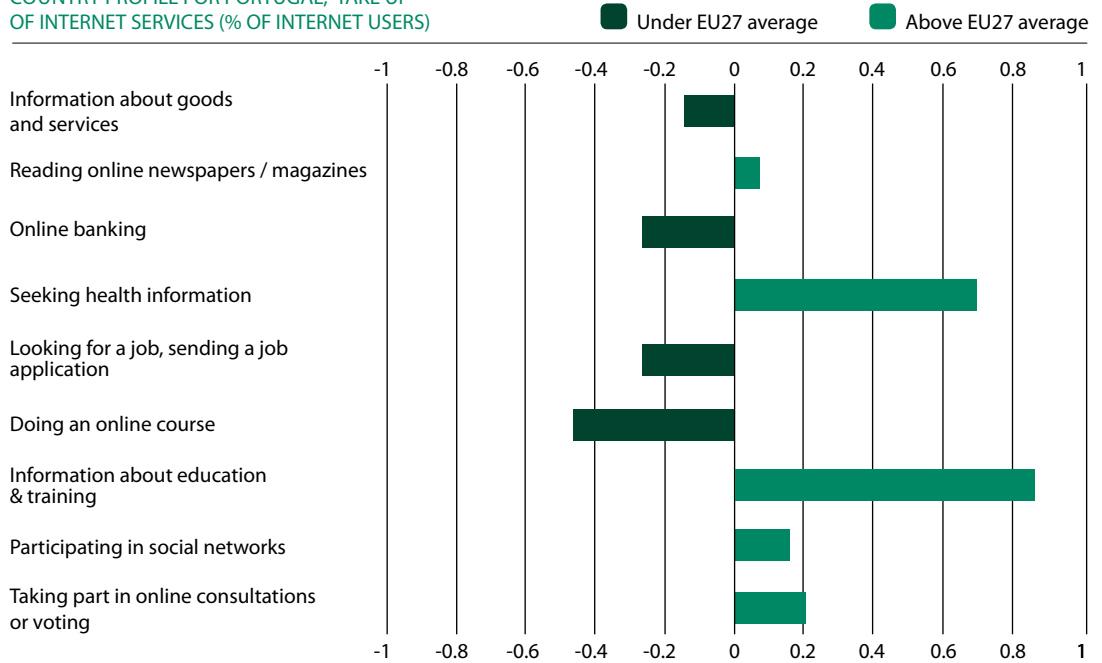
Source: European Comission, Digital Agenda Scoreboard

There has also been an increase in the penetration rate in the use of services compared to the average of EU member countries.

COUNTRY PROFILE FOR PORTUGAL,
eGOVERNMENT

■ Under EU27 average ● Above EU27 average

- Use of eGovernment services, last 12 months (% population)
- Sending filed forms to eGovernment services, last 12 months (% population)
- Use of eGovernment services (% enterprises)
- Returning filled forms to eGovernment services (% enterprises)
- Use of eProcurement services (% enterprises)
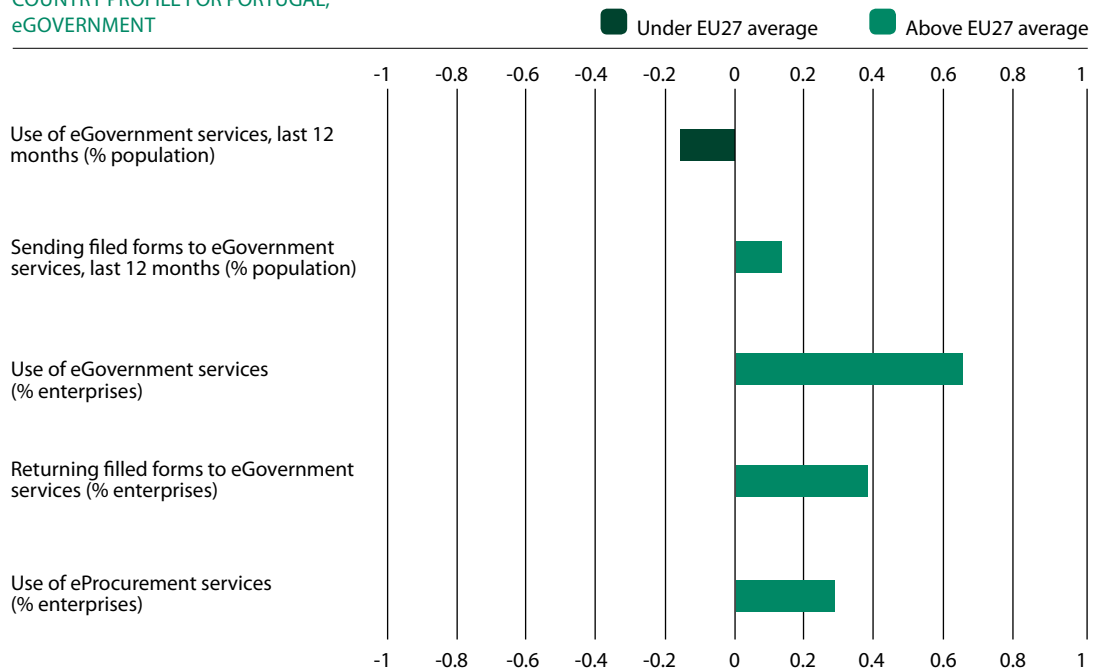
Source: European Comission, Digital Agenda Scoreboard
http://scoreboard.lod2.eu/index.php?scenario=4&indicators[]=Broadband&year=2011&countries[]=PT#chart

PT's ambition is to continue to take an active role in this change, for a dematerialized society and economy, with repercussions on day-to-day life: at home, at school, in health and lifestyles. This role of ours will continue to be played through the promotion of digital literacy and access to knowledge, which we consider to be complementary and fundamental pillars for a more sustainable society.

In short, we live at a turning point on a wide range of areas of our life. We are contemporaries of an increasingly dematerialized world where we can multiply time and resources. Transferring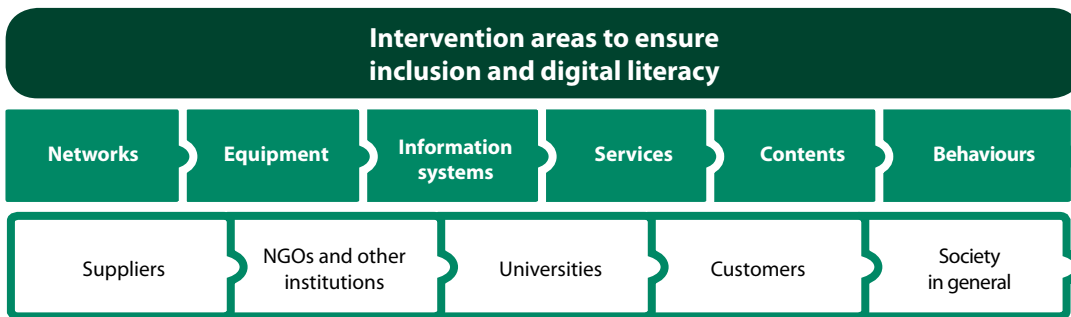 information at a speed of 400 Mbps is not just another evolution in the industry – it is a change of paradigm with repercussions on our daily life: at home, at school, in healthcare and in lifestyles.

Intervention model

For the effective implementation of the strategy adopted, PT relies on synergies developed through collaboration of specialized entities. The intervention model has been operating in the following areas:

Intervention areas to ensure inclusion and digital literacy

Networks	Equipment	Information systems	Services	Contents	Behaviours
Suppliers	NGOs and other institutions	Universities	Customers		Society in general

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

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

Networks	National Broadband Network
	Broadband School Link
Equipment and platforms	Tele-aula 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 the use of ICT
	Using computers 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 that eliminate the geographic factor as an element of social discrimination in access to healthcare and introduce new valences of diagnosis, clinical monitoring and simplification of processes.

Tele-medicine	Online consultations and patient management
Tele-consultation	Remote consultation with voice and image
Tele-assistance	Assistance to the elderly in situations of isolation
Neonatal monitoring	Visual remote monitoring of premature neonates
Health Portal	Contents about health

09 CORPORATE **CITIZENSHIP**

ICT Access // Ensuring equal access to ICT has been a priority for PT. The initiatives that the company has been developing are so varied, ranging from a national network, ensuring service to every citizen regardless of the geographical area in which it is located, to the products and services dedicated to citizens with special needs.

Universal Service	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
Fundraising	Improve the health of sick and needy children

2. Corporate community investment

PT's corporate community investment has as fundamental premise the respect for values of the societies where it operates and bases its action on the commitment to contribute to the improvement of life for all, in particular 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.

> The response to the commitment of **social intervention and corporate community** support by the group is implemented through the PT Foundation, whose investment in society over the last four years amounted to 17.9 million Euro and in the last year alone 4.2 million.
>
> This action is fundamentally directed to the sections of the population most in need, and, among these, to children, young people and seniors. In 2012, with an investment similar to previous years, it was possible to benefit a greater number of institutions and citizens in need.

€ 18 Million	€ 4.2 Million
Corporate community investment (2009-2012)	Corporate community investment (2012)
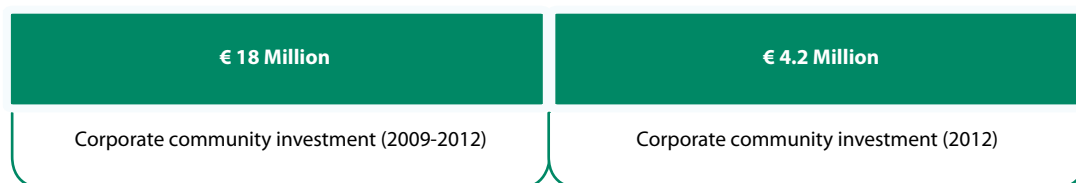
2.1. PT Foundation

Details at http://fundacao.telecom.pt

The PT Foundation is a private charity whose mission is to contribute to the development of society by supporting individuals and or institutions. Following the Group's strategy, the intervention initiatives of the PT Foundation in the community in 2012 involved 4.2 million Euro, broken down into the following areas of intervention, development of support solutions and respective recipients and beneficiaries:

Intervention Area	Investment	Individual Beneficiaries	Institution Beneficiaries
Education	26%	152,210	218
Health	3%	3,204	19
Digital Inclusion	30%	4,691	3,869
Culture	17%	11,829	8
Volunteer Work	4%	261,684	72
Patronage	20%	-	34

Overall, approximately 0.433 million citizens and 4,219 charities, focusing on social inclusion through education, health and/or culture were supported.

Given the current economic and social situation in Europe and in particular in the country, over the past year the PT Foundation paid special attention to tackling hunger and homelessness through its volunteer programs.

DISTRIBUTION OF TOTAL INVESTMENT PER YEAR

2012 // 23%   2009 // 25%
2011 // 25%   2010 // 27%
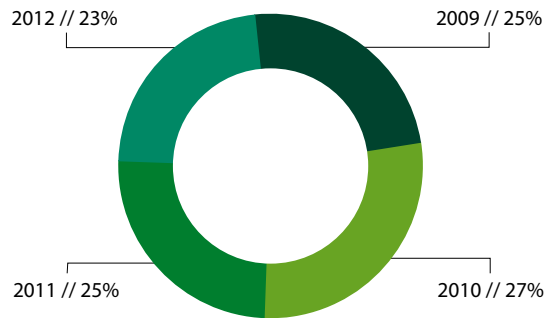
INVESTMENT BREAKDOWN BY AREA OF ACTIVITY // 2012

Patronage // 20%
Volunter work // 4%
Digital inclusion // 30%
Culture and heritage // 17%
Health // 3%
Education // 26%
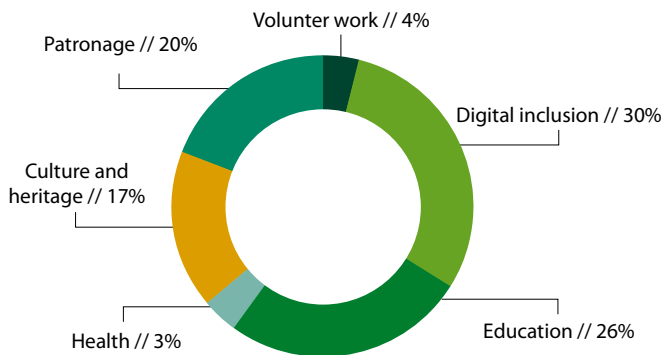
INVESTMENT BREAKDOWN BY TYPE OF SUPPORT IN EACH YEAR*

Citizenship action cash

Citizenship action volunter work

Citizenship action produts and services

2009   2010   2011   2012
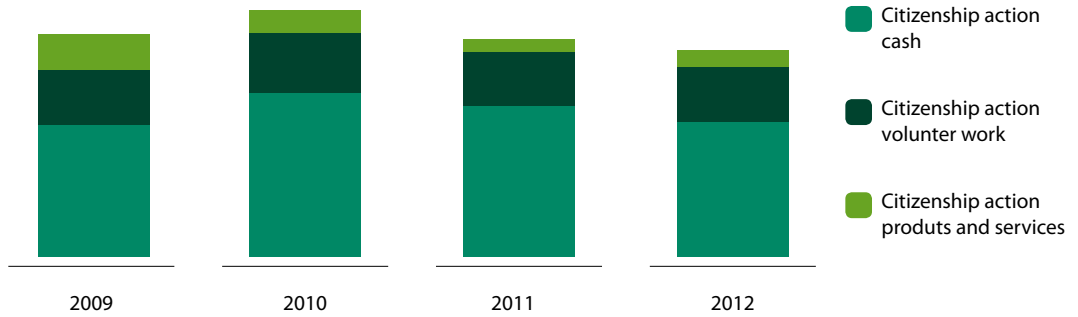
*The methodology used to measure investments in the community is defined by the London Benchmarking Group.

Access to ICT and the safeguard of national culture and heritage have occupied the first positions in terms of investment in the community.

Health and education are the areas that have received increasing attention, since they are crucial levers for better social and professional insertion of people in need and/or with special needs.

2.2. Areas of intervention

The fields of action in which PT focuses relate primarily to the areas where it has expertise. It believes that through them it contributes to improving society as a whole, enhancing both the access to telecommunications services, and the knowledge and culture of citizens or organisations representing and caring for them, and who are in need or with disabilities.
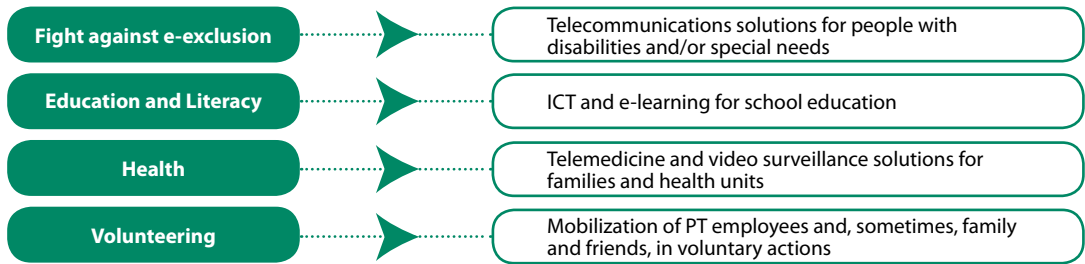

Fight against e-exclusion → Telecommunications solutions for people with disabilities and/or special needs

Education and Literacy → ICT and e-learning for school education

Health → Telemedicine and video surveillance solutions for families and health units

Volunteering → Mobilization of PT employees and, sometimes, family and friends, in voluntary actions

PT believes that it is important to establish strategic partnerships with other players in the sector and work side by side with nonprofit organisations in order to understand clearly existing needs.

Technology partners - PT and Qualcomm have worked together to improve and increase the mobility of the portfolio dedicated to citizens with special needs. Together with hospitals and rehabilitation clinics, this partnership has focused mainly on users with paralysis and cerebral palsy;

NGOs - for more than 20 years PT has worked side by side with organisations connected to people in need, with special needs and/or with disabilities, to identify the best solutions to ensure suitable services to all.

2.2.1. Inclusion, education and health projects

Access to education for all

Project	Recipients	Support
Astro Centres	Students with educational needs	Demonstration, experimentation and training of support technologies for neuromotor, visual, intellectual disabilities, and augmentative communication users
Teleaula	Students with disabilities or severe prolonged diseases	Installation of a specific video-telephony solution that enables the active participation in the classroom, in real time

Training for inclusion

Project	Recipients	Support
PT Foundation and Federation of Portuguese Associations of Cerebral Palsy (FAPPC) Centres	Students with cerebral palsy	Special PT solutions tailored to specific situations for which they are intended. They include adaptation of equipment and broadband access
PT Foundation Centre and partnership with Qualcomm	People with special needs	Put 3G and BLM technologies to the service of adapted teaching
Humanitas - Portuguese Federation for the mentally disabled	Students with intellectual disabilities	Special PT solutions suitable to support the development of skills
A computer, an opportunity	Entities that develop educational projects designed to stimulate the use of information technologies	Donation of computer equipment (computers, monitors, printers) and appropriate software

Safety in communications

Project	Recipients	Support
Communicate in safety – Protection of minors in the use of ICT	Students and teachers from varying degrees of school education	Training and literacy in the area of ICT, and in particular on the safe use of ICT, the Internet and mobile phones.

Health

Project	Recipients	Support
Tele-assistance solutions for seniors in situation of disease and/or isolation	Seniors and organisations supporting the elderly at risk	Volunteers provide assistance service
Protocols with universities and scientific research institutions in the area of healthcare	Population in need or in remote locations with difficult access to healthcare services	Researchers and providers of support services in healthcare

2.2.2. Volunteer work

PT has several volunteer programs that aim to not only support projects in needy areas of the community or the environment, but also motivate the employees and their families to participate in citizenship activities.

FOCUS OF INTERVENTION OF VOLUNTEER WORK

Sharing	Collection of clothes and distribution of food to the homelees
Culture	Providing entertaining experiences to children in need
Training	Computer training and website construction
Environment	Civic and environmental training actions

Employees may participate up to 6 days per annum without affecting attendance rate

09 CORPORATE **CITIZENSHIP**

In view of the current situation of strong socio-economic constraints, PT's volunteering in 2012 committed to ensuring health conditions to deprived population, having significantly increased their involvement in collecting and distributing food, clothing and toiletries - see details below.

Voluntary programs are divided according to the timetables in which they run:
Corporate volunteering // offers each employee the possibility of donating 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 2012, we contributed with 958 volunteers and 6,613 volunteer hours that benefited 261,684 individuals and 72 institutions.

CHARACTERIZATION OF VOLUNTEER WORK THROUGHOUT THE YEAR   ● Corporate   ● Family

	Corporate	Family	Total
Volunteers	1,249	1,003	**2,252** volunteers
Hours of work	3,585	3,028	**6,613** volunteer hours
Individual benefeciaries	29,186	232,498	**261,684** benefited persons
Institutions benefeciaries	64	8	**72** benefited instituation
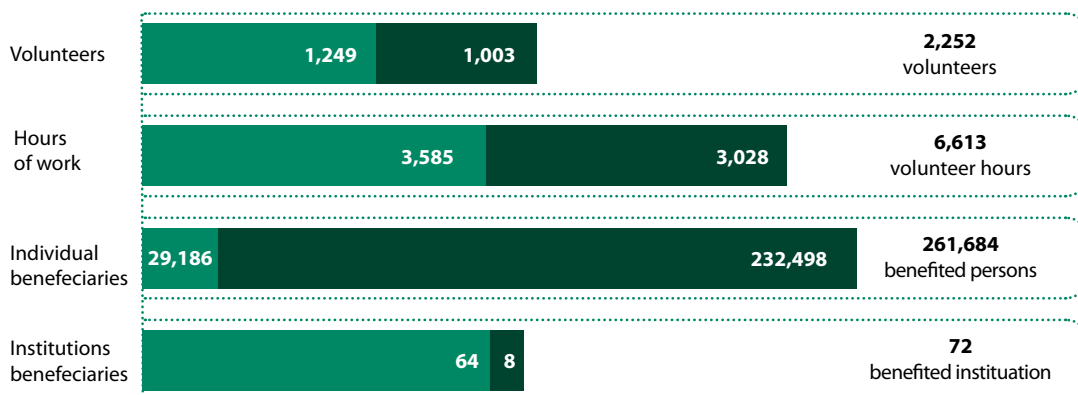
Corporate volunteer programs

Ajude Quem Ajuda
In 2012, the company's involvement and employee mobilization expressed themselves through the solidarity challenge '*Ajude quem Ajuda'*. In the first edition, the initiative benefited 12 institutions, in various parts of the country, through the donation of goods, recovery of spaces and installation of wiring for Internet access and MEO services.

This initiative promotes the support for those operating in the areas of health, education and Social Emergency, selected by employees.

Month of Action	Institution	Support
January	Instituto de Apoio à Criança	Books, games, movies
February	Casa do Gaiato	Food and toiletries
March	Acreditar	E-learning training and rehabilitation of the garden of the House
April	SOS Villages	Collection of furniture and installation of wiring for internet
May	Aboim Ascensão Shelter Home	Collection of baby and child products
June	Cáritas Diocesana Setúbal	Rehabilitation of several rooms and refectory of the St Francis Xavier centre
July	Seara de Trigo Association	Refurbishment of the activities rooms in the institution
August	Nossa Sra. de Fátima Shelter Home	Rehabilitation of the activities field and playground
September	Comunidade Vida e Paz	Rehabilitation of the centre and collection of milk and toiletries
October	Associação Sociocultural dos Deficientes de Trás-os-Montes	Rehabilitation of spaces of the institution
November	Ajuda de Mãe	Christmas party at the circus of Coliseu dos Recreios
December	CERCI Lisboa	Donation of adapted minivan for passenger transport

Preparing the Future (future job)

Institution	Support
VITAE Association in Alcântara	Socio-cultural activities for users: ICT (Word, PowerPoint, Internet) and personal finance workshop, dance, painting, sculpture, poetry, time management, hairdresser, etc.

Assistance to seniors in situation of loneliness

Institution	Support
"More Closeness Better Life" Project	PT Volunteers, from their workplaces establish a telephone contact with the elderly in situations of social isolation, and provide the necessary support isolation, and provide the necessary support

Learning how to be an Entrepreneur

Institution	Support
Junior Achievement Program Portugal	PT Volunteers, in a classroom, share and exemplify professional and personal experience

Family volunteer programs

Institution	Support
Volta Solidária	Distribution of meals to the homeless in Lisbon, under the coordination of a team from 'Legião da Boa Vontade'
Casa Solidária	Support in the shelter centre, in the reception of the users of the Centre, distribution of meals in the cafeteria, delivery of clothes and toiletries for baths, library support and promotion of movie sessions.
Ronda Solidária	Distribution of meals to the homeless in Lisbon, under the coordination of a team from 'Comunidade Vida e Paz'
Dar as Mãos sem Idade	Promotes cultural activities with the elderly population
Food Bank	Collection of foods conducted by volunteers in areas identified by the Food Bank

10

ENVIRONMENTAL PRESERVATION
AND COMBATING CLIMATE CHANGE

10

10 ENVIRONMENTAL PRESERVATION AND COMBATING CLIMATE CHANGE

10 ENVIRONMENTAL PRESERVATION AND COMBATING CLIMATE CHANGE

Climate change is considered by international experts the greatest environmental threat of the 21st century, and it is expected that, if not addressed, it will have profound consequences in several areas of society, in economic, social and environmental terms.

Many studies seem to indicate that we will all be affected by this issue: companies, ordinary people, economies and, most important of all, nature. Natural disasters are an example of the often devastating consequences for businesses, economy and families either by extreme drought periods 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 so-called greenhouse gases, whose emissions have suffered a sharp rise. CO_2 (carbon dioxide) is the main negative gas among these, and a direct consequence of using/burning fossil fuels like coal, oil and gas for energy production.

PT is aware that its activity develops in a country, which according to the results of the CCPI (Climate Change Performance Index) announced at the United Nations climate change conference, rose eight places in the index, to occupy the 3rd position among 58 countries.

According to Quercus, a non-governmental environmental agency, Portugal was ranked in sixth place (the 3 first places were not assigned) in terms of better performance in respect of policies in the area of climate change in a classification to compare 58 countries that, in total, account for more than 90% of carbon dioxide emissions associated with energy.

Climate change Performance Index for EU Member Countries

Rank	Country	Score	Rank	Country	Score	Rank	Country	Score
4	Denmark	72.61	15	France	64.74	28	Czech Republic	59.13
5	Sweden	69.37	16	Slovak Republic	64.64	30	Latvia	58.63
6	Portugal	67.81	18	Romania	62.67	34	Austria	58.09
8	Germany	67.54	21	Italy	61.26	38	Finland	56.58
9	Ireland	67.48	22	Slovenia	60.98	42	Bulgaria	54.27
10	United Kingdom	67.33	23	Cyprus	60.94	44	Poland	52.47
11	Malta	67.07	25	Lithuania	60.23	45	Estonia	52.45
12	Hungary	66.41	26	Luxembourg	59.56	48	Greece	52.04
13	Belgium	65.20	27	Spain	59.18	49	Netherlands	50.28

In this framework, PT 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 the development of its activity.

1. Strategic approach

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

We know that the systematic search for solutions that do something about 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 at the genesis of a better environmental quality in the future.

Over the past few years, PT dedicated itself to promoting the implementation of good environmental practices inside the organisation, suppliers and customers, having defined an environmental management policy and system that deserved the recognition and progressive certification of each of its business areas according to the international ISO 14001 standard.

This three-year period is being marked by a paradigm shift in which we want to place ICT at the service of the environment. It will be a long path, whose effects will be felt over the next few years: to contribute to the reduction of CO_2 emissions and energy consumption of our customers, seek 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.

Until 2011	... from 2012 onwards...
REDUCTION, RATIONALIZATION, MANAGEMENT...	**PARADIGM SHIFT: ICT AT THE SERVICE OF ENVIRONMENT** Environmental policy Certified management systems Involvement of the value chain Innovation – networks, IS, lighting, equipment and commercial offer Intelligent monitoring systems and energy efficiency optimization Solutions to mitigate the effects of climate change Ecological attributes added to the commercial offering Assessing impacts on the value chain Involvement of specialized external entities

Technological evolution, the lower energy dependency of the new equipment, the progressive introduction and availability of renewable energy, the home automation remote control, the waste segmentation and collection and the most appropriate routing for reuse and/or recycling, has allowed PT to optimise the relationship between its environmental impacts and the provision of increasingly sophisticated market 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, including emissions of carbon dioxide and thus indirectly contributing to ecosystem balance.

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 service: PT, in addition to offering triple play services - TV, internet and voice – via IPTV (which requires large amounts of information storage), is also offering Smart Cloud services that, in turn, require data centres and next generation networks, with increasingly larger capacity and hence with higher energy needs for power and proper air conditioning of the respective equipment.

10 ENVIRONMENTAL PRESERVATION **AND COMBATING CLIMATE CHANGE**

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

GREEN INTELLIGENCE IN THE MARKET OFFERING – TOPICS ON THE AGENDA

Energy – consumption, GHG emissions and sources

| Telecommunications networks | Information storage | Climate Control | Electronic equipment | Lighting | Travel |

Water – consumption, source and destination

| Climate Control | Administrative Consumption |

Materials – consumption, origin and proper routing

| Paper | Wood | Plastic | Copper | Optical fibre | Communications equipment |

Value chain – from suppliers to customers

| Policies | Consumptions | Emissions | Behaviours |

Activity impacts – direct and indirect (suppliers, customers and the community in general)

| Landscape | Noise | Electromagnetic fields | Re-routing of waste | Natural disasters | Carbon footprint |

The intervention of the company occurs 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, clients and NGOs.

ONGOING INTERVENTION AREAS

Infrastructure	Buildings	Commercial Offer
Use of renewable energy	Energy certification of buildings	Electronic invoice
Discontinue traditional networks	Lighting systems with high energy efficiency	Customer Portal - current relationship virtualization
Leverage next-generation networks, fixed and mobile	Use of renewable energy	Environmentally friendly equipment with energy efficiency features
Antenna sharing	Smart HVAC systems	Services inducing carbon footprint reduction
Landscape integration of external equipment and buildings	Monitoring of energy consumption and emissions	Energy consumption monitoring applications
Use of thermo-protective coating on buildings	Selection of low energy dependence and focus on reuse	Guides for appropriate use of equipment and services and routing for recycling
Smart HVAC systems	Use of smart grids	Virtual storage of customer content and information in PT's data centres
Monitoring of energy consumption and emissions	Use of recycled materials	Promotion of environmentally friendly behaviours
Selection of low energy dependency	Segmentation and routing of waste	
	Water timers and reuse systems	
Construction of Europe's largest Data Centre – in progress		

Upstream of value chain ▶   Downstream of value chain ▶

The Green Touch initiative, presented in England, formed by a consortium of industry-leading partners, research institutions and non-governmental organisations, of which PT is an integral part, aims to develop solutions to reduce, in 1000 times, the energy consumption of ICT and the respective carbon footprint.

The telecommunications industry has a marginal contribution (about 1%) in the total current CO_2 emissions; however, it may have a key role in the overall reduction of national emissions. According to the "SMART Portugal 2020"[1] study, the indirect impact predicted for this industry will meet, by itself, the objectives set by the European Union, and this impact is roughly ten times the direct carbon footprint in the industry.

The studies conducted indicate that the adoption of services based on the new features of the next generation networks, add leverage to the reduction of total CO_2 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 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.

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[1]SMART Portugal 2020 - Increasing Energy Efficiency through ICT - Study prepared by BCG in which PT participated

2. Energy and ecological efficiency

Throughout 2012, energy consumption reduced by 8% and CO_2 emissions by 22% compared to 2011.

This reduction is primarily due to the shutdown of the analog television network that in 2011 was active at the same time as the Digital Terrestrial Television (DTT) network and to the improvements in HVAC systems. So, energy efficiency and the respective CO_2 emissions improved significantly compared to 2011: 58% as to energy consumption and 85% as to CO_2 emissions.

THE DISTRIBUTION OF ENERGY CONSUMPTION HAD THE FOLLOWING PROFILE THROUGHOUT THE YEAR

Offices and stores // 9%

Data Centres // 7%

Networks // 52%

Cooling // 32%
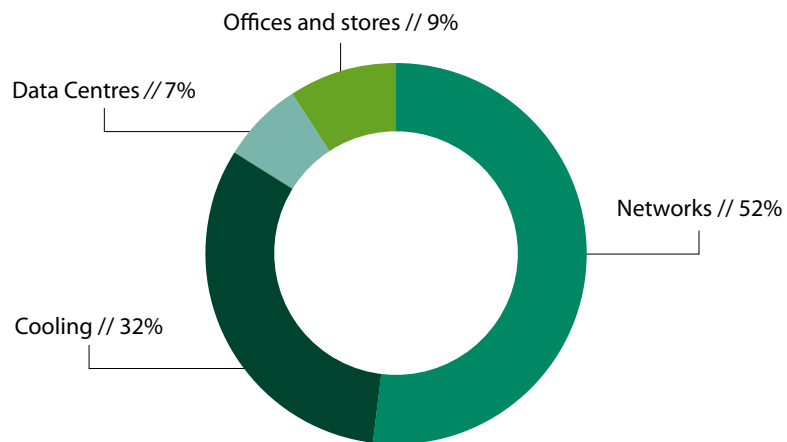
The main reductions were in network and climate control, although the implemented efficiency measures in all the strands have avoided increasing their consumption.

2.1. Administrative and technical buildings

All structural projects of PT are planned to minimize the environmental impact of the company:

Area of intervention	Project	Expected result
Lighting	Installation of LED light bulbs	Replacement of existing fluorescent lamps in PT buildings by lamps with LED technology, thus allowing a reduction of 94% and an increase of the useful life of same
	Presence sensors for efficient use of lighting, in buildings	The lighting of the corridors of buildings at night, weekends and holidays is switched off
	Autonomous photovoltaic solution	Use of an innovative photovoltaic autonomous solution to overcome the energy inefficiency in buildings where installation was possible

Area of intervention	Project	Expected result
Air control	Freecooling	Replacing older air conditioning machines, for others with adequate cooling efficiency at existing loads, thus being more energy efficient
Remote intelligent management	Green IT – Through Virtualization	Increase the internal virtualization through the massive use of virtual information storage, cloud solutions, in order to achieve significant gains in terms of energy efficiency
	Monitoring and detailed analysis of energy consumption	Detailed presentation of energy consumption data in real time
	Copy Point	Print and fax equipment base with centralised management. This project allowed in the first half, after its implementation, a reduction in paper consumption of 12.5%, 49% and in energy consumption of equipment 66%
Watering	Efficient gardens	Process of forwarding of water used in the wash basins and rainwaters, for watering of gardens and also contributes to the reduction of water consumption

2.2. In the network infrastructure

Type of infrastructure	Project	Expected result
Fixed network	Fiber-optic coverage (FTTH)	1.6 million houses passed, which are 46% of homes and about 74% of GDP
		The network was strengthened with ONT (Optical Network Terminal) features, monitoring equipment of fibre optic infrastructure
Mobile network	4G / LTE coverage	90% of the population with coverage of this new network that predictably will reduce energy consumption by about 30%
		Optimization of the mobile network infrastructure to develop solutions for seamless traffic from the mobile network to WiFi networks

Results obtained

Throughout 2012 there was high energy efficiency in terms of traffic originated on PT networks, as can be seen in the table below:

| Year	Annual Traffic Volume per Servie (GBytes)			Annual Energy Consumption (GJ)			bit/Joule
	Wireline	Wireless	Total	Electric	Others	Total	
2008	357,148,133	6,409,088	363,557,221	1,368,324	207,252	1,575,576	1,982
2009	571,369,458	9,065,600	580,435,058	1,464,065	223,684	1,687,749	2,954
2010	912,182,758	13,079,680	925,262,438	1,581,726	234,538	1,816,264	4,376
2011	1,142,470,798	15,673,344	1,158,144,142	1,550,573	229,225	1,779,798	5,590
2012	1,664,588,934	17,988,608	1,682,577,542	1,396,632	240,035	1,636,667	8,831

10 ENVIRONMENTAL PRESERVATION AND COMBATING CLIMATE CHANGE

The reduction of energy consumption in 2012 along with the significant increase of traffic on PT networks boosted significantly the energy efficiency of network traffic – 58% compared to 2011. These figures exceeded expectations, which were around 10%. This reduction of power consumption by traffic originated, also positively impacted the carbon footprint per traffic unit, as can be seen in the table below:

Year	Annual Traffic Volume per Servie (GBytes)			GHG Emissions (Ton)				GByte/Ton
	Wireline	**Wireless**	**Total**	**Scope 1**	**Scope 2**	**Scope 3**	**Total**	
2008	357,148,133	6,409,088	363,557,221	13,570	184,250	16,845	214,665	1,694
2009	571,369,458	9,065,600	580,435,058	17,487	138,306	22,407	178,200	3,257
2010	912,182,758	13,079,680	925,262,438	17,233	122,144	26,243	165,620	5,587
2011	1,142,470,798	15,673,344	1,158,144,142	16,850	151,403	49,232	217,485	5,325
2012	1,664,588,934	17,988,608	1,682,577,542	17,635	124,215	28,551	170,401	9,874

Comparing 2011 data with 2012, we improved by 85% the efficiency of network traffic per unit of CO2 emitted to the atmosphere. This significant improvement is partly due to the fact that part of the energy consumed throughout the year has a substantial percentage of renewable alternative energies incorporated, wind and hydroelectric, since we had a rainy and windy year, as well as the shutdown of the analog television network and improvements in the HVAC systems.

EFFICIENCY OF NETWORK TRAFFIC
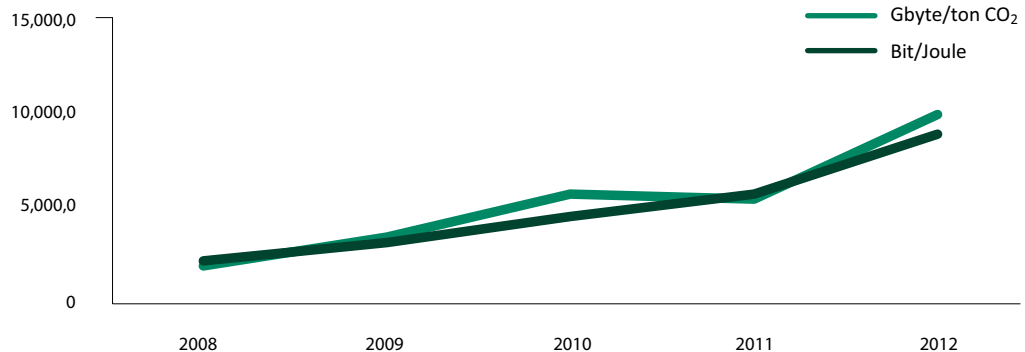
2.3. In data centres

In 2011, PT began the construction in Covilhã, of one of the world's largest data centres, which will come into operation in 2013 and will be supported by a network of high-speed fibre communications network that will link it to the main global communications networks.

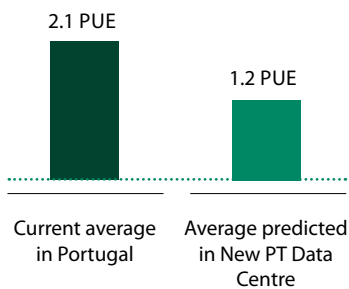The new PT Data Centre will occupy more than 75,500 m2 and will have capacity for more than 50 thousand servers with 30 Pbytes, allowing the export of data storage capacity of European companies and technological services. The project will enable the creation of over 1,400 jobs directly and indirectly, qualified and specialized, placing Covilhã as one of the cities that contribute most to the economic development of the country.

The new PT Data Centre will differentiate itself by high levels of sustainability and energy efficiency, with savings of 144,000 tons of CO_2 and 40% in energy consumption.
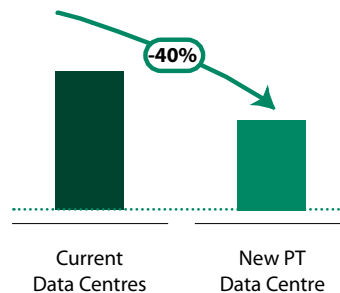
The commitment to Covilhã also includes partnerships with various local entities, in particular with business associations (ANIL and NERBAC) and academic (University of Beira Interior and the Student Association of the University of Beira Interior).

Expected results

ENERGY EFFICIENCY - PUE
(EFFECTIVE USE OF ENERGY)

DECREASE IN ENERGY CONSUMPTION

2.1 PUE

1.2 PUE

-40%

Current average
in Portugal

Average predicted
in New PT Data
Centre

Current
Data Centres

New PT
Data Centre

2.4. In the commercial offering

PT's commercial offering contains services that save time, unnecessary travel, fuel and materials costs.

The research conducted – Smart 2020 - indicates that the adoption of services based on the new features of the next generation networks, add leverage to the reduction of total CO_2 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 significant, are already a new window of opportunity for environmental preservation.

In fact, the reduction of the environmental footprint of customers lies in the better efficiency of the traffic networks, the lower energy dependence of equipment, materials used and the management and remote control software that might take advantage of.

Area of intervention	Solution	Expected result
Recycling and reuse	Equipment reuse	Evaluation, recovery, and reuse of equipment returned by customers for migration to other solutions or services. About 25% of MEO triple play offer equipment has already been reused
	Ecological packaging	Recyclable and reusable packaging with guides for forwarding of materials
	Material used in packaging	Reduction of volume and use of recycled materials in packaging of mobile broadband access products and mobile phones

Area of intervention	Solution	Expected result
Energy dependency of equipment	Reduce the energy dependency of the terminal equipment	The IPTV, internet and telephone access boxes reduced their energy consumption between 40% and 65%, between 2008 and 2012
IT/IS Solutions	New services to enhance IT cost savings, increased productivity, mobility and reduction of energy consumption (electricity and fuel)	SmartCloudPT Video surveillance E-learning Telemedicine E-procurement Tele-assistance
Machine-to-machine Solutions	Availability of a number of solutions that allow interaction, without human intervention, between assets/equipment/machines and information systems that support the management of these assets	Fleet management Geotagging Energy efficiency Tele-security Tele-assistance
Carbon footprint services	Disclosure to customers of their carbon footprint of services	Carbon footprint of PT's mobile service, carried out by external and independent company, and that included all the assessment to any process that allows an individual to communicate with another, identified that this footprint is 2.7 g CO_2/min

3. Environmental performance

3.1. Consumption of materials

Consumption of materials (t)	2010	2011	2012
Batteries (Distribution network)	41	70	74
Batteries (Network infrastructures)	138	198	133
Electric and electronic equipment	1,958	2,750	2,540
Activity-support infrastructures*	18,703	17,402	15,613
Paper / cardboard	4,741	1,629	1,540
Plastics	1,551	1,998	1,699
Toners and ink cartridges	4	3	1
Wood	11	16	0.04
Total	**27,147**	**24,066**	**21,600**

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

The consumption of materials registered a decrease in 2012, in all areas.

Materials from recycling

PT has been replacing the use of recycled paper for FSC-certified paper (a paper that promotes the sustainable management of the forests from which their raw materials are extracted), for being an economically advantageous option and having at the same time benefits for the environment. However, and in addition to this widespread practice in PT companies, in PT Inovação the purchase of recycled paper is still significant, representing recycled paper 84% of the total in 2012.

3.2. Direct energy use segmented by primary source

Energy consumption (GJ)	2010	2011	2012
Energy consumption (electric)	1,581,726	1,550,573	1,396,632
Electric energy (wireline)	1,193,081	1,184,673	1,112,616
Electric energy (wireless)	362,935	340,749	256,981
Energy (business support)	25,710	25,151	27,035
Natural gas	1	0	1
Fuel (petrol)	12,356	10,524	13,396
Fuel (diesel)	222,182	218,671	226,697
Total	**1,816,264**	**1,779,798**	**1,636,725**

Overall, **energy consumption registered a decrease of 8% compared to 2011**. This year, and due to weather conditions, about 1/3 of electricity consumed originated in renewable energy sources, as can be seen in the table below.

Initiatives leading to rationalization of energy consumption

Air Conditioning	Progressive replacement of HVAC equipment for new generation equipment – free cooling
Networks	Network equipment shutdown, as the next-generation networks are adopted by customers and all services are migrated
Lighting	Replacing the lighting of buildings (technical and administrative) for intelligent lighting systems
Smart apps	Consumption monitoring applications
Equipment	Selection of high-efficiency equipment and with less energy dependency

In 2012, 6 PT buildings got their **energy performance certification**. With the energy certification of buildings, the energy and indoor air quality performances of same are optimized.

NIC	Building
490	Santarém
815	Covilhã
3108	Lumiar Exchange
3123	Padre Aparício Building
480	PT Inovação - Refectory
480	PT Inovação - Building 0

As regards the energy produced through renewable sources, the table below differentiates the use of energy by type of source: energy produced by PT from renewable sources and energy provided to PT by operators, obtained from renewable sources.

Renewable energy used (GJ)	2010	2011	2012
Energy produced from renewable sources	139	127	318
Energy supplied to PT by operators from renewable sources*	666,707	402,663	512,436

*Source: EDP, Iberdrola and Endesa

10 ENVIRONMENTAL PRESERVATION AND COMBATING CLIMATE CHANGE

This year, PT not only **increased the production of renewable energies by 251%** but also benefited from an increased consumption of renewable energy through the composition of the energy mix[2] of primary energy sources of the national network.

The increase of renewable energy production by PT was due to the installation of 13 photovoltaic stations in company's buildings and that went into production between late February and early May 2012.

3.3. Indirect energy use

Energy consumption (GJ)	2010	2011	2012
Energy (electricity and fuel) consumed by suppliers developing PT's activities	355,919	665,817	388,042

As to indirect energy consumption, it is not possible to make a comparative analysis between 2011 and 2012, as in 2012 there were new elements considered not counted in previous years.

3.4. Total water consumption

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

Water consumption (m³)*	2010	2011	2012
Total consumption	285,942	295,950	284,509

* The water consumed is totally from the public network.

In 2012, the water consumption at PT, suffered a decrease of 3.9%.

3.5. Location and areas of land belonging to the organisation, leased or managed in biodiversity-rich habitats

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 (m²)	2010	2011	2012
Total area*	11,300	11,450	11,850

*Reports the PT websites that lie within protected areas and with high biodiversity index.

There was in 2012 a 3.5% increase in the area used in biodiversity-rich habitats. This increase is due to the installation of 10 new TMN sites.

[2]Energy mix - percentage distribution of primary energy sources in the production of electric energy of the national network. This value varies annually, in particular, on the basis of hidraulicity. (in: RCCTE – DL 80/2006)

3.6. Strategies and programs, current and future, of impact management in biodiversity

Electromagnetic Radiation

Under regulation 96-A/2007, the plan was accomplished and 44 (building top or façade) stations plus 11 stations inside buildings were monitored. Additional to the plan, the following stations were monitored: 4 (Tower + Container /Cabinet) and 3 I (indoor projects /antennas inside buildings). There were no values outside the parameters established by law.

All measurements were sent quarterly to ANACOM, Ministry of Health and local authorities.

The levels of electromagnetic radiation are available through a website of an independent entity to which PT joined and whose address is http://monit.it.pt/. All stations showed to be below levels defined by European and national recommendations.

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	25%

Noise

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

Aware that telecommunication stations cause noise and that can have an impact on the quality of life of the surrounding communities, PT randomly monitors the noise emitted. In the course of 2012, PT monitored the noise of 27 TMN stations and 48 PT Comunicações sites.

Whenever there are levels of discomfort and complaints, with values greater than the legally defined, PT prepares contingency plans for mitigation of their impact.

Landscape Impact

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

As a measure to minimize landscape impact, in 2012 PT concealed 11 TMN antennas and shared 42 sites with other operators.

3.7. Total of direct and indirect emissions of greenhouse gases, by weight

CO_2 Emissions (t)	2010	2011	2012
Scope 1			
Direct (petrol)	852	728	918
Direct (diesel)	16,381	16,122	16,616
Scope 2			
Indirect (electricity)	122,144	151,403	124,215
Scope 3			
Indirect (consumed by suppliers)	26,243	49,232	28,372
Total	**165,620**	**217,486**	**170,115**

Emissions of Greenhouse Gases often behave erratically, because they depend more on the weather than the energy efficiency of the activity of the company. In fact, in years with higher amounts of wind and rain the mix of energy consumed (wind and water) is more favourable and therefore with lower emission levels. Such was the case in 2012, either through the reduction of energy consumption or by means of the best energy mix, or through legal change of conversion factors, so **CO_2 emissions were reduced by 16.4% compared to 2011**.

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

The reports submitted in 2011, presented national emission factors for calculating emissions of NO_2 and SO_2. So, in the following table, the values of NO_2 and SO_2 emitted by PT are reported, calculated on the basis of these same factors.

Emissions of NO_x and SO_x (t)	2010	2011	2012
NO_2	-	70	73
SO_2	-	0.46	0.48

The table below identifies the atmospheric emissions from leakage of refrigeration, air conditioning, heat pumps and fire protection systems.

Other significant air emissions	2010	2011	2012
Greenhouse gases (tCO2eq)*	-	1,450	1,701
Ozone depleting gases (tR22)	-	0.4	0.30

*Includes data on emissions of CH_4 and N_2O

3.8. Total water discharge by quality and destination

The amount of water discharged into the domestic sewer network by PT was as follows:

Domestic water discharge (m³)	2010	2011	2012
Domestic water discharge*	228,754	236,760	223,312

*Estimated value in accordance with the conditions laid down in the Regulatory Decree No. 23/95 of 23 August

3.9. Total amount of waste by type and destination

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

Thus, PT must ensure that the waste generated is properly identified, registered and checked as to its final destination. Whenever an 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 to licensed waste management operators and forwarded to their final destination.

FINAL DESTINATION OF WASTE 2012 (%)

R9 Recovery // 0.04%

R3/R4/R5 Recovery // 8.34%

D15 Elimination // 0.01%
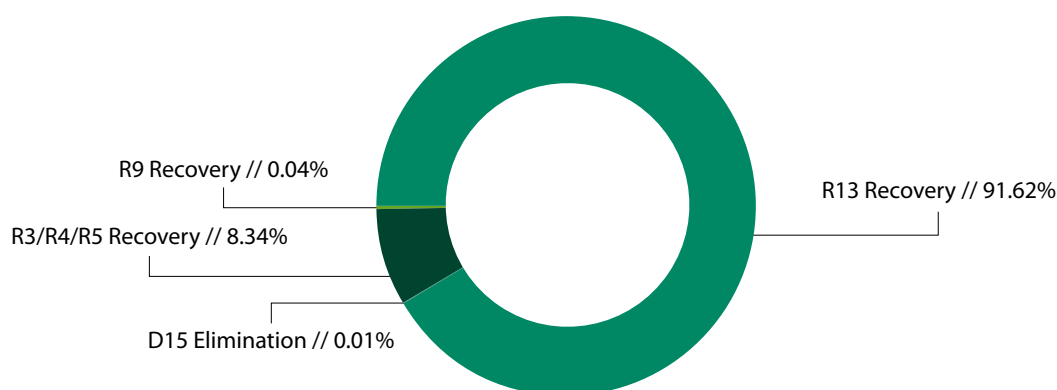
R13 Recovery // 91.62%

In 2012, of the waste sent to the appropriate final destination, 99.96% was forwarded to recovery operations, with only 0.04% being forwarded to disposal operations. Of 99.96% of the waste sent for recovery, 91.62% are accumulated for later recovery and 8.34% are subject to recycling/recovery operations.

Production of hazardous waste (t)	2010	2011	2012
Batteries (other)	71	96	107
Fluorescent Lamps	1	1	1
Used Oil	2	0	3
Hygiene	11	9	9
Total	**85**	**106**	**120**

| Production of non-hazardous waste (t)	2010	2011	2012
Paper / cardboard	393	364	308
Glass	2	9	0
Plastics	66	84	110
Urban solid waste (undifferentiated)	139	99	107
E&E (mobiles)	27	0	0
E&E (others)	241	482	584
Activity-support Infrastructure (*)	1,940	1,632	1,900
Toners and Ink Cartridges	10	8	17
Wood	372	196	171
Total	**3,190**	**2,874**	**3,197**

(*) Includes leaded copper cable, copper wire, self-supported copper cable, copper cable with plastic, armored copper cable, optical fibre cable, TEDS and TE1SE cable, and metals (iron, copper alloys, zinc and aluminum)

10 ENVIRONMENTAL PRESERVATION **AND COMBATING CLIMATE CHANGE**

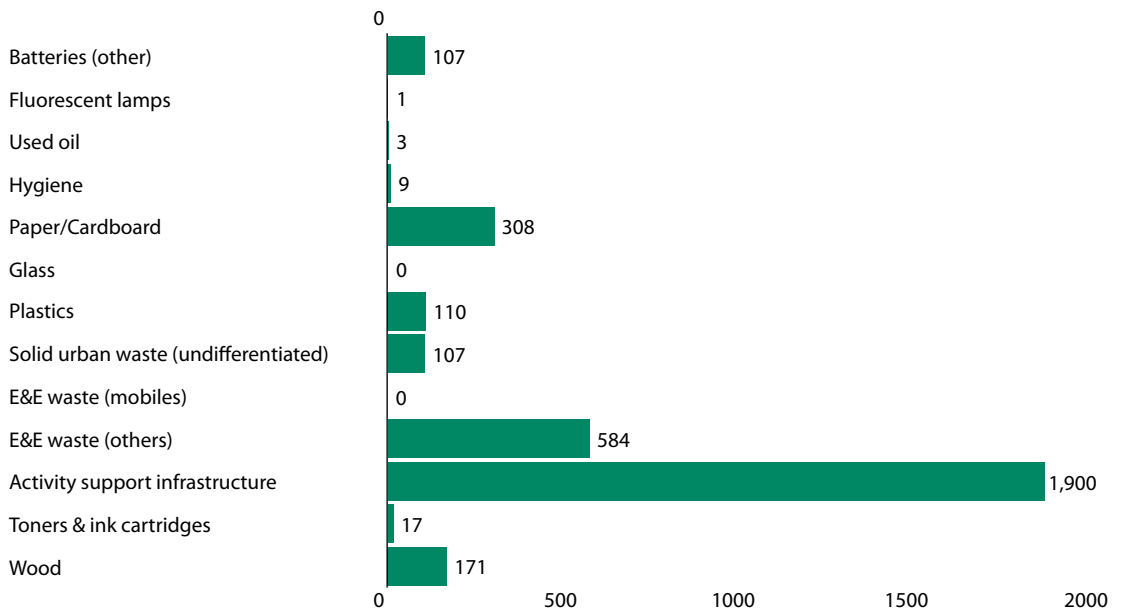The waste produced at PT is mostly classified as non-hazardous:

PRODUCTION OF HAZARDOUS AND NON-HAZARDOUS WASTE (%)

Hazardous waste // 4%

Non-hazardous waste // 96%
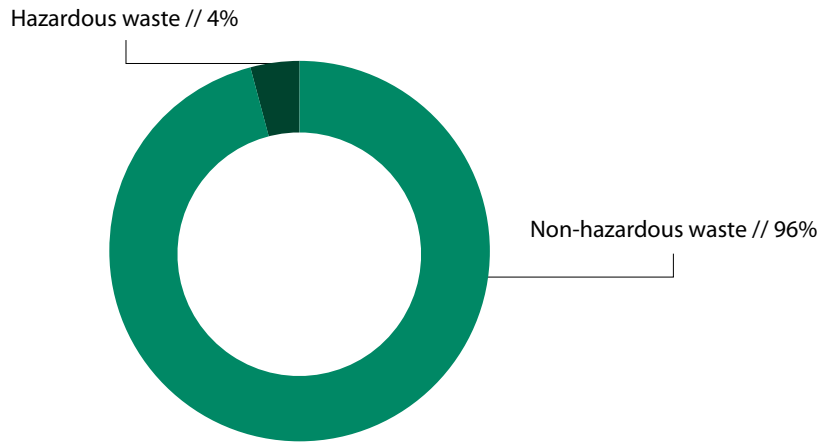
As to the type of existing waste at PT, and as reflected in the chart below, most corresponds to waste from activity support infrastructure:

WASTE PRODUCED BY TYPE (t)

Type	Value
Batteries (other)	107
Fluorescent lamps	1
Used oil	3
Hygiene	9
Paper/Cardboard	308
Glass	0
Plastics	110
Solid urban waste (undifferentiated)	107
E&E waste (mobiles)	0
E&E waste (others)	584
Activity support infrastructure	1,900
Toners & ink cartridges	17
Wood	171

3.10. Environmental protection expenditures and investments

Cost of fines resulting from legal environmental non-compliances (Euro)	2010	2011	2012
Cost of fines resulting from legal environmental non-compliances	11,250	-	-

(There was no payment of any fine related to any legal environmental non-compliance on the part of PT in 2012)

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

From 2009, and following the standardization of data, it became possible to determine the costs and benefits associated with the environment in several PT companies.

Total investments and spending on environmental protection	2010	2011*	2012*
Internal workforce (**)	6,657	7,359	10,844
Internal costs	256,583	405,199	547,557
External costs	958,433	2,384,100	2,246,372
Total	**1,215,016**	**2,789,298**	**2,793,929**

(*) Data from PT Inovação incorporated. The costs of PT Inovação regard the Integrated Management System of PT Inovação. PT Inovação's management system is an integrated management system, which encompasses quality, environment, hygiene and safety at work, innovation and CMMI. It is not possible to identify specific environmental costs because even audits are integrated, so there are general costs. (**) Cost hours/man.

However, in the global balance of costs and income, environmental management has produced a positive result, as can be seen in the table below:

Benefit associated with the EMS (Euro)	2010	2011	2012
Total income	5,640,367	5,842,094	7,270,762
Final results	**4,425,351**	**3,052,795**	**4,476,833**

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

METHODOLOGICAL NOTES

METHODOLOGICAL NOTES

Note on the procedure for drafting the report

The contents of this report are the result of a process of identification of the most relevant sustainability issues to the activity of the company and its stakeholders. This process involves an annual set of analyses, including: internal analysis of the most relevant issues to the company, analysis of sustainability issues and practices to the peer group, information resulting from mechanisms for dialogue and consultation with strategic stakeholders, trends evidenced by analyses carried out within the framework of sustainability indexes and other standards that the company follows (DJSI, FTSE4GOOD and others).

In 2012, it was also intended to frame the analysis with the sustainability strategy established for the three-year period 2012-2014. Detailed information about the materiality identification process in 2012 is in chapter IV – Stakeholder involvement.

Note on the scope

This report is an integral part of the annual report of PT, composed of two more books, pertaining to accounts and financial statements and corporate governance, to complement the information presented here. Where relevant, reference is made to these sources of information.

The information provided in this document refers predominantly to PT's performance in Portugal, and where the Group holds stakes of less than 60%, information can be found on their corporate websites.

During 2012, PT acquired a 25.6 percent stake in Telemar Participações, shareholder controller of Oi Group, so the data included in this report reflects this change to the scope and limits as defined by GRI.

The changes regarding the organisational structure are presented in the PT's Corporate Governance report 2012.

The organisational structure of PT's Sustainability also underwent changes, which are described in Chapter II - Ethics and Responsibility in Management/ 3.1 Organisational Structure of Sustainability in this report.

Note on performance indicators

For the calculation of the indicators provided, information was used from the PT Group's information systems, based on international accounting standards - IFRS, the tax system, labour law and environment legislation, the principles of conduct adopted by the Group, the 10 principles of the UN Global Compact, GRI indicators and guidelines, the principles defined by the AA 1000 standard and the application of the of the London Benchmarking Group methodology.

This report is subject to a process of verification of all information included therein, in line with the GRI guidelines, with regard to the credibility and quality of the content and guidance of the audit by an external and independent entity. In addition, the data concerning the economic-financial performance of Portugal Telecom is based on the book of accounts and financial statements, which is previously audited.

Calculation of economic indicators

In the calculation of the indicator EC6 Policy, practices and proportion of costs with local suppliers, in important operational units, a "local supplier" is considered a supplier of domestic origin.

Calculation of environmental indicators:

For the calculation of energy consumption and GHG emissions the following conversion factors were used:

	Conversion factors	Source
Electricity	1KWhw= 0.0036GJ	International Energy Agency
Natural gas	PCI = 0.03846 GJ/m^3	Portuguese Environment Agency
	Emission Factor 56.10 KgCO_2/GJ	Portuguese Environment Agency
Petrol	PCI = 45 GJ/t	Order No. 17313/ 2008
	Emission Factor 69.2 KgCO_2/GJ	Order No. 17313/ 2008
	Emission Factor 0.12 Kg NOx/GJ	Portuguese Environment Agency
	Emission Factor 0.002 Kg SO_2/GJ	Portuguese 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 0.313 Kg NOx/GJ	Portuguese Environment Agency
	Emission Factor 0.002 Kg SO_2/GJ	Portuguese Environment Agency

INDEX

INDEX

Table of GRI Indicators

Nature	GRI Indicators	Level of reporting	Page/ Direct reply	UNGC Principles	ISO26000
	1. Strategy and Analysis				
-	1.1 Declaration of the person with greater decision power in the organization (i.e. General-Director, Chairman of the Board or position of equivalent importance).	T	11-13	1, 7, 9	6.2
-	1.2 Description of main impacts, risks and opportunities, related to the activity of the company.	T	26-31, 56-67		6.2
	2. Organizational Profile				
-	2.1 Name of the reporting organization.	T	2		
-	2.2 Main brands, products and/or services.	T	7		
-	2.3 Operational structure of the organization, including main departments, participated companies in operation and joint ventures.	T	7, 39		6.2
-	2.4 Location of the headquarters of the company.	T	2		
-	2.5 Countries where it is present and name of those with significantly relevant operations for the sustainability issues handled in the report.	T	7		
-	2.6 Type and legal nature of ownership.	T	2		
-	2.7 Markets covered (including a detailed geographic analysis, the sectors covered and the types of beneficiaries/ customers).	T	7		
-	2.8 Dimension of the organization, including number of employees, net sales (for organizations of the private sector) or net revenue (for organizations of the public sector) and the amount of products provided and services rendered.	T	7-9, 19-21		
-	2.9 Main changes occurred, during the period covered by the report, in terms of dimension, organizational structure or the shareholder structure.	T	192		
-	2.10 Prizes received during the period of the report.	T	21-23		
	3. Parameters of the Report				
-	3.1 Period covered (i.e. civil/ fiscal year) for the information presented in the report.	T	5		
-	3.2 Date of the latest published report (if applicable).	T	5		
-	3.3 Report Publication cycle (annual, biennial, among others)	T	5		
-	3.4 Person(s) to be contacted for clarifications relative to the report or its content, including electronic address and the Internet site	T	5		
-	3.5 Process for the definition of the report content, including: the process to determine the relevance, the definition of priority issues in the scope of the report.	T	70-75		
-	3.6 Boundaries of the report (countries or regions, products or services, departments, installations, joint ventures or participated companies, as well as other limitations of specific scope).	T	192		
-	3.7 Mention any relative specific limitations to the scope and the boundaries of the report.	T	192		
-	3.8 Base for report elaboration in what concerns joint ventures, participated, partially controlled companies, leasehold installations, subcontracted operations and other situations that can significantly affect the comparability between distinct periods or with reports from other organizations.	T	192		
-	3.9 Data measurement techniques and calculation bases, including underlying hypotheses and techniques to the estimates applied to the compilation of the indicators and other information contained in the report.	T	192-193		
-	3.10 Explanation of the effect of any reformulations of existing information in previous reports and the reasons for such reformulations (i.e. fusions/acquisitions, change of period or year, nature of the business, methods of measurement).	T	192-193		
-	3.11 Significant changes, in relation the previous reports, in terms of scope, boundary or applied methods of measurement.	T	192-193		
-	3.12 Table that identifies the place of the standard-information in the report.	T	196 - 205		
-	3.13 Policy and current practice relative to the search of an independent process of reliability assurance for the report.	T	208 - 210		7.5.3

Table of GRI Indicators

Nature	GRI Indicators	Level of reporting	Page/ Direct reply	UNGC Principles	ISO26000
	4. Governance, Commitments and Involvement				
-	4.1 Structure of governance of the organization, including committees subordinated to the hierarchically highest governance body and with responsibility for specific tasks, such as the definition of the strategy or the supervision of the organization.	T	37-39		
-	4.2 Indicate if the Chairman of the hierarchically highest governance body is simultaneously an executive director (and in this case which are its functions in the scope of the management of the organization and the reasons for this composition).	T	41		
-	4.3 Indicate, in the case of organizations with a unitary administration structure, the number of members of the hierarchically highest governance body who are independent and/or non-executive members	T	41		
-	4.4 Mechanisms that allow the shareholders and employees to transmit recommendations or orientations to the hierarchically highest governance body.	T	48-51		
-	4.5 Relationship between the remuneration of the members of the hierarchically highest governance body, top directors and executives (including decision making agreements) and the organization performance (including social and environmental performance).	T	36-37		
-	4.6 Processes available to the hierarchically highest governance body to prevent the occurrence of interest conflicts.	T	34-37		
-	4.7 Process for the determination of the qualifications and skills demanded to the members of the hierarchically highest governance body to relatively define the strategy of the organization relative to the issues connected to the economic, environmental and social performance.	P	41-42		
-	4.8 The internal development of declaration of principles or mission, codes of conduct and principles considered relevant for the economic, environmental and social performance, as well as the implementation phase.	T	34-37	1 to 10	
-	4.9 Processes of the hierarchically highest governance body, to supervise the form how the organization carries out the identification and the management of the economic, environmental and social performance, the identification and the management of relevant risks and opportunities as well as the adhesion or compliance with the internationally accepted standards, codes of conduct and principles.	T	34-39		
-	4.10 Processes for the evaluation of the performance of the hierarchically highest governance body, especially in relation to the economic, environmental and social performance.	T	41-42		
-	4.11 Explanation on whether the precaution principle is handled by the organization and how it is done.	T	47-48	7	
-	4.12 Letters, principles or other initiatives developed externally of economic, environmental and social nature that the organization subscribes to or defends.	T	83-86	1 to 10	
-	4.13 Significant participation in associations (such as industrial associations) and/or national/international defense organizations where the organization: holds positions in the governance bodies; participates in projects and committees; contributes with substantial financings that exceed the normal obligations of the participants; faces the participation as strategical.	T	35		
-	4.14 Relation of the groups that constitute the interested parties involved by the organization.	T	70-71		
-	4.15 Base for the identification and selection of the interested parties to be involved.	T	70-71		
-	4.16 Methods used to involve the interested parties including the frequency of the involvement, by type and groups, of the interested parties.	T	70-71, 76-82		
-	4.17 Main issues and concerns identified through the involvement of the interested parties and the measures adopted by the organization in their treatment, namely through the reports.	T	48-51, 74, 76-82		

Nature	GRI Indicators	Level of reporting	Page/ Direct reply	UNGC Principles	ISO26000
	Management approaches				
	Economic management approach	T	7, 16-21, 27-31		6.2; 6.8
	Environmental management approach	T	30, 47, 49, 140, 176-188	7, 8, 9	6.2; 6.5
	Social management approach - Labour practices and decent work	T	47, 49, 50, 90-112	2, 3, 4	6.2; 6.4; 6.3.10
	Social management approach - Human Rights	T	29, 47, 49-50, 90-91, 95, 100-101, 109, 120, 126-127	1	6.2; 6.3
	Social management approach - Society	T	31, 35, 152-153, 162, 168		6.2; 6.6; 6.8
	Social management approach - Product responsibility	T	29, 31, 67, 113-117, 133-137, 152-153		6.2; 6.6; 6.7

Nature	GRI Indicators	Level of reporting	Page/ Direct reply	UNGC Principles	ISO26000
	Economic Performance Indicators				
E	EC1. Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.(Core)	T	16-21, 54		6.8 6.8.3 6.8.7 6.8.9
E	EC2. Financial implications and other risks and opportunities for the organization's activities due to climate change. (Core)	T	54-55, 61, 63, 174-177		6.5.5
E	EC3. Coverage of the organization's defined benefit plan obligations. (Core)	T	Pages 47-49 of the Consolidated Annual Report 2012		
E	EC4. Significant financial assistance received from government. (Core)	T	PT received no support from the Government		
	Aspect - Market Presence				
C	EC5. Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation. (Additional)	T	94	1	6.4.4 6.8
E	EC6. Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation. (Core)	T	122-123		6.6.6 6.8 6.8.5 6.8.7
E	EC7. Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation. (Core)	T	PT has no quota policy with recruitment principles such as local hiring and the existence of a minimum number of expatriates (with emphasis on financial functions).		6.8 6.8.5 6.8.7
	Aspect – Indirect Economic Impacts				
E	EC8. Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. (Core)	T	162, 165-171		6.3.9 6.8 6.8.3 6.8.4 6.8.5 6.8.6 6.8.7 6.8.9
C	EC9. Understanding and describing significant indirect economic impacts, including the extent of impacts. (Additional)	T	16-21, 162-166		6.3.9 6.6.6 6.6.7 6.7.8 6.8 6.8.5 6.8.6 6.8.7 6.8.9

Nature	GRI Indicators	Level of reporting	Page/ Direct reply	UNGC Principles	ISO26000
	Environmental Performance Indicators				
	Aspect – Materials				
E	EN1. Materials used by weight or volume.	T	181	7, 8, 9	6.5 6.5.4
E	EN2. Percentage of materials used that are recycled input materials.	T	144, 181	7, 8, 9	6.5 6.5.4
	Aspect – Energy				
E	EN3. Direct energy consumption by primary energy source.	T	182	7, 8, 9	6.5 6.5.4
E	EN4. Indirect energy consumption by primary source.	T	182	7, 8, 9	6.5 6.5.4
C	EN5. Energy saved due to conservation and efficiency improvements.	T	141-143, 178-181	7, 8, 9	6.5 6.5.4
C	EN6. Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	T	56, 59, 61, 63, 66, 126-127, 178-181	7, 8, 9	6.5 6.5.4
C	EN7. Initiatives to reduce indirect energy consumption and reductions achieved.	T	56, 59, 61, 63, 66, 126-127, 178-181	7, 8, 9	6.5 6.5.4
	Aspect - Water				
E	EN8. Total water withdrawal by source.	T	183	7, 8, 9	6.5 6.5.4
C	EN9. Water sources significantly affected by withdrawal of water.	T	183 The water consumption of PT does not affect any water resource, since the amount of water is negligible, and it comes from the public network.	7, 8, 9	6.5 6.5.4
C	EN10. Percentage and total volume of water recycled and reused.	P	178 It is not yet possible to quantify the amount of reused water, but there is a process that forwards water used in lavatories and rain water to water gardens thus minimizing water consumption.	7, 8, 9	6.5 6.5.4
	Aspect - Biodiversity				
E	EN11. Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	T	183	7, 8, 9	6.5 6.5.6
E	EN12. Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	T	184	7, 8, 9	6.5 6.5.6
C	EN13. Habitats protected or restored.	T	184	7, 8, 9	6.5 6.5.6
C	EN14. Strategies, current actions, and future plans for managing impacts on biodiversity.	T	184	7, 8, 9	6.5 6.5.6
C	EN15. Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	NR	Information not available.	7, 8, 9	6.5 6.5.6
	Aspect - Emissions, Effluents, and Waste				
E	EN16. Total direct and indirect greenhouse gas emissions by weight.	T	185	7, 8, 9	6.5 6.5.5
E	EN17. Other relevant indirect greenhouse gas emissions by weight.	T	185	7, 8, 9	6.5 6.5.5
C	EN18. Initiatives to reduce greenhouse gas emissions and reductions achieved.	T	126-127, 178-181	7, 8, 9	6.5 6.5.5
E	EN19. Emissions of ozone-depleting substances by weight.	T	185	7, 8, 9	6.5 6.5.3

Nature	GRI Indicators	Level of reporting	Page/ Direct reply	UNGC Principles	ISO26000
E	EN20. NOx, SOx, and other significant air emissions by type and weight.	T	185	7, 8, 9	6.5 6.5.3
E	EN21. Total water discharge by quality and destination.	T	185	7, 8, 9	6.5 6.5.3
E	EN22. Total weight of waste by type and disposal method.	T	186-187	7, 8, 9	6.5 6.5.3
E	EN23. Total number and volume of significant spills.	T	There were no significant spills.	7, 8, 9	6.5 6.5.3
C	EN24. Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	T	186-187 Dangerous materials used by PT are, at the end of their life cycle, collected and processed by accredited entities.	7, 8, 9	6.5 6.5.3
C	EN25. Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	T	There are only insignificant (in terms of volume) water discharges made by the company to the public sewer network, of domestic nature, fully compliant with the legislation, so the impact is minimum.	7, 8, 9	6.5 6.5.4 6.5.6
	Aspect - Products and Services				
E	EN26. Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	T	56, 61-63, 66, 126-127, 178-181	7, 8, 9	6.5 6.5.4 6.6.6 6.7.5
E	EN27. Percentage of products sold and their packaging materials that are reclaimed by category.	T	144, 181	7, 8, 9	6.5 6.5.4 6.7.5
	Aspect - Compliance				
E	EN28. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	T	188	7, 8, 9	6.5
	Aspect - Transport				
C	EN29. Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	NR	Information not available.	7, 8, 9	6.5 6.5.4 6.6.6
	Aspect - Overall				
C	EN30. Total environmental protection expenditures and investments by type.	T	188	7, 8, 9	6.5
	Social Performance: Labour Practices & Decent Work				
	Aspect -Employment				
E	LA1. Total workforce by employment type, employment contract, and region.	T	93-94, 97, 101		6.4 6.4.3
E	LA2. Total number and rate of employee turnover by age group, gender, and region.	P	95 Non-material issue for the company and the sector.		6.4 6.4.3
C	LA3. Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	T	92		6.4 6.4.3 6.4.4
E	LA15. Rate of return and retention after parental leave, by gender.	T	99		

Nature	GRI Indicators	Level of reporting	Page/ Direct reply	UNGC Principles	ISO26000
	Aspect - Labour/Management Relations				
E	LA4. Percentage of employees covered by collective bargaining agreements.	T	99-100	3	6.4 6.4.3 6.4.4 6.4.5 6.3.10
E	LA5. Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	T	92		6.4 6.4.3 6.4.4 6.4.5
	Aspect - Occupational Health and Safety				
E	LA6. Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	T	110	1	6.4 6.4.6
E	LA7. Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	T	94, 111	1	6.4 6.4.6
E	LA8. Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	T	110-112		6.4 6.4.6 6.8 6.8.3 6.8.4 6.8.8
E	LA9. Health and safety topics covered in formal agreements with trade unions.	T	100	1, 3	6.4 6.4.6
	Aspect - Training and Education				
E	LA10. Average hours of training per year per employee by employee category.	P	105-106	1	6.4 6.4.7
E	LA11. Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	T	106	1	6.4 6.4.7 6.8.5
E	LA12. Percentage of employees receiving regular performance and career development reviews.	T	107	1	6.4 6.4.7
	Aspect - Diversity and Equal Opportunity				
E	LA13. Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	T	96-98	1	6.3.7 6.3.10 6.4 6.4.3
E	LA14. Ratio of basic salary of men to women by employee category.	T	98	1	6.3.7 6.3.10 6.4 6.4.3 6.4.4
	Social Performance Indicators: Human Rights				
	Aspect - Investment and Procurement Practices				
E	HR1. Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	T	All due diligences are made from a financial, social and environmental viewpoint.		6.3 6.3.3 6.3.5 6.6.6
E	HR2. Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	T	123-124, 126-129	1 to 6	6.3 6.3.3 6.3.5 6.4.3 6.6.6

Nature	GRI Indicators	Level of reporting	Page/ Direct reply	UNGC Principles	ISO26000
E	HR3. Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	T	106	1 to 6	6.3 6.3.5
	Aspect - Non-Discrimination				
E	HR4. Total number of incidents of discrimination and actions taken.	T	48-49	1, 2 and 6	6.3 6.3.6 6.3.7 6.3.10 6.4.3
	Aspect - Freedom of Association and Collective Bargaining				
E	HR5. Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	T	Given the nature of activities there is no risk of impediment to the free exercise of freedom of association and collective bargaining agreements. In its value chain, the risk is minimized by the activity of control and alignment with PT's guidelines.		6.3 6.3.3 6.3.4 6.3.5 6.3.8 6.3.10 6.4.3 6.4.5
	Aspect - Child Labour				
E	HR6. Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	T	126-129	1, 2, 5	6.3 6.3.3 6.3.4 6.3.5 6.3.7 6.3.10
	Aspect - Forced and Compulsory Labour				
E	HR7. Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.	T	126-129 Through its operation in the areas related to conflict minerals, by searching for the origin of such materials, PT reinforces its control relative to this risk in its value chain.	1, 2, 4	6.3 6.3.3 6.3.4 6.3.5 6.3.7 6.3.10
	Aspect - Security Practices				
C	HR8. Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	NR	Not relevant for PT's activity.		6.3 6.3.5 6.4.3 6.6.6
	Aspect - Indigenous Rights				
C	HR9. Total number of incidents of violations involving rights of indigenous people and actions taken.	NA	Not applicable to PT's operations in Portugal.		6.3 6.3.6 6.3.7 6.3.8 6.6.7
	Evaluation				
E	HR10. Percentage and total number of operation subject to reviews related to human rights and impact evaluations.	T	126-129		
	Resolution				
E	HR11. Number of complains related to human rights approached and solved through formal mechanisms	T	48-49, 113		

Nature	GRI Indicators	Level of reporting	Page/ Direct reply	UNGC Principles	ISO26000
	Social Performance Indicators: Society				
	Aspect - Community				
E	SO1. Percentage and total number of operations that have carried out impact assessments on the local community and that implemented programs of involvement or local community development.	T	162, 165-169		6.3.9 6.8 6.8.5 6.8.7 6.6.7
E	SO9. Transactions with potential for negative effects on local community.	T	152-153		
E	SO10. Measures to prevent and mitigate the negative effects on the local community.	T	152-153		
	Aspect - Corruption				
E	SO2. Percentage and total number of business units subject to risk analysis to prevent corruption.	T	34-37, 47-49, 83-86, 124-125	10	6.6 6.6.3
E	SO3. Percentage of employees trained in organization's anti-corruption policies and procedures.	T	35-36, 106	10	6.6 6.6.3
E	SO4. Actions taken in response to incidents of corruption.	T	48-50	10	6.6 6.6.3
	Aspect - Public Policy				
E	SO5. Public policy positions and participation in public policy development and lobbying.	T	All participations of PT in workgroups that eventually may have the capacity to influence public policies take place in the domain of stakeholder relationship.		6.6 6.6.4 6.8.3
C	SO6. Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	T	There were no financial contributions.		6.6 6.6.4 6.8.3
	Aspect - Anti-Competitive Behavior				
C	SO7. Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	T	There were no legal actions.		6.6 6.6.5 6.6.7
	Aspect - Forced and Compulsory Labour				
E	SO8. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	T	There were no fines or sanctions for non-compliance with laws or regulations.		6.6 6.6.7 6.8.7
	Social Performance Indicators: Product Responsibility				
	Aspect - Customer Health and Safety				
E	PR1. Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	T	60-61, 67, 152-153		6.3.9 6.6.6 6.7 6.7.4 6.7.5
C	PR2. Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	T	There were no incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services.		6.3.9 6.6.6 6.7 6.7.4 6.7.5

Nature	GRI Indicators	Level of reporting	Page/ Direct reply	UNGC Principles	ISO26000
	Social Performance Indicators: Product Responsibility				
	Aspect - Products and Service Labeling				
E	PR3. Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	T	135-136		6.7 6.7.3 6.7.4 6.7.5 6.7.6 6.7.9
C	PR4. Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	T	There were no incidents.		6.7 6.7.3 6.7.4 6.7.5 6.7.6 6.7.9
C	PR5. Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	T	158-159		6.7 6.7.4 6.7.5 6.7.6 6.7.8 6.7.9
	Aspect - Marketing Communications				
E	PR6. Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	T	135-136		6.7 6.7.3 6.7.6 6.7.9
C	PR7. Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	T	There were no incidents.		6.7 6.7.3 6.7.6 6.7.9
	Aspect - Customer Privacy				
C	PR8. Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	T	There were no registered complaints.		6.7 6.7.7
	Aspect - Compliance				
E	PR9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	T	There were no fines for non-compliance with laws and regulations concerning the provision and use of products and services.		6.7 6.7.6
	Performance Indicators of the ICT Supplement				
	Aspect - Internal Operations				
C	IO1. Capital investment in telecommunication network infrastructure broken down by country/region.	T	55		
C	IO2. Net costs for service providers under the Universal Service Obligation when extending service to geographic locations and low-income groups, which are not profitable. Describe relevant legislative and regulatory mechanisms.	T	Issues relating to universal service obligation are governed by ANACOM, the entity with which PT keeps regular contact within the scope of its activity. PT has held negotiations with this entity that will allow reporting this indicator.		
C	IO3. Practices to ensure health and safety of field personnel involved in the installation, operation and maintenance of masts, base stations, laying cables and other outside plant. Related health and safety issues include working at heights, electric shock, exposure to EMF and radio frequency fields, and exposure to hazardous chemicals.	T	111-112, 152-153, 184		

Nature	GRI Indicators	Level of reporting	Page/ Direct reply	UNGC Principles	ISO26000
C	IO4. Compliance with ICNIRP (International Commission on Non-Ionising Radiation Protection) standards on exposure to radiofrequency (RF) emissions from handsets	T	152-153		
C	IO5. Compliance with ICNIRP (International Commission on Non-Ionising Radiation Protection) guidelines on exposure to radiofrequency (RF) emissions from base stations.	T	152-153		
C	IO6. Policies and practices with respect to Specific Absorption Rate (SAR) of handsets.	T	184		
C	IO7. Policies and practices on the siting of masts and transmission sites including stakeholder consultation, site sharing, and initiatives to reduce visual impacts. Describe approach to evaluate consultations and quantify where possible.	T	184		
C	IO8. Number and percentage of stand-alone sites, shared sites, and sites on existing structures.	T	184		
	Aspect - Access Providing				
C	PA1. Policies and practices to enable the deployment of telecommunications infrastructure and access to telecommunications products and services in remote and low population density areas. Include an explanation of business models applied.	T	145-146, 162-165		
C	PA2. Policies and practices to overcome barriers for access and use of telecommunication products and services including: language, culture, illiteracy, and lack of education, income, disabilities, and age. Include na explanation of business models applied.	T	61, 145-148, 162, 168-169		
C	PA3. Policies and practices to ensure availability and reliability of telecommunications products and services and quantify, where possible, for specified time periods and locations of down time.	T	145-148		
C	PA4. Quantify the level of availability of telecommunications products and services in areas where the organization operates. Examples include: customer numbers/market share, addressable market, percentage of population covered, percentage of land covered.	T	7-9, 16-21, 163-165		
C	PA5. Number and types of telecommunication products and services provided to and used by low and no income sectors of the population. Provide definitions selected. Include explanation of approach to pricing, illustrated with examples such as price per minute of dialogue/bit of data transfer in various remote, poor or low population density areas.	T	145-148, 168-169 http://meo.pt/ http://www.tmn.pt/portal/ site/tmn		
C	PA6. Programmes to provide and maintain telecommunication products and services in emergency situations and for disaster relief.	T	145-146, 151-152		
C	PA7. Policies and practices to manage human rights issues relating to access and use of telecommunications products and services.	T	113-117, 147-150		
C	PA8. Policies and practices to publicly communicate on EMF related issues. Include information provides at points of sales material.	T	150-151		
C	PA9. Total amount invested in programmes and activities in electromagnetic field research. Include description of programmes currently contributed to and funded by the reporting organisation.	NR	184		
C	PA10. Initiatives to ensure clarity of charges and tariffs.	T	154-155		
C	PA11. Initiatives to inform customers about product features and applications that will promote responsible, efficient, cost effective, and environmentally preferable use.	T	135-137, 148-151, 153-155,		
	Aspect - Technology Applications				
C	TA1. Provide examples of the resource efficiency of telecommunication products and services delivered.	T	140-145		
C	TA2. Provide examples of telecommunication products, services and applications that have the potential to replace physical objects.	T	143		
C	TA3. Disclose any measures of transport and/or resource changes of customer use of the telecommunication products and services listed above.	T	143		
C	TA4. Disclose any estimates of the rebound effect (indirect consequences) of customer use of the products and services listed above, and lessons learned for future development.	T	54-55, 140-155		
C	TA5. Description of practices relating to intellectual property rights and open source technologies.	T	55		

E - Essential indicator // C - Complementary Indicator // T - Indicator - total reply

P - Indicator - partial reply // NR - Indicator - no reply // NA - Not applicable

EXTERNAL AND INDEPENDENT VERIFICATION GRI AND SGS

EXTERNAL AND INDEPENDENT VERIFICATION GRI AND SGS

Statement
GRI Application Level Check

GRI hereby states that **Portugal Telecom** has presented its report "Sustainability Report 2012" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 6 April 2013

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

The "+" has been added to this Application Level because Portugal Telecom has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: *Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 22 April 2013. GRI explicitly excludes the statement being applied to any later changes to such material.*

SGS

VERIFICATION STATEMENT

DECLARATION OF VERIFICATION OF SGS ICS OF THE SUSTAINABILITY REPORT 2012 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 2012. 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 2012.

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 2012 was verified in accordance with the 2008 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 G3.1 Guidelines for Sustainability Reporting (2011);
- 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 safety and health management systems, and SA8000 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 2012.
The verification team considers that the Sustainability Report 2012 can be used by the stakeholders of PT.

AA1000 ACCOUNTABILITY PRINCIPLES (2008) – CONCLUSIONS AND RECOMMENDATIONS
In our opinion, the Sustainability Report 2012 demonstrates a strong commitment of PT to the AA1000 Accountability, Completeness, Materiality and Responsiveness Principles, as findings below:

Completeness - The Sustainability Report 2012 demonstrates the commitment of PT with the Principle of Completeness. There are methodologies for identification, involvement and participation of stakeholders defined and implemented, and communication channels established that allow knowing their concerns and expectations and identifying the relevant issues.

Materiality – The matrix of materiality was revised in order to include 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 concerns 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 G3.1 (2011) – CONCLUSIONS AND RECOMMENDATIONS
In our opinion, the Sustainability Report 2012 of PT was prepared in accordance with GRI G3.1 Guidelines (2011) and Telecommunications Sector Supplement (2003), fulfilling the Level A+ requirements necessary for that purpose.
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 Group.

In representation of SGS ICS

Isabel Berger   **Patrícia Pereira**

Certification Department

Lisboa, 23 April 2012

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