

## PHAROL, SGPS S.A. – 2020 RESULTS

- PHAROL's net result in 2020 was negative by 14.3 million Euros, essentially justified by: (1) impairment of 11.1 million Euros due to the reduction in the expected value of the credit on Rio Forte, and (2) operating costs in the amount of Euros 3.0 million.
- The company's equity increased by 33.8 million euros, ending 2020 at 165.4 million euros, reflecting (1) the appreciation of the stake in Oi by 47 million euros and (2) the negative net result in the amount of 14.3 million euros.
- PHAROL's stake in Oi, which reached 110 million euros at the end of the year, ended the second half with an appreciation of 47 million euros; the quotation gain (68.8 million euros) was partially offset by the exchange rate effect (21.1 million euros).
- Following the limited evolution in the bankruptcy process of Rio Forte and the sharp devaluation of the Brazilian currency (and, to a lesser extent, the Paraguayan currency), with a strong depreciation of the value of assets in those countries, the expected amount of credit over Rio Forte suffered reduction of 11.1 million Euros in the year 2020.
- With the occurrence of the Covid-19 pandemic and the consequent strengthening of the policy of containment and budgetary discipline, a reduction in recurrent operating costs of 29% was obtained, which reached, at the end of the year, 3 million Euros.
- PHAROL's quotation ended the year 2020 at 12.5 cent./action, which represented an increase compared to 2019 of 23.6%, which was recognized, at the beginning of 2021 by Euronext Lisbon, which awarded it the prize of the highest shareholder remuneration of SMEs in the Lisbon market in 2020.

### MESSAGE FROM THE CHAIRMAN

Luís Palha da Silva

*"For a whole generation of managers in Portugal, 2020 will go down in history as the worst year of their lives. Not always with substantial, direct and immediate effects on the activity and business of companies. But, certainly, in the way that all the beliefs and assumptions that hitherto shaped the face of the future and the strategic planning of institutions were shaken. Few, if any, companies have previously placed a pandemic outbreak among the most critical exogenous factors.*

*Pharol will not be among the companies that suffered the most. Equity registered a very sharp increase positive, of 33.8M €, and the price of our shares, which, like many others, had suffered with the abrupt fall of the markets*

*in the last quarter of the previous year, ended up concluding 2020 with a strong revaluation. The Brazilian economy revealed the same weaknesses as the rest of the world economies, which led to a strong devaluation of the Real. However, in the specific case of Oi, there are several positive developments throughout the year, reflecting the strategic measures implemented by the new Executive Team, managing to strengthen the investment capacity, which is reflected in the good stock market behavior of this new Oi in 2020.*

*Coincidentally, the devaluation of the real is also one of the main, if not the main, explanation for the worsening of the losses suffered by Pharol in 2020. The abrupt fall of the Brazilian currency (and to a lesser extent of the Paraguayan currency) will have contributed most. to reduce the expected value of assets distributable by creditors under this bankruptcy process, which led to an impairment of € 11.1m in the amount of credit over Rio Forte.*

*As for Pharol's operating costs, whose control continues to be one of the main priorities of the Board of Directors, the downward trend continued, driven by the strict monitoring of litigation and personnel expenses."*

### Highlights

#### PHAROL

(Euro million)	2020	2019
<b>Recurring EBITDA</b>	(3.0)	(4.2)
<b>Net Results</b>	(14.3)	20.7
(Euro million)	2020	2019
<b>Assets</b>	183.3	144.1
<b>Liabilities</b>	18.0	12.6
<b>Equity</b>	165.4	131.5

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# CONSOLIDATED ANNUAL REPORT

2020

# PHAROL, SGPS S.A.



CONSOLIDATED ANNUAL REPORT

2020

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**“PHAROL”, “Group PHAROL”, “Group” and “Company” is a reference to the companies that are part of PHAROL, SGPS S.A. or to one of them, depending on the context.**

## 01. MESSAGE FROM THE CHAIRMAN

### MESSAGE FROM THE CHAIRMAN

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For a whole generation of managers in Portugal, the year 2020 will go down in history as the worst year of their lives. Not always with substantial, direct and immediate effects on the activity and business of companies. But, certainly, in the way that all the beliefs and assumptions that hitherto shaped the face of the future and the strategic planning of institutions were shaken.

Symptomatic is that, although the great majority of companies had long ago abandoned reports based exclusively on profitability assessments and started to present to their Shareholders with volatility management methodologies - risk management analyzes, especially those with a high impact on results and situation patrimonial - few, if any, were those that previously placed a pandemic outbreak among the most critical exogenous factors.

Few have also been those who guessed that the scientific communities, despite some advances at an unexpected speed in the field of vaccination, would demonstrate such inaction and ignorance about the causes and effects of the pandemic over a long period of time, making it difficult and even more zigzagging. decision-making by public authorities.

Urged to come forward with measures, different Governments determined non-selective programs to combat the pandemic that hit economies and sectors in a brutal and indiscriminate manner. In such a way that almost all the registrations of activity decrease in the various areas of the globe ended up being beaten.

PHAROL will not be among the companies that suffered the most. Equity registered a very positive increase, of 33.8M €, and the price of our shares, which, like many others, had suffered with the abrupt fall of the markets in the last quarter of the previous year, ended up concluding 2020 with a strong revaluation, which even allowed to obtain the prize, awarded by Euronext, for the highest shareholder remuneration of SMEs in the Lisbon market in 2020. The positive evolution registered by the participation in Oi contributed decisively to this.

The Brazilian economy revealed the same weaknesses as the rest of the world economies with regard to the effects of the pandemic, aggravated, however, by some political instability that insists on maintaining itself and is one of those responsible for the strong devaluation felt by the real. However, in the specific case of Oi, there are several positive developments throughout the year: the new Executive Team cemented the credibility of its strategy based on investment in FTTH (Fiber to the Home), by exceeding expectations in the number of users achieved, and consolidation of the balance sheet, taking safe steps in the disposal, in whole or in part, of various assets such as the mobile network, antennas or network infrastructures. The investment capacity was thus largely reinforced and explains the good stock market behavior of this new Oi in 2020.

Coincidentally, the devaluation of the real is also one of the main, if not the main, explanation for the worsening of the losses suffered by Pharol in 2020. Although it can be said that, in relation to an asset as contingent as the credit on Rio Forte, there are any number of factors that condition its valuation, the abrupt fall in the Brazilian currency (and to a lesser extent in the Paraguayan currency) contributed most to the

reduction in the expected value of assets distributable by creditors in the context of this bankruptcy process, which has a significant part of its salable assets in South American real estate. Accordingly, as it was responsible for and following the evaluation model consistently used with monitoring by the Fiscal Council, External Auditors and ROC, in 2020 PHAROL recorded an impairment of € 11.1M in the amount of credit over Rio Forte.

As for Pharol's operating costs, whose control remains one of the main priorities of the Board of Directors, the downward trend continued, driven by the strict monitoring of litigation and personnel expenses.

The Board of Directors elected, for the term now ending, three pillars of action: the valuation and defense of the value of the assets held, the removal of risks and contingencies that still exist and the tight control of costs. The next General Meeting will elect the new Governing Bodies of Pharol and it is with the feeling of accomplishment (although not complete in some chapters) that the passage of testimony will be made. The Shareholders and the new Board of Directors will be responsible, among others, for the decision to choose between the path that has been followed in recent years, of strong contention, or the bet on a greater diversification of the asset portfolio, based on the vocation of participation manager from Pharol.

To the Shareholders, on behalf of the Board of Directors, I would like to thank all the support received during this mandate.

## 02. FINANCIAL REVIEW

### FINANCIAL REVIEW

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As at December 31, 2020, PHAROL main assets are composed of (1) 319,414,859 common shares of Oi, S.A. ("Oi"), representing 5,37% (excluding treasury shares) of the total share capital of Oi, (2) debt securities of Rio Forte Investments S.A. ("Rio Forte") with a nominal value of Euro 897 million. Also, PHAROL has a Call Option on 8,538,276.96 common shares and 17,076,553.92 preferred shares of Oi with an exercise price of R\$20.104 per common share and R\$18.529 per preferred share, adjusted by the Brazilian rate CDI plus 1.5% per annum, and with a 6-year maturity. The Call Option has partial expiration dates throughout the period, so the option volume is reduced by 10% at the end of the first year and by 18% per year thereafter and to be corrected for the capital increases meanwhile carried out in Oi. This call option is currently valued at zero Euros.

As of December 31, 2014, after the capital increase of Oi, concluded on May 5, 2014 (the "Oi Capital Increase"), PHAROL held a 39.7% direct and indirect stake in Oi. This included a portion classified as a non-current asset held for sale, following the Exchange agreement ("Exchange") entered into on September 8, 2014 and completed on March 8, 2015, and the remaining stake of 22.8% classified as investment in joint ventures and associates and therefore accounted for using the equity method.

On March 30, 2015, the Exchange was completed, whereby PHAROL (1) transferred to Portugal Telecom International Finance, B.V. ("PT Finance"), a subsidiary of Oi, an aggregate amount of 47,434,872 common shares and 94,869,744 preferred shares of Oi, and (2) received from PT Finance debt securities of Rio Forte with a nominal value of Euro 897 million and a call option on the transferred shares ("Call Option"). After the completion of the Exchange, PHAROL held an effective stake of 27.48% in Oi corresponding to the 22.8% stake referred above plus 4.7% due to the decrease in the number of outstanding shares of Oi.

The relevant agreements for the implementation of the New Structure of Oi were signed on July 22, 2015. On September 1, 2015, a General Meeting of Shareholders of Oi was held where the New Structure was approved.

As of September 30, 2015, after the implementation of the New Structure, but prior to the voluntary conversion of preferred shares to ordinary shares of Oi, PHAROL held, directly or indirectly through wholly owned subsidiaries, 84,167,978 common shares and 108,016,749 preferred shares of Oi.

As of October 8, 2015, following the voluntary conversion of preferred shares into common shares of Oi, PHAROL now holds, directly and indirectly through wholly owned subsidiaries, 183,662,204 common shares of Oi, representing 27.18% of total share capital of Oi (excluding treasury shares). PHAROL's voting rights in Oi were limited to 15% of the total common shares of Oi.

With the implementation of the New Structure on July 30, 2015, the shareholders' agreements, through which joint control of Oi was exercised, were terminated. Up to that date, PHAROL accounted for its stake in Oi as an Investment in Joint Ventures. After this date, PHAROL considered it had significant influence over Oi and classifies it as an associate company. As a result, from July 30, 2015 the investment in Oi continued to be accounted for according to the equity method, based on PHAROL's economic stake in Oi's results.

On April 29 and May 19, 2016, PHAROL, due to a corporate reorganization, transferred direct ownership of 128,213,478 common shares issued by Oi S.A., to its 100% owned subsidiary BRATEL B.V.. Due to the Corporate Reorganization, BRATEL B.V. now directly holds (and PHAROL indirectly holds) 183,662,204 common shares of Oi S.A., which represented 22.24% of Oi S.A.'s entire share capital (27.18% excluding treasury shares).

On 15 September 2017, in order to concentrate all its operations in Luxembourg, PHAROL transferred the ownership of all the shares that BRATEL BV has in Oi SA to its subsidiary BRATEL S.à.r.l., 100% owned by BRATEL B.V.

In December 2017, and after the decision by the Court of the 7th Business Court of Rio de Janeiro (which it handles the Judicial Recovery of Oi) and which decided to withdraw the rights of the members of the Board of Directors of Oi in the approval of the Judicial Recovery Plan, it was understood that PHAROL lost the significant influence it had until then on its associate Oi. Consequently, on 31 December 2017, PHAROL began to measure its investment in Oi at market value and classify it as "Financial Assets".

Oi S.A., in the disclosure of its consolidated results for 2017, announced that it had restated its Consolidated Equity on January 1, 2016 and December 31, 2016, amounting to BRL 18 billion and BRL 19 billion, respectively. Following this restatement, PHAROL's investment in Oi, being recorded under the equity method, was restated and valued at zero in the periods of January 1, 2016 and December 31, 2016.

On July 20, 2018, following the homologation of the Capital Increase through the conversion of debt into shares, Oi's share capital increased from 825,760,902 shares for a total of 2,340,060,505 shares, was a dilution of PHAROL's participation in Oi to less than 8%.

On January 9, 2019, as part of the capital increase due to the Entry of New Resources, Oi went from 2,340,060,505 shares to a total of 5,954,205,001 shares representing its share capital, with a dilution of PHAROL's stake in Oi to less than 4%, even though it partially accompanied the referred capital increase.

On April 2, 2019, with the approval of an agreement between PHAROL and Oi on January 8, 2019, in which Oi committed itself to reimburse PHAROL for the damages for damages suffered through Oi's actions and resources for the acquisition of Oi shares subscribed in the aforementioned capital increase, PHAROL now holds a 5.51% interest in Oi's share capital.

During 2020, PHAROL sold all preferred shares of Oi and a small portion of common shares, resulting in a final stake of 5.37% of Oi's share capital.

In 2020, PHAROL's negative results were essentially caused by the lack of developments in Rio Forte's bankruptcy process. To this inactivity helped the depreciation of economies in Latin America, justified, it is true, by the effects of the Covid-19 pandemic. Devaluations of the real and, to a lesser extent, of the Paraguayan peso led to a further downward revision of the amount to be recovered for Rio Forte's debts.

With regard to the Covid-19 Pandemic, which emerged with a special impact on the economy at a global level in the first quarter of 2020, there was no direct impact at the operational level at PHAROL. Indirect consequences were mainly seen in PHAROL's holdings, determined by the aforementioned devaluations of the real with respect to Oi and the real and the Paraguayan peso in the appreciation of credit over Rio Forte. However, it should be noted that, as a result of a strong appreciation of Oi's share price, PHAROL's equity



has grown significantly and its own share has evolved very favorably, having even allowed obtaining the best remuneration award for listed SMEs. at Euronext Lisbon, in 2020.

The net loss for 2020 was Euro 14.3 million, which compares with a gain of Euro 20.7 million in the same period of 2019.

The net loss in 2020 mainly reflects (1) a loss of Euro 1.1 million due to the reduction in the expected value of Rio Forte, and (2) costs of external supplies and services and personnel costs respectively at Euro 1.2 and 1.5 million.

The net result for 2019 reflects (1) the gain in associates because of the compensation for damages under the Agreement between Oi and Bratel Sarl of 35.7 million Euros, (2) a loss of Euro 11.6 million due to the reduction in the expected value of Rio Forte essentially justified by the devaluation of Rio Forte's assets in Latin America justified mainly by the exchange devaluation, and, and (3) operating costs in the amount of Euro 3 million.

## CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT		
	Euro million	
	2020	2019
Wages and salaries	1.5	1.6
Supplies, external services and other expenses	1.4	2.3
Indirect taxes	0.2	0.4
<b>Loss before financial results and taxes</b>	<b>(3.0)</b>	<b>(4.2)</b>
Depreciations	0.1	0.1
<b>Earnings before interest and taxes</b>	<b>(3.1)</b>	<b>(4.3)</b>
Net other gains	0.0	(12.6)
<b>Loss before financial results and taxes</b>	<b>(3.1)</b>	<b>8.2</b>
Net interest income	(0.0)	(0.0)
Losses in associates	-	(36.8)
Net losses on financial assets and other investments	11.1	11.6
Net other financial losses (gains)	0.0	0.0
<b>Loss before taxes</b>	<b>(14.3)</b>	<b>33.4</b>
Income taxes	0.0	12.7
<b>Attributable to equity holders of PHAROL, SGPS S.A.</b>	<b>(14.3)</b>	<b>20.7</b>

Consolidated operating costs amounted to 3 million Euros in 2020 compared to 4.2 million Euros in 2019 following a cost reduction in all items with a special focus on legal services and advisory services.

Net losses on financial assets and other investments as of December 31, 2020 and 2019 include the reduction of the expected recovery of credits on Rio Forte.

Results before tax in 2020 amounted to 14.3 million Euros.

The net result attributable to PHAROL Shareholders recorded a loss of 14.3 million Euros in 2020, which compares with a profit of 20.7 million Euros in 2019. The net loss in 2020 essentially reflects (1) the consolidated operating costs of 3 million Euros, and (2) a loss of 11.1 million Euros due to the reduction in the expected value of the recovery of credits on Rio Forte.

The net result in 2019 essentially reflects (1) the reimbursement of damages under the Agreement between Oi and Bratel Sarl in the amount of 36.8 million Euros; (2) a loss of 11.6 million Euros due to the reduction in the expected amount of recovery of credits on Rio Forte and (3) the consolidated operating costs of 4.2 million Euros.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position		
	Euro million	
	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	20.7	17.9
Accounts receivable	0.1	0.1
Tangible assets	0.2	0.3
Taxes receivable	0.0	0.1
Financials assets	110.3	62.6
Other assets	52.0	63.0
<b>Total assets</b>	<b>183.3</b>	<b>144.1</b>
<b>LIABILITIES</b>		
Short-term debt	0.2	0.3
Accounts payable	0.3	0.2
Accrued expenses	0.9	0.8
Taxes payable	0.1	0.2
Other liabilities	16.4	11.1
<b>Total liabilities</b>	<b>18.0</b>	<b>12.6</b>
<b>Total equity</b>	<b>165.4</b>	<b>131.5</b>
<b>Total liabilities and shareholders' equity</b>	<b>183.3</b>	<b>144.1</b>

The accompanying notes form an integral part of these financial statements.

The cash position is Euro 20.7 million at the end of fiscal year 2020. The cash position and accounts receivable net of liabilities associated with gross debt, accounts payable, accrued costs, taxes payable and potential amounts payable to the Portuguese Tax Authority, shown in the caption "Other liabilities", represented 2.9 million Euros on December 31, 2020 and 5.6 million Euros on December 31, 2019.

Financial assets correspond essentially to PHAROL's effective investment in Oi, 5.37% on December 31, 2019 and 5.51% in 2018, which is recorded at market value.

The other assets on December 31, 2020 and 2019, in the amounts of 51 million Euros and 63 million Euros respectively, correspond to the best estimate of the fair values of the assets related to the debt instruments issued by Rio Forte, whose value nominal value amounts to 897 million Euros.

Equity amounted to Euro 165,4 million on December 31, 2020 compared to Euro 131.5 million on December 31, 2019, an increase of Euro 33.8 million, mainly reflecting (1) the negative net income generated in 2020 in the amount of 14.3 million Euros, and (2) gains on financial assets recognized directly in the amount of 51,2 million Euros and (3) acquisition of own shares in the amount of 3 million of Euros.

## OI RESULTS KEY HIGHLIGHTS

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### The information within this section arises from the Oi's Presentation of Results - 3Q2020

In the 3Q, despite the pandemic, Oi maintained delivery on the operational and transformational fronts. The approval of the amendment to the plan at AGC paved the way for sustainability.

- 1.75 M FTTH customers - Monthly average of 149 k new customers
- 7.9 M homes passed with fiber - Monthly average of 383 k new HP's
- + 3.5% growth in Total Revenue in the quarterly comparison - The robust growth in fiber revenue and signs of recovery in mobility and B2B were mainly responsible for the performance
- + 2.1% revenue growth from Post and + 8.2% from Pre Q/Q
- -9.6% Opex savings Y/Y
- + 2.4% Routine EBITDA year on year
- R \$ 5.7Bi cash position at the end of September / 20
- At least R \$ 26.9Bi of new resources with judicial auctions:
  - Towers: R \$ 1,067 Mi (Stalking Horse defined - date: Nov 26)
  - Data Centers: R \$ 325 Mi (Stalking Horse defined - date: Nov 26)
  - Mobile Operation: R \$ 16.5 Bi (Stalking Horse defined - date: Dec 14)
  - InfraCo: R \$ 6.5 Bi minimum in cash + R \$ 2.4 Bi debt with Oi

Oi continues to successfully stabilize and improve its operations, redefine its strategic model and deliver a strong acceleration of its fiber optic plan.

The approval of the amendment to the judicial recovery plan at the AGC in September was a firm validation of the ambitious model to accelerate growth, enable the creation of the largest infrastructure company in Brazil and bring Oi back to long-term sustainability.

The structural separation model allows combining strong growth and financial sustainability for Oi and InfraCo.

The addition to the plan also allows for a significant injection of funds into the company, through UPI auctions, helping to ensure both investments over time and the critical reduction of the company's long-term debt.

Transformation continues to be pursued ceaselessly through integrated execution programs.

The management team and the board of directors are committed to implementing the new strategic model with rigor and speed.

in R\$ million

	3T19	2T20	3T20
<b>Operational Revenues</b>	<b>5,001</b>	<b>4,544</b>	<b>4,706</b>
Brazil	4,955	4,490	4,648
Residential	1,803	1,583	1,625
Personal Mobility	1,763	1,619	1,706
B2B	1,357	1,265	1,294
Other Services	32	24	23
International Operations	46	54	58
<b>Routine Operating Costs and Expenses</b>	<b>3,627</b>	<b>3,185</b>	<b>3,244</b>
Brazil	3,552	3,025	3,212
International Operations	75	160	32
<b>Routine EBITDA</b>	<b>1,374</b>	<b>1,359</b>	<b>1,462</b>
Non-routine Items	521	0	22
Expenses on Impairment Losses	-3,342	0	0
<b>EBITDA</b>	<b>-1,447</b>	<b>1,359</b>	<b>1,485</b>
<i>EBITDA Margin (%)</i>	<i>-28.9%</i>	<i>29.9%</i>	<i>31.6%</i>
Depreciation and Amortization	1,752	1,725	1,740
EBIT	-3,199	-366	-255
Financial Expenses	-3,875	-3,983	-2,961
Financial Income	1,499	856	636
<b>Net Earnings (Loss) Before Tax and Social Contribution</b>	<b>-5,575</b>	<b>-3,493</b>	<b>-2,580</b>
Income Tax and Social Contribution	-209	-1	1
<b>Consolidated Net Earnings (Loss)</b>	<b>-5,784</b>	<b>-3,493</b>	<b>-2,580</b>
<i>Margin %</i>	<i>-115.6%</i>	<i>-76.9%</i>	<i>-54.8%</i>

### 03. BUSINESS PERFORMANCE

Below we list all the events that occurred between January 1, 2020 and March 15, 2021, that can be read in full at PHAROL's website ([www.pharol.pt](http://www.pharol.pt)).

#### QUALIFIED PARTICIPATIONS IN PHAROL

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The main changes in qualifying holdings of PHAROL were as follows:

**06/Jan/2020** | Grupo Visabeira SGPS, S.A. reported that it sold a total of 1,700,000 shares, representing 0.1896% of the share capital and voting rights of PHAROL.

As a result of the sales, Grupo Visabeira SGPS, S.A. became the holder of 12,367,041 shares, representing 1.3795% of the share capital and voting rights of PHAROL.

Furthermore, pursuant to the provisions of article 20 of the Portuguese Securities Code, in view of the existing holdings, Fernando Campos Nunes (NIF: 175,776,083) is deemed to be responsible for the total of 12,367,041 shares representing the share capital of PHAROL SGPS, SA, corresponding to 1.3795% of the share capital and voting rights.

**26/Feb/2020** | Abante Asesores, S.A. reported that holds a qualified holding through 18,200,000 shares, representing 2.03% of PHAROL's share capital and voting rights since August 28, 2019.

**09/Sep/2020** | Abante Asesores, S.A. reported that it reduced its stake to 17,856,292 shares, representing 1.99% of PHAROL's share capital and voting rights on 8 September 2020.

**16/Dec/2020** | Real Vida Seguros SA reported that it reduced its stake to 10,000,000 shares, representing 1.12% of PHAROL's share capital and voting rights on December 11, 2020.

**4/Jan/2021** | Grupo Visabeira SGPS, S.A. reported that it sold a total of 2,400,000 shares on the stock exchange, representing 0.2677% of PHAROL's share capital and voting rights.

As a result of the sales, Grupo Visabeira SGPS, S.A. became the holder of 9,967,041 shares, representing 1.1118% of PHAROL's share capital and voting rights. He also informed that the existing shares are considered to be attributable to Fernando Campos Nunes (TIN: 175.776.083).

#### CORPORATE EVENTS OF PHAROL

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Below we list the main corporate events of PHAROL:

**08/Jan/2020** | PHAROL informs that, at the Extraordinary General Meeting of Shareholders, on Second Date, the Shareholders resolved:

1: Reduce the minimum and maximum number of members of the Company's Board of Directors, with the consequent amendment to paragraph 1 of Article Eighteenth of the Company's Bylaws, which will now read as follows: "The Board of Directors is composed of a minimum of three and a maximum of seven members";

2: As a result of the approval of the reduction of the maximum and minimum number of members of the Board of Directors and amendment of the Company's bylaws, under the scope of point One, approve the termination of functions by dismissal, with immediate effect, of the directors, Aristóteles Luiz Menezes Vasconcellos Drummond, Jorge Augusto Santiago das Neves and Nelson Sequeiros Rodriguez Tanure who, on 12.6.2019, had already resigned from his duties as a member of the Board of Directors.

**29/Jan/2020** | PHAROL informed following the indirect sale, by Oi, of its participation in Unitel, SA, and as agreed in the Private Instrument of Transaction and Other Covenants, signed between PHAROL and Oi on January 8, 2019, Oi, through the PT Participações SGPS, SA, made a deposit in a guarantee account in the amount of 34,340,803.32 Euros, intended to guarantee PHAROL in case of eventual condemnation in tax contingencies under Oi's responsibility.

**27/Mar/2020** | PHAROL informs that, at Annual General Meeting, it was decided by the Shareholders to approve:

1. The management report, the balance sheet and the individual accounts for the financial year 2019;
2. The management report, the balance sheet and the consolidated accounts for the financial year 2019;
3. The proposal for the application of results;
4. A vote of appreciation and confidence to the Board of Directors, the Fiscal Council and the Statutory Auditor and to each of its members for the manner in which they conducted the management of the COMPANY in 2019;
5. The acquisition and sale of own shares by COMPANY, subject to a decision of the Board of Directors taking into account the market situation, for the eighteen-month period counted from the resolution, and the consideration in the acquisitions should be in a range of 25 % for less and more relative to the lower and average quotation, respectively, of the shares to be acquired on Euronext Lisbon, during the 3 regulated market sessions immediately prior to the date of acquisition or the constitution of the right to acquire or assign shares, or corresponds to the acquisition price resulting from contracted financial instruments and, on disposals, not less than 25% of the average Euronext Lisbon quotation of the shares to be disposed of during the 3 regulated market sessions immediately prior to the sale, to such operations;
6. The statement of the Remuneration Committee regarding the remuneration policy of the members of the management and supervisory bodies of the COMPANY.

## OTHER RELEVANT PHAROL EVENTS

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Below we list other relevant PHAROL events:

**26/Feb/2020** | PHAROL informed about the Report of Judicial Administrators in the insolvency process of Rio Forte (Rapport n° 14 des Curateurs), relative to December 31, 2019, available at [www.espiritosantoinvoluncencies.lu](http://www.espiritosantoinvoluncencies.lu)

**16/Mar/2020** | PHAROL informed that it has been notified of the decision taken in administrative offence proceeding initiated by the Portuguese Securities Commission ("CMVM") against PHAROL and several former directors, due to the fact that the disclosure of consolidated reports and accounts for the years 2012 and 2013 and the first quarter of 2014, as well as the corporate governance reports for the years 2012 and 2013, did not comply with the information requirements.

PHAROL was sentenced to a single penalty of one million euros, and CMVM considered that "(a) an opportunity to the issuer and its new board of directors shall be granted, in order to proceed in compliance with the law and that (b) a limitation of the material impact of the penalty on the company is fair, under appropriate conditions" and therefore decided to partially suspend the penalty, in the amount of seven hundred and fifty thousand euros, for a period of two years.

Thus, if PHAROL appeal do not be accepted, the fine to be paid will be limited to two hundred and fifty thousand euros.

**03/Jun/2020** | PHAROL informed that the Board of Directors of PHAROL has approved the termination of its ADS/ADR programme.

Following the delisting of the ADSs from the New York Stock Exchange ("NYSE") back in 2015, and subsequently ADSs being traded only in the U.S. over-the-counter market, this decision allows the COMPANY to reduce costs and consolidate Euronext Lisbon as PHAROL's primary market.

Termination will be implemented in accordance with the provisions of the Deposit Agreement and will take effect at 5:00PM (Eastern Time) on September 03, 2020.

**01/Jul/2020** | PHAROL informed about the Report of Judicial Administrators in the insolvency process of Rio Forte (Rapport n° 15 des Curateurs), relative to April 30, 2020, available at [www.espiritosantoinsovlencies.lu](http://www.espiritosantoinsovlencies.lu)

**27/Oct/2020** | PHAROL informed about the acquisition of own shares. The process of own acquisitions took place between October 22, 2020 and February 3, 2021 and PHAROL now holds a total of 84,346,018 own shares, corresponding to 9.4082% of its share capital.

**28/Out/2020** | PHAROL informed about the Report of Judicial Administrators in the insolvency process of Rio Forte (Rapport n° 16 des Curateurs), relative to August 31, 2020, available at [www.espiritosantoinsovlencies.lu](http://www.espiritosantoinsovlencies.lu)

**05/Fev/2020** | PHAROL informed about the Report of Judicial Administrators in the insolvency process of Rio Forte (Rapport n° 17 des Curateurs), relative to December 31, 2020, available at [www.espiritosantoinsovlencies.lu](http://www.espiritosantoinsovlencies.lu)

**11/Feb/2021** | PHAROL informed that Jorge Telmo Maria Freire Cardoso resigned, on February 10, 2021, the respective post of non-executive member of the Board of Directors of PHAROL.

## OTHER MATERIAL EVENTS OF OI

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Below we list the other material events of Oi:

**24/Jan/2020** | Oi informed that its indirect subsidiary Africatel Holdings BV ("Africatel") has just sold and transferred all the shares issued by the Portuguese holding company PT Ventures SGPS SA ("PT Ventures") to the Angolan company Sociedade Nacional de Combustiveis de Angola, Empresa Publica - Sonangol EP ("Sonangol"). The total value of the transaction is US \$ 1 billion, of which: (i) US \$ 699.1 million paid to Africatel by Sonangol on this date, (ii) US \$ 60.9 million already paid to Africatel before the transfer of the shares of PT Ventures; and (iii) US \$ 240 million, fully guaranteed by a letter of guarantee issued by a first-tier bank, to be paid unconditionally by Sonangol to Africatel until July 31, 2020, with Africatel being guaranteed a minimum monthly flow of US \$ 40 million, starting in February 2020.

**30/Jan/2020** | Oi informed that it entered into a private instrument of promise to sell property owned by itself, for the amount of R \$ 120.5 million, continuing its project to sell non-core assets, in line with the provisions of its Judicial Recovery Plan and in its Strategic Plan.

**05/Feb/2020** | Oi informed about the conclusion of the subscription and payment of the 1st issue of simple debentures, not convertible into shares, of the type with real guarantee, with additional personal guarantee,

in a single series, for private placement, of its subsidiary Oi Móvel SA - In Judicial Recovery , in the amount of R \$ 2.5 billion, pursuant to Clause 5.3 of the Judicial Reorganization Plan.

**10/Feb/2020** | Oi informed about the decision issued by the Directing Council of the National Telecommunications Agency - Anatel that suspended the special monitoring carried out up to this date based on Judgment No. 226, of May 3, 2019, as it considers that the short-term liquidity risk has been resolved Company and its subsidiaries.

**10/Feb/2020** | Oi informed that, in addition to the Notice to the Market dated January 30, 2020, the sale of the property of its property for the amount of R \$ 120.5 million, was concluded on February 21, with the transfer of said property to the buyer and the financial settlement of the transaction.

**28/Feb/2020** | Oi informed that together with its subsidiaries in judicial reorganization, it filed a petition before the Court of the 7th Business Court of Rio de Janeiro exposing its interest in bringing to the creditors' deliberation, in a new General Meeting of Creditors, an amendment to the Recovery Plan Approved court, aiming at achieving greater operational and financial flexibility to continue its investment project and the fulfilment of its strategic transformation plan ("Strategic Plan"), both of which have already been widely disclosed to the market.

**02/Mar/2020** | Oi informed that together with its subsidiaries under judicial reorganization, filed a petition before the Court of the 7th Business Court of Rio de Janeiro exposing its interest in bringing to the creditors' deliberation, in a new General Meeting of Creditors, an amendment to the Recovery Plan Approved court, aiming at achieving greater operational and financial flexibility to continue its investment project and the fulfilment of its strategic transformation plan, both of which have already been widely disclosed to the market.

**10/Mar/2020** | Oi informed that, in line with the implementation of its Strategic Plan for transforming its operations, Oi's financial advisor, Bank of America Merrill Lynch, received comments from third parties interested in the Company's mobile business.

**11/May/2020** | Oi reported that the risk rating agency Standard & Poors announced the issuer review from "B" to "B-" on a global scale and from "brA-" to 'brBBB' on a national scale.

**15/Jun/2020** | Oi released 1Q20 results.

**15/Jun/2020** | Oi informed that the Company filed before the Court of the 7th Business Court of Rio de Janeiro a proposal to add to the approved Judicial Recovery Plan.

**18/Jul/2020** | Oi informed that received a binding, irrevocable and irreversible proposal, from Highline do Brasil II Infraestrutura de Telecomunicações SA, for the acquisition of the isolated production unit to be formed with 100% of the shares issued by the special purpose company that will gather the assets and liabilities related to the activities of outdoor and indoor telecommunication sites for radio frequency transmission of the Company and its subsidiaries ("UPI Torres" and "Empresas Oi", respectively). According to the proposal, subject to certain conditions, Highline committed itself to acquire UPI Torres, in case it is the winner of a competitive process under Law No. 11,101 / 2005, for the amount of R \$ 1,076,740,878.00, established based on revenue telecommunication sites.

**22/Jul/2020** | Oi informed that entered into an Exclusivity Agreement with Highline, which presented the best binding offer, above the established minimum price, for the acquisition of the Oi Companies' mobile



telephony operation (“UPI Ativos Móveis”), as provided for in the amendment to the Plan Judicial Reorganization filed.

**28/Jul/2020** | Oi informed that received a revised binding offer submitted jointly by Telefônica Brasil SA, TIM SA and Claro SA, in the amount of R \$ 16,500,000,000.00, plus the commitment to enter into long-term contracts for the provision of transmission capacity services. with Oi.

**07/Aug/2020** | Oi informed that entered into an Exclusivity Agreement with Telefônica Brasil S.A., TIM S.A. and Claro S.A with the purpose of negotiating exclusively with the Bidders the documents and attachments related to the Revised Offer.

**13/Aug/2020** | Oi informed that it has entered into confidentiality agreements with certain holders of the 10% / 12% Senior PIK Toggle Notes due in 2025 issued by Oi and guaranteed, for the purpose of sharing certain material non-public information to promote discussions regarding the alteration of the proposal of Amendment to the Judicial Recovery Plan and a possible change in the deed of issue of the Notes in order to allow the consummation of the operations provided for in the Amendment to the Plan.

**13/Aug/2020** | Oi informed that it filed an updated version of the proposed amendment to the Judicial Reorganization Plan approved with the Court of Rio de Janeiro with some specific adjustments. The updated version of the Addendum to the PRJ reflects the various interactions with creditors, potential investors and other stakeholders, including those conducted before the mediator appointed by the Court of Rio de Janeiro, which ended on August 6, 2020, in order to discuss improvements to the Amendment to the PRJ and, thus, seek to make its approval viable at the New General Meeting of Creditors.

**13/Aug/2020** | Oi released 2Q20 results.

**31/Aug/2020** | Oi informed that it started the Marketing Sounding process to prospect for investors interested in the acquisition of its pay TV business, covering the entire infrastructure for the provision of services using DTH technology, through the transfer of assets and liabilities. The Company also informed that it hired the BTG Pactual bank as its financial advisor to conduct the Marketing Sounding process, which aims to reach the largest possible number of interested parties.

**07/Sep/2020** | Oi informed that concluded the negotiations between the Company and Telefônica Brasil SA, TIM SA and Claro SA on the main terms related to the sale of the mobile telephony operation of Oi and its subsidiaries, the Company accepted, on this date, the revised binding proposal submitted jointly by the Proponents. According to the Binding Proposal, subject to certain conditions, the Bidders undertook to acquire UPI Ativos Móveis, in case they are the winners of a competitive process pursuant to Law No. 11.101/2005, for the amount of R \$ 16,500,000,000.00, of the of which R \$ 756,000,000.00 refers to transition services to be provided for up to 12 months by Oi to Proponents, plus the commitment to enter into long-term contracts for the provision of transmission capacity services with Oi, in the modality take or pay, whose net present value calculated for purposes and as provided for in the Amendment to the Judicial Recovery Plan, is R \$ 819 million.

**08/Sep/2020** | Oi reported that the creditors of the Company and its subsidiaries, meeting at a regularly installed Creditors' General Meeting, approved the Amendment to the Reorganization's Judicial Recovery Plan.

**16/Sep/2020** | Oi released the consolidated synthetic voting map for remote voting ballots, referring to the exercise of voting rights at the Extraordinary General Meeting of September 17, 2020.

**17/Sep/2020** | Law Firm Arnaldo Wald released Oi's Monthly Judicial Reorganization Activities Report.

**17/Sep/2020** | Oi informed about the term of non-installation of the extraordinary general meeting due to the absence of shareholders representing at least 2/3 (two thirds) of the capital with the right to vote at this meeting, a necessary quorum.

**06/Oct/2020** | Oi informed that the Court of the 7th Corporate Court of the District of the Capital of the State of Rio de Janeiro ratified the Amendment to the Judicial Reorganization Plan of the Company and its subsidiaries undergoing judicial reorganization, approved at the General Meeting of Creditors held on September 8, 2020, having rejected all allegations of procedural nullities of AGC, dismissed the allegation of unequal treatment among creditors and rejected requests for nullity of the voting quorum and approval of the Addendum to the PRJ, as they did not contain defects in their formation and will. The decision also set a period of 12 months for closing the judicial recovery of the Recovering Parties, counted from the date of publication of the decision, which may be extended, if there is a need to finalize the acts related to the disposals of the assets provided for in the Amendment to the PRJ.

**08/Oct/2020** | Oi informed about the second call of the Extraordinary General Meeting for October 16, 2020.

**09/Oct/2020** | Oi informed about the launch of an Exit Incentive Plan, aiming to reduce approximately 2 thousand jobs, which can represent up to 15% of its workforce.

**09/Oct/2020** | Oi reported that the risk rating agency Standard & Poors announced the review of the credit rating assigned to the Company, reducing the issuer's credit rating from "CC" to "SD" on a global scale and from "brCC" to 'SD' on a national scale. The 'CCC-' issue rating remains unchanged. The agency stressed that it does not attribute perspectives to the 'SD' or 'D' issuer credit ratings because they express a condition and not a prospective opinion of the probability of default.

**14/Oct/2020** | Oi informed that it received a request submitted jointly by the shareholder Bratel S.À.R.L. (holder of representative shares<sup>1</sup> of 5.68% of the common shares and 5.53% of the share capital of Oi) and by Polo Capital Gestão de Recursos Ltda., as representative of the shareholders Polo Fundo de Investimento em Valores, Polo Norte Master Multimarket Investment Fund, Polo Long BIAS Multimarket Investment Fund and Macro Macro Multimarket Investment Fund (jointly holding representative shares of 0.36% of common shares and 0.35% of Oi's share capital), for adoption multiple voting process in the election of the members of the Board of Directors for a term of office until the Annual General Meeting that approves the financial statements for the fiscal year ended on December 31, 2020, to be resolved at the Extraordinary General Meeting of the Company.

**16/Oct/2020** | Oi informed that the risk rating agency Standard & Poors announced the revision of the credit rating attributed to the Company, raising the issuer's credit rating from "SD" to "CCC +" on a global scale and from "SD" to "brBB" on a national scale with a stable outlook. Additionally, the issue rating was also raised from "CCC-" to "CCC +". The agency pointed out that the stable outlook reflects the view that Oi does not face liquidity pressure in the short term.

**16/Oct/2020** | Oi disclosed the minutes of the extraordinary general meeting.

**13/Nov/2020** | Oi released 3Q20 results.

**26/Nov/2020** | Oi informed that due to the presentation of the only closed proposal for the acquisition of UPI Torres, the Judicial Reorganization Court ratified Highline's proposal as the winner of the competitive procedure for the sale of UPI Torres, after the favorable manifestations of the Public Ministry of the State of Rio de Janeiro. Janeiro and the Judicial Administrator, in the amount of R \$ 1,066,902,827.00 to be paid in cash, as described in the Material Fact published on August 13, 2020, subject to the terms and conditions set forth in the respective binding proposal and in the respective Purchase Agreement and Sale of Shares set out in Attachment 5.3.9.2 of the Amendment to the PRJ.

**26/Nov/2020** | Oi informed that due to the presentation of the only closed proposal for the acquisition of the UPI Data Center, the Judicial Reorganization Court ratified Titan's proposal as the winner of the competitive procedure for the sale of the UPI Data Center, after the favorable manifestations of the Public Prosecutor of the State of Rio de Janeiro and the Judicial Administrator, in the amount of R \$ 325,000,000.00 to be paid as follows: (i) a cash installment in the amount of R \$ 250,000,000.00; and (ii) the remaining amount of R \$ 75,000,000.00 in installments to be paid in the form and term provided for in the respective binding proposal and in the respective Share Purchase and Sale Agreement set out in Attachment 5.3.9.3 of the Amendment to the PRJ.

**27/Nov/2020** | Oi informed that it entered into jointly with Telemar Norte Leste SA - In Judicial Recovery ("Telemar") and with OI Móvel SA - In Judicial Recovery ("Oi Móvel"), on the one hand, and the National Telecommunications Agency ("Anatel"), On the other hand, represented, in the said act, in the form of the Law, by the Attorney General's Office - AGU, Transaction Instrument on Oi Group's non-tax debts with Anatel, registered in Active Debt until the date of execution of the Transaction Instrument, in the total amount of R \$ 14,333,922,589.20, pursuant to Law No. 13,988 / 2020, including all applicable fines, charges and interest on late payments. Subject to the terms of the Transaction Instrument entered into, Anatel was granted by Grupo Oi, irrevocably and irreversibly, a 50% discount on the value of each of the consolidated debts, respecting, in accordance with the law, the discount to the value of the principal due so that the total debt to be paid by the Oi Group is R \$ 7,205,518,845.30, updated for the month of November 2020, in 84 months. The signed Transaction Instrument also establishes that the 32 initial installments will be settled through the conversion into income, in favor of the Federal Government, of judicial deposits made by the Company and linked to the guarantee for the debts transacted, maintaining the bank guarantees presented by the Company in the lawsuits, still in force, for the agreed term. The Transaction Instrument entered into complies with the provisions of Clause 4.3.4 of the Company's original Judicial Reorganization Plan - PRJ, with the adjustments provided for in Clause 6.5 of the Amendment to the Judicial Reorganization Plan, both approved by the Creditors at the Creditors' General Meeting.

**07/Dec/2020** | Oi informed that, in line with the implementation of its Strategic Transformation Plan and following the commitment established when calling for its Extraordinary General Meeting, its management signed a contract with the consultancy Egon Zehnder to start an evaluation process of its Board of Directors.

**14/Dec/2020** | Oi informed that the Company, Telemar Norte Leste SA - In Judicial Recovery and Oi Móvel SA - In Judicial Recovery, entered into, on December 11, 2020, with Titan Venture Capital e Investimentos Ltda., The Purchase and Sale Agreement of Actions through UPI and Other Covenants, with the purpose of selling the UPI Data Center to Titan, winner of the competitive procedure carried out on November 26, 2020, in accordance with the Amendment to the Judicial Recovery Plan approved by the Court of the 7th Corporate

Court of the District of the Capital of the State of Rio de Janeiro on October 5, 2020. Upon completion of the Transaction, Titan will pay for the acquisition of the UPI Data Center in the amount of R \$ 325,000,000.00, as follows: (i) a portion to cash in the amount of R \$ 250,000,000.00; and (ii) the remaining amount, of R \$ 75,000,000.00, in installments to be paid in the form and term provided for in the Contract.

**14/Dec/2020** | Oi informed that due to the presentation of the only closed proposal for the acquisition of UPI Ativos Móveis, the Judicial Reorganization Court ratified the Proposers' proposal as the winner of the competitive procedure for the sale of UPI Ativos Móveis, after the favorable manifestations of the Public Ministry of the State of Rio de Janeiro and the Judicial Administrator, in the amount of R \$ 16.5 billion, of which R \$ 756 million refer to transition services to be provided for up to 12 months by Oi to Proponents, plus the commitment to enter into long-term provision of transmission capacity services to Oi, in the take or pay modality, whose net present value (NPV), calculated for purposes and as provided for in the Amendment to the PRJ, is R \$ 819 million, values that will be paid in cash, subject to the terms and conditions provided for in the respective binding proposal and in the respective Share Purchase and Sale Agreement set out in Annex 5.3.9.1 of the Amendment to the RP J.

**22/Dec/2020** | Oi released the presentation of APIMEC 2020.

**24/Dec/2020** | Oi informed that the Company, Telemar Norte Leste SA - In Judicial Reorganization and Oi Móvel SA - In Judicial Reorganization signed, on this date, with the Highline, the Share Purchase and Sale Agreement through UPI and Other Covenants, with the purpose of object of the sale of UPI Torres to Highline, whose proposal of R \$ 1,066,902,827.00, subject to price adjustments under the Contract, was the winner of the competitive procedure carried out on November 26, 2020, in accordance with the Amendment to the Plan of Judicial Recovery approved by the Court of the 7th Business Court of the District of the Capital of the State of Rio de Janeiro on October 5, 2020.

**15/Jan/2021** | Oi informed that the Company's Annual Shareholders' Meeting will be held on April 30, 2021.

**25/Jan/2021** | Oi informed that it received, on January 22, 2021, binding proposals from third parties for the partial acquisition of UPI InfraCo, all above the minimum amount defined in the Amendment to the PRJ.

**29/Jan/2021** | Oi informed that, together with Telefônica Brasil S.A., TIM S.A. and Claro S.A, the Contract for the Purchase and Sale of Shares and Other Covenants, which has as its object the sale of the SPEs Mobile Assets to the Buyers. The Agreement provides for the payment by Buyers of R \$ 16.5 billion, of which R \$ 756 million refer to transition services to be provided by Oi to Buyers for up to 12 months, as well as the execution of a long-term contract. provision of transmission capacity services to Oi and some of its subsidiaries, in the take or pay modality, whose net present value (NPV), calculated for purposes and as provided for in the PRJ Amendment, is R \$ 819 million. The effective conclusion of the Transaction, with the transfer of the shares of the Mobile Active SPEs to the Buyers is subject to the approval of CADE and the prior consent of Anatel, as well as compliance with the usual precedent conditions for operations of this nature, provided for in the Contract.

**04/Feb/2021** | Oi informed that, in view of the conditions of the binding offer for the partial acquisition of UPI InfraCo presented jointly by Globenet Cabos Submarinos SA, BTG Pactual Economia Real Investment Fund in Multi-Strategy Participations and other investment funds managed or controlled by companies that are members of the BTG Group , entered into, on this date, an Exclusivity Agreement with the Bidders, for a limited period of time, with the objective of negotiating exclusively with the Bidders the terms and conditions, as well as the documents and attachments related to the Offer. The Agreement aims to guarantee security and speed to the negotiations in progress between the parties and to allow that, if the negotiations of conditions and documents between the parties are satisfactorily concluded, Oi will be able to guarantee

to the Proponents the right to cover (“right to top” ) other proposals received in the competitive process of disposal of UPI InfraCo. The Agreement is effective until March 6, 2021 and will be automatically renewed for a further period of 30 (thirty) days, unless there is a manifestation to the contrary by either party.

**18/Feb/2021** | Oi informed that its indirect subsidiary Brasil Telecom Comunicação Multimídia SA, chosen to be used as SPE InfraCo in the context of the competitive process of partial disposal of UPI InfraCo, pursuant to the Amendment to the Judicial Reorganization Plan, signed, on this date, the deed of issue of debentures convertible into shares, of the type with real guarantee, for private placement, of the 1st issue of BTCM, in the total amount of up to R \$ 2,500,000,000.00. The subscription of the Debentures will be led by Brookfield Asset Management and will include the participation of Farallon Latin America Investimentos and Prisma Capital.

**05/Mar/2021** | Oi informed that the Exclusivity Agreement signed with Globenet Cabos Submarinos SA, BTG Pactual Economia Real Investment Fund in Multi-Strategy Participations and other investment funds managed or controlled by companies that are members of the BTG Group and effective until March 6, 2021, will be automatically renewed for an additional and final period of 30 days, effective until April 5, 2021.

## 04. MAIN RISKS AND UNCERTAINTIES

The risk factors and events described below may eventually adversely or significantly affect PHAROL's financial position and, consequently, cause a decrease or increase in the market price of common shares.

Macro Risk	Sub-Risk	Risk Factors
Economic Risks	<b>Oi's Performance</b>	Now with Oi in day-to-day management (although still formally in Judicial Reorganization) and in the implementation of its Strategic Plan, the main risk that PHAROL is subject to through Oi is Oi's financial and operational performance, namely from its ability to execution of the asset sale plan and to generate results and cash flow and to pay dividends. Consequently, PHAROL's performance through Oi is also subject to and dependent on the performance of the Brazilian economy.
	<b>COVID-19</b>	PHAROL is subject to the potential economic shocks that a pandemic can cause in the economies in which society operates and may have a direct effect on the market value of the assets in which PHAROL has a stake.
	<b>Information Security</b>	PHAROL is exposed on a daily basis to security risks, including the availability, integrity and confidentiality of the information.
Financial Risks	<b>Exchange Rates</b>	Foreign currency exchange rate risks relate mainly to PHAROL's investment in Oi (Brazil). Any exchange rate fluctuations of the Real against the Euro affect the valorization of Oi shares held by PHAROL, and therefore impact PHAROL's results and financial position. The society does not have a policy to cover the value of the financial investment.
	<b>Interest Rate</b>	Interest rate risks basically relate to financial expenses and the floating interest rate debt and cash applications. PHAROL is indirectly exposed to this risk specially in Brazil. It should be noted that PHAROL has no bank debt as of December 31, 2020. Market interest rates also affect the discount rates used for impairment testing to the various assets of the company.
	<b>Treasury Applications</b>	PHAROL is mainly subject to credit risks in its treasury applications. In order to dilute these risks, in July 2014 the Board of Directors defined a policy for treasury applications and this policy has reviewed in 2019.

<b>Legal Risks</b>	<b>Default by Rio Forte as to the reimbursement of the instruments that PHAROL holds following the execution of the Exchange</b>	<p>The Rio Forte Instruments currently held by PHAROL, are not guaranteed by assets. Therefore, even though there may exist amounts available for reimbursement to Rio Forte's creditors the right to reimbursement of PHAROL will be shared pro rata with the other unsecured creditors of Rio Forte and only after the repayment of all debts to any secured creditors, and after confirmation of the validity of the credits.</p> <p>PHAROL evaluates this instrument every year, with the supervision of the Fiscal Council and External Audit</p>
	<b>Court proceedings</b>	<p>PHAROL may incur in liabilities in connection with litigation or other future proceedings and incur in defense costs in such litigation or other proceedings. Any liability incurred could adversely affect PHAROL's financial situation.</p>
	<b>Tax contingencies</b>	<p>In accordance with the agreements with Oi, Oi is responsible for the payment of all contingencies until May 5, 2014 and PHAROL remains and severally liable for these contingencies.</p>

## 05. QUALIFIED HOLDINGS

As at December 31, 2020, qualified holdings represented 19.56% of PHAROL share capital, as follows:

DATE OF INFORMATION	ENTITIES	NO. OF SHARES	% OF CAPITAL	% OF VOTING RIGHTS
<b>31/05/2012</b>	<b>Telemar Norte Leste S.A.</b>	<b>89,651,205</b>	<b>10.00%</b>	<b>10.00%</b>
	Telemar's sole shareholder is OI S.A..			
	Total attributable	89,651,205	10.00%	10.00%
<b>02/04/2018</b>	<b>Novo Banco S.A.</b>	<b>85,665,125</b>	<b>9.56%</b>	<b>9.56%</b>
	Directly	85,665,125		
	Shares held by companies in a controlling or group relationship with Novo Banco, S.A.	916		
	Shares held by directors and members of the Corporate Bodies	595		
	Total attributable	85,666,636	9.56%	9.56%

### THE BOARD MEMBERS AND SUPERVISORY BODIES SHAREHOLDINGS

Under the terms of article 9, number 1 c), of Regulation number 5/2008 of CMVM, the following information is presented with respect to the qualified holdings held by the board members and supervisory bodies in PHAROL's share capital, which the company was informed about regarding December 31, 2020 or the previous date, as indicated:

#### Board of Directors

- Luís Maria Viana Palha da Silva owns 200,000 shares of PHAROL. He was appointed for the Board of Directors of PHAROL on May 29, 2015.
- Avelino Cândido Rodrigues does not hold any securities of PHAROL or other companies that are in a controlling or group relationship. He was appointed for the Board of Directors of PHAROL on February 8, 2019.
- Jorge Telmo Maria Freire Cardoso does not own any securities of PHAROL or other companies that are in a domain or group relationship. He was appointed for the Board of Directors of PHAROL, on November 5, 2014. He was director of Novo Banco, SA., until november 30,2020, and served as an alternate member of Oi until February 17, 2016, when he resigned his position. On February 10, 2021, resigned as non-executive member of the Board of Directors of PHAROL, effective March 31, 2021.
- Maria do Rosário Amado Pinto Correia owns 40 shares of PHAROL. She was co-opted for the Board of Directors of PHAROL on September 2, 2015.
- Maria Leonor Martins Ribeiro Modesto does not hold any securities of PHAROL or other companies that are in a controlling or group relationship. She was appointed for the Board of Directors of PHAROL on September 7, 2018.



- Pedro Zañartu Gubert Morais Leitão does not own any securities of PHAROL or any other companies that are in a control or group relationship. He was appointed for the Board of Directors of PHAROL on May 29, 2015.

### **Fiscal Council**

The fiscal council does not own any shares of PHAROL.

- José Maria Rego Ribeiro da Cunha
- Isabel Maria Beja Gonçalves Novo
- João Manuel Pisco de Castro
- Paulo Ribeiro da Silva

### **Managing-Director**

The managing-director Luís Maria Viana Palha da Silva is also member of the Board of Directors.

### **Statutory Auditor (“ROC”)**

The Statutory Auditor does not own any shares of PHAROL.

- Effective ROC - BDO & Associados - SROC, represented by Dr. Rui Carlos Lourenço Helena
- Substitute ROC - Dr. Pedro Manuel Aleixo Dias

## 06. OUTLOOK

Pharol remains focused on its main objective: to maximize shareholder value. To this end, our strategy is essentially based on 3 pillars: 1) maximizing the value of its assets; 2) Cost rationalization; and 3) Mitigation of risks and contingencies.

With regard to maximizing the value of its investments, and, in its most relevant stake, the Brazilian telecommunications company Oi, Pharol is on December 31, 2020 the 2nd largest shareholder with a 5.37% stake. In this participation, Pharol has tried to contribute constructively to the recovery and growth of the company, having managed to recover in 2020 the presence in Oi's management, thus being able to monitor its main asset more closely. In the same year, the company presented an excellent performance in terms of market indicators, with its price (OiBR3) ending the year at R \$ 2.2 per share, which represented an increase of 153% in the year, and is a confirmation of market acceptance of the strategy implemented by the new executive team.

At Rio Forte, there is still a certain procedural apathy, and in Luxembourg there were no significant developments in the legal processes in which Pharol is involved: the list of creditors accepted by the insolvency administrators of the company remains unpublished and some court decisions and expert work have been delayed considerably. In Portugal, already in the second half of 2020, it became known that Rio Forte was accused in the case of Espírito Santo universe, and the consequences that this may have on the course of the bankruptcy process in Luxembourg are not yet clear. It is thus clear that this is a highly complex and slow process, with no time limit in sight.

Regarding the other lawsuits and disputes, during the year 2020, Pharol saw the Court of Appeal, fully annul the payment of the fine that had been imposed by the CMVM, having, however, maintained the penalty applied to former administrators. This decision further reinforced the confidence in the success that the Board of Directors believes it has in partially recovering the damages caused by the Former Directors and Auditor to Pharol.

In view of the slowness and complexity of the processes for recovering the value of assets, largely dictated by the procedural intricacies in which they are involved (Judicial Recovery at Oi and the liquidation of Rio Forte on several jurisdictional fronts), the Pharol Board of Directors has coming to focus on the advantages of a strategic diversification of its portfolio, based on its competences as manager of participations and leveraged by fiscal efficiency in investment. With this diversification, the Company believes that it can maximize and enhance existing synergies with the capacity already installed at Pharol.

In terms of operational control and cost rationalization, in this fiscal year 2020, due to the pandemic, extraordinary steps were taken in cost management and rationalization, and it was possible to achieve, in the operational chapter, a reduction of 27% compared to the same period. 2019.

Affected in its routines by the pandemic Covid-19, Pharol maintained throughout the year all its activities without loss of quality and complying with plans and timetables, although, by virtue of the respect of the sanitary and legal norms in force, it adapted the regimes of work of its Employees, promoting teleworking, distance and rotation, whenever possible and necessary.

In view of the extended timetable that the current circumstances in the different processes foresee, the policy of keeping in treasury the resources indispensable for the operation of the company in the coming years was also pursued.

## 07. STATEMENT FROM THE BOARD OF DIRECTORS

For the purposes of article 245 of the Portuguese Securities Code, the members of the Board of Directors of PHAROL, SGPS S.A., identified hereunder, hereby declare, in their capacity and within their functions as described therein, that, as far as they are aware, and based on information that they have had access to, through the Board of Directors and/or Executive Committee, as applicable, while in office:

- The information featured in the management report, financial statements, and other accountability documents required by law or regulations concerning to 2020, was prepared in accordance with the applicable set of accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of PHAROL, SGPS S.A. and companies included in the respective consolidation perimeter;
- 2020 management report outlines the progress of the business activities, the performance and position of PHAROL, SGPS, SA and companies included in the respective consolidation perimeter, and it contains a correct description of the main risks and uncertainties that these entities face.

Lisbon, March 15, 2021

Luís Maria Viana Palha da Silva, Chairman of the Board of Directors and Managing Director

Avelino Cândido Rodrigues, Board Member

Jorge Telmo Maria Freire Cardoso, Board Member

Maria do Rosário Amado Pinto Correia, Board Member

Maria Leonor Martins Ribeiro Modesto, Board Member

Pedro Zañartu Gubert Morais Leitão, Board Member

## 08. ACTIVITIES OF THE NON-EXECUTIVE DIRECTORS

According to its Regulations, PHAROL's Board of Directors has restated the commitment to provide its Non-Executive members with effective powers to monitor, evaluate and supervise the executive management of the Company.

During 2020, PHAROL's Non-Executive Directors could carry out their duties effectively and without constraints of any kind. In this context, the following activities are highlighted:

- In addition to the performance of their role not delegated to the Managing-Director, PHAROL's Non-Executive Directors carried out their duties of supervising the activity of the executive management, under and for the purposes of Article 407, no. 8 of the Portuguese Companies Code and the Regulation of the Board of Directors. In fact, under those rules, the delegation of authority to the Managing-Director does not preclude the legal duty of general monitoring by the Non-Executive Directors;
- The effective performance of their functions by PHAROL's Non-Executive Directors was also enhanced by the significant number of independent members within the Board

On December 31, 2020, PHAROL's Board includes 4 independent directors corresponding to 80% of the Non-Executive directors and more than 66,7% of the Board members, with an active and assiduous participation in the Board meetings.

Additionally, the concentration of the Chairman / Managing Director roles has not prejudiced in any way the effective performance of the functions of the Non-Executive Directors, being particularly adequate to the current stage of PHAROL's life, for the following reasons:

- Such concentration of roles in one person is fully in line with the efficient and rigorous performance of functions by Board members in the current period; the actual governance model maintains the segregation of powers between the Board and the Executive Committee, through the roles carried out by the Non-Executive Directors.
- In 2020, PHAROL's Board of Directors kept in place various practices and mechanisms aiming at facilitating the informed and independent decision making by Non-Executive Directors, including inter alia the following:
  - Managing Director providing detailed presentations during the meetings of the Board of Directors, regarding relevant issues concerning the activity developed, granting the Non-Executive Directors any additional information requested and promoting a productive debate regarding the activity of the Company (particularly in what regards strategic decisions);
  - The Non-Executive Directors gathering, jointly or separately, the information necessary or convenient to the exercise of their duties, allowing for an adequate and timely answer to be given;
  - Without prejudice to cases of acknowledged urgency, the meetings of the Board of Directors are convened with a minimum prior notice of five days and the agenda and supporting documentation of the meeting is made available at least three days in advance;

- The Non-Executive Directors frequently attending the meetings of the Board of Directors, which were held in a significant number (12 meetings), as well as informal meetings and presentations with Non-Executive Directors intended to clarify and debate specific issues concerning the financial information and the business of the Company.

In addition to these activities, it is important to note that, having the Company opted for the classic corporate governance model, its supervisory body is a Fiscal Council which, in the performance of their legal and regulatory duties, as well as those laid down in the articles of association, as described in the Company's Corporate Governance Report, presents the result of its activities in autonomous reports and opinions, including the report of supervisory activity and the opinions on the individual and consolidated annual reports, to be issued each year.

# **PHAROL, SGPS S.A.**



## **CONSOLIDATED FINANCIAL STATEMENTS**

## 09. CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED FINANCIAL STATEMENTS

PHAROL, SGPS S.A.			
CONSOLIDATED INCOME STATEMENT			
PERIODS ENDED DECEMBER 31, 2020 AND 2019			
	Notes	2020	Euro 2019
<b>COSTS, LOSSES AND (INCOME)</b>			
Wages and salaries	6	1,451,771	1,572,023
Supplies, external services and other expenses	7	1,369,916	2,312,077
Indirect taxes	8	175,156	353,795
Depreciation		102,504	111,476
Net other losses (gains)		23,083	(12,581,664)
		<b>3,122,430</b>	<b>(8,232,294)</b>
<b>Income (loss) before financial results and taxes</b>		<b>(3,122,430)</b>	<b>8,232,294</b>
<b>FINANCIAL LOSSES AND (GAINS)</b>			
Net interest income	9	(1,246)	(10,840)
Net foreign currency exchange losses		26,154	(4,637)
Net losses on other non-current assets	14	11,116,693	11,617,900
Net losses on financial assets	13	-	(36,812,568)
Net other financial expenses		21,739	43,217
		<b>11,163,341</b>	<b>(25,166,928)</b>
<b>Income (loss) before taxes</b>		<b>(14,285,771)</b>	<b>33,399,223</b>
Income taxes	10	30,145	12,655,388
<b>NET INCOME</b>		<b>(14,315,915)</b>	<b>20,743,834</b>
<b>Attributable to equity holders of the parent</b>		<b>(14,315,915)</b>	<b>20,743,834</b>
<b>Earnings per share</b>			
Basic and Diluted	11	(0.02)	0.02

The accompanying notes form an integral part of these financial statements.



	Notes	2020	Euro 2019
<b>Net Income recognised in the income statement</b>		<b>(14,315,915)</b>	<b>20,743,834</b>
<b>Income (expenses) recognised directly in shareholders' equity</b>			
<b>Items that may be reclassified subsequently to the income statement</b>			
Foreign currency translation adjustments		3,073	11,134
<b>Items that will not be reclassified to the income statement</b>			
Gains (losses) on financial assets at fair value		51,170,037	(33,290,229)
<b>Total earnings recognised directly in shareholders' equity</b>		<b>51,173,110</b>	<b>(33,279,095)</b>
<b>Total comprehensive income</b>		<b>36,857,195</b>	<b>(12,535,261)</b>
<b>Attributable to shareholders of PHAROL SGPS</b>		<b>36,857,195</b>	<b>(12,535,261)</b>

The accompanying notes form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**PERIODS ENDED DECEMBER 31, 2020 AND 2019**

	Notes	2020	Euro 2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	19	20,729,910	17,948,653
Accounts receivable		138,017	140,500
Taxes receivable		38,144	53,836
Prepaid expenses		72,032	13,850
<b>Total current assets</b>		<b>20,978,103</b>	<b>18,156,839</b>
<b>Non-Current Assets</b>			
Tangible assets		193,957	309,388
Financials assets	13	110,255,384	62,625,391
Other non-current assets	14	51,905,456	63,022,881
<b>Total non-current assets</b>		<b>162,354,798</b>	<b>125,957,661</b>
<b>Total assets</b>		<b>183,332,900</b>	<b>144,114,500</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	15	334,283	173,598
Accrued expenses	16	896,867	809,587
Taxes payable		132,597	220,924
Other current liabilities	17	16,406,713	11,100,627
<b>Total current liabilities</b>		<b>17,770,460</b>	<b>12,304,737</b>
<b>Non-Current Liabilities</b>			
Medium and long-term debt		189,847	263,427
<b>Total non-current liabilities</b>		<b>189,847</b>	<b>263,427</b>
<b>Total liabilities</b>		<b>17,960,307</b>	<b>12,568,164</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	18	26,895,375	26,895,375
Treasury shares	18	(184,873,844)	(181,842,907)
Legal reserve	18	6,773,139	6,773,139
Reserve for treasury shares	18	191,844,164	188,813,227
Other reserves and accumulated earnings	18	124,733,759	90,907,501
<b>Total equity</b>		<b>165,372,593</b>	<b>131,546,335</b>
<b>Total liabilities and shareholders' equity</b>		<b>183,332,900</b>	<b>144,114,500</b>

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
PERIODS ENDED DECEMBER 31, 2020 AND 2019

							Euro
	Share capital	Treasury shares	Legal reserve	Reserve for treasury shares	Other reserves and accumulated earnings	Equity excluding non- controlling interests	Total equity
<b>Balance as at December 31, 2018</b>	<b>26,895,375</b>	<b>(179,675,995)</b>	<b>6,773,139</b>	<b>186,646,315</b>	<b>105,609,675</b>	<b>146,248,509</b>	<b>146,248,509</b>
Acquisition of own shares	-	(2,166,912)	-	2,166,912	(2,166,912)	(2,166,912)	(2,166,912)
Income (expenses) recognized directly in equity	-	-	-	-	(33,279,095)	(33,279,095)	(33,279,095)
Income recognized in the income statement	-	-	-	-	20,743,834	20,743,834	20,743,834
<b>Balance as at December 31, 2019</b>	<b>26,895,375</b>	<b>(181,842,907)</b>	<b>6,773,139</b>	<b>188,813,227</b>	<b>90,907,501</b>	<b>131,546,335</b>	<b>131,546,335</b>
<b>Balance as at December 31, 2018</b>	<b>26,895,375</b>	<b>(181,842,907)</b>	<b>6,773,139</b>	<b>188,813,227</b>	<b>90,907,501</b>	<b>131,546,335</b>	<b>131,546,335</b>
Acquisition of own shares	-	(3,030,937)	-	3,030,937	(3,030,937)	(3,030,937)	(3,030,937)
Income (expenses) recognized directly in equity	-	-	-	-	51,173,110	51,173,110	51,173,110
Income recognized in the income statement	-	-	-	-	(14,315,915)	(14,315,915)	(14,315,915)
<b>Balance as at December 31, 2020</b>	<b>26,895,375</b>	<b>(184,873,844)</b>	<b>6,773,139</b>	<b>191,844,164</b>	<b>124,733,759</b>	<b>165,372,593</b>	<b>165,372,593</b>

The accompanying notes form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
PERIODS ENDED DECEMBER 31, 2020 AND 2019**

	Notes	2020	Euro 1S19
<b>OPERATING ACTIVITIES</b>			
Payments to suppliers	19.a	(1,451,730)	(3,123,439)
Payments to employees		(1,342,528)	(1,667,360)
Payments relating to income taxes		(111,202)	(56,006)
Other cash receipts, net	19.b	5,236,031	(473,229)
<b>Cash flows from operating activities (1)</b>		<b>2,330,570</b>	<b>(5,320,034)</b>
<b>INVESTING ACTIVITIES</b>			
Cash receipts resulting from:			
Tangible and intangible assets		-	8,000
Interest and related income		1,246	7,508
Capital gains and other equity instruments	19.c	3,495,076	-
		<b>3,496,323</b>	<b>15,508</b>
Payments resulting from:			
Financial investments		-	(12,610,973)
Tangible and intangible assets		(1,815)	(48,130)
		<b>(1,815)</b>	<b>(12,659,103)</b>
<b>Cash flows from investing activities (2)</b>		<b>3,494,508</b>	<b>(12,643,595)</b>
<b>FINANCING ACTIVITIES</b>			
Payments resulting from:			
Loans repaid		(10,040)	(22,412)
Interest and related expenses		(3,758)	(4,740)
Purchase of own shares	19.d	(3,031,244)	(2,166,912)
		<b>(3,045,042)</b>	<b>(2,194,064)</b>
<b>Cash flows from financing activities (3)</b>		<b>(3,045,042)</b>	<b>(2,194,064)</b>
Cash and cash equivalents at the beginning of the period		17,948,653	38,090,992
Change in cash and cash equivalents (4)=(1)+(2)+(3)		2,780,037	(20,157,693)
Effect of exchange differences		1,221	15,354
<b>Cash and cash equivalents at the end of the period</b>	19.e	<b>20,729,910</b>	<b>17,948,653</b>

The accompanying notes form an integral part of these financial statements.

(Amounts stated in Euros, except where otherwise mentioned)

## 1. Introduction

On December 31, 2020, PHAROL now holds, indirectly through wholly owned subsidiaries, 319,414,859 common shares of Oi, S.A. ("Oi"), representing 5,37% of the total share capital of Oi (excluding treasury shares).

Based on the agreements concluded on March 30, 2015 between PHAROL and Oi, PHAROL currently holds Rio Forte debt securities with a nominal value of Euro 897 million and a Call Option for shares of Oi. On March 30, 2020, once part of the call option reached maturity, PHAROL holds the call option on 8,538,276.96 common shares and 17,076,553.92 preferred shares of Oi.

## 2. Basis of presentation

The consolidated financial statements for the financial year ending on December 31, 2020 were approved by the Board of Directors and authorized for issue on March 15, 2021, but still subject to approval at the Shareholders' General Meeting, pursuant to applicable legislation.

The consolidated financial statements are presented in Euros since this is the operating currency of PHAROL. The financial statements of the investing companies given in foreign currency were converted to Euros according to the accounting policies described in Note 3.

The PHAROL consolidated financial statements were prepared according to the International Financial Reporting Standards ("IFRS") as adopted by the European Union, including all interpretations of the International Financial Reporting Interpretation Committee ("IFRIC") that were in effect on January 1, 2020, approved for adoption by the European Union (EU).

The consolidated financial statements were prepared on the assumption of continuity of operations.

In the preparation of the consolidated financial statements in compliance with IFRS, the Board of Directors adopted certain assumptions and estimates that affect the reported assets and liabilities, as well as income and costs relating to the reported periods (Note 3).

### a) Principles of consolidation

#### Subsidiaries

PHAROL fully consolidated the financial statements of all controlled companies. A company is considered to be controlled when the Group is exposed, or has rights, to variable returns resulting from its involvement with the investee and has the ability to affect those returns through the same power it exercises over that company. In situations where the Group has, in substance, control of other entities established for a specific purpose, even if it does not possess a majority of the voting rights, they are consolidated using the full consolidation method.

When there is a participation of third parties in the equity and net income of the consolidated companies is presented separately in the Consolidated Statement of Financial Position and the Consolidated Income Statement, respectively, in the "Non-controlling Interests" caption.

The assets, liabilities and contingent liabilities of a subsidiary are measured at their respective fair value at the acquisition date. Any excess of the cost of acquisition over the fair value of identifiable net assets is recorded as goodwill. In cases when the cost of acquisition is less than the fair value of identifiable net assets, the difference is recorded as a gain in the consolidated statement of results for the year. The interests of non-controlling shareholders are presented by the respective proportion of the fair value of identifiable assets and liabilities.

The results of subsidiaries acquired or sold during the period are included in the Consolidated Income Statement from the date of acquisition or up to the effective date of disposal, respectively.

Transactions and balances between subsidiaries are eliminated on consolidation. Capital gains arising from transactions between Group companies are also eliminated in the consolidation process.

Where necessary, adjustments are made to the financial statements of subsidiaries with a view to standardizing their accounting policies with the Group.

The PHAROL Group consists of the following companies:

					dec/20	dec/19
Company	Head office	Type of Company	Activity	Direct	Effective	Effective
Bratel BV	Amsterdam	Subsidiaries	Management of investments	Pharol SGPS (100%)	100%	100%
PT Brasil	São Paulo	Subsidiaries	Management of investments	Bratel BV (100%)	100%	100%
Bratel S.a.r.l.	Luxembourg	Subsidiaries	Management of investments	Bratel BV (100%)	100%	100%

In addition, it should be noted that PHAROL as of December 31, 2020 and 2019 held an indirect interest through its subsidiary Bratel S.a.r.l. in the capital of Oi of 5.37% and 5,51% (excluding treasury shares ), respectively.

### 3. Principal Accounting Policies, Judgements and Estimates

#### Principal Accounting Policies

##### a) Classification of the Consolidated Statement of Financial Position

Assets realizable up to one year from the date of the Consolidated Statement of Financial Position are classified as current. Liabilities are also classified as current when they are due in less than one year or when there is no unconditional right to defer their liquidation for a period of at least 12 months after the date of the Consolidated Statement of Financial Position.

##### b) Tangible Assets

Tangible assets are stated at acquisition cost, net of accumulated depreciation, investment subsidies and accumulated impairment losses, if any. Acquisition cost includes: (1) the amount paid to acquire the asset; (2) direct expenses related to the acquisition process; and (3) the estimated cost of dismantling or removal of the assets.

They are depreciated on a straight-line basis from the month they are available for use, during its expected useful life. The amortization period of tangible assets is monitored annually and adjusted whenever necessary to reflect its economic useful life. The amount of the asset to be depreciated is reduced by any

residual estimated value. The depreciation rates used correspond to the following estimated average economic useful lives:

	<b>Years</b>
Buildings and other constructions	3 - 50
Transportation equipment	4 - 8
Tools	4 - 8
Administrative equipment	3 - 10
Other tangible fixed assets	4 - 8

Estimated losses resulting from the replacement of equipment before the end of their economic useful lives are recognized as a deduction to the corresponding asset's carrying value, against results of the period, as well as any impairment of these assets. The cost of recurring maintenance and repairs is charged to net income as incurred. Costs associated with significant renewals and betterments are capitalized if any future economic benefits are expected and those benefits can be reliably measured.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the assets, and is recognized in the Consolidated Income Statement under the caption "Gains on disposals of fixed assets, net" when occurred.

### **c) Intangible Assets**

When existing, intangible assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses, if any. Intangible assets are recognized only if any future economic benefits are expected and those benefits as well as the cost of the asset can be reliably measured.

### **d) Impairment of Tangible and Intangible Assets**

The Group performs impairment tests for these assets if any event or change results in an indication of impairment. In case of any such indication, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of i) fair value less cost to sell, and ii) the value in use. In assessing fair value less cost to sell, the amount that could be received from an independent entity is considered, reduced by direct costs related to the sale. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the specific risk to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, an impairment loss is recognized immediately in the Consolidated Income Statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its amount, but so that the increased carrying amount does not exceed the carrying

amount that would have been determined had no impairment loss been recognized for the asset in prior periods. A reversal of an impairment loss is recognized immediately in net income.

#### **e) Provisions, Liabilities and Contingent Liabilities**

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where any of the above-mentioned criteria does not exist, or is not accomplished, the Group discloses the event as a contingent liability, unless the cash outflow is remote.

Provisions for restructuring are only recognized if a detailed and formal plan exists and if the plan is communicated to the related parties.

Provisions are updated on the date of the Consolidated Statement of Financial Position, considering the best estimate of the Group's management.

Obligations for dismantling and removal costs are recognized from the month the assets are in use and if a reliable estimate of the obligation is possible (Notes 3.b). The amount of the obligation is discounted, being the corresponding effect of time value recognized in net income, under the caption "Net interest expense".

#### **f) Financial Assets and Liabilities**

Financial assets and liabilities are recognized in the Consolidated Statement of Financial Position when the Group becomes a party of the respective contractual relationship.

##### (i) Accounts Receivable

Accounts receivable, loans granted and other accounts receivable that have fixed or defined payments and that are not quoted in an active market are classified as accounts receivable or loans granted.

Accounts receivable do not have implicit interest, are presented at the respective nominal value deducted from estimated losses in yield, calculated essentially based (a) on the age of the balance receivable and (b) on the credit profile of the specific debtor.

##### (ii) Other financial assets

The investment in Oi's shares (5.37% on December 31, 2020 and 5.51% on December 31, 2018) is measured at fair value through other comprehensive income, with gains and losses arising from changes in fair value recognized directly in other comprehensive income, in accordance with IFRS9.

Investments in debt securities issued by Rio Forte are measured by the best estimate of their fair value at each reporting date, with changes in fair value being recognized in the income statement.

##### (iii) Financial liabilities and Equity Instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities.

Equity instruments issued by the Group are recognized based on their proceeds, net of any issuance costs.



#### (iv) Accounts Payable (Note 15)

Trade payables are recognized at nominal value, which is substantially similar to their fair value.

#### (v) Treasury Shares (Note 18)

Treasury shares are recognized as a deduction to shareholders' equity, under the caption "Treasury shares", at acquisition cost, and gains or losses obtained in the disposal of those shares are recorded under "Accumulated earnings".

#### (vi) Cash and Cash Equivalents and Short-Term Investments (Note 19)

The amounts included under "Cash and Cash Equivalents" correspond to the cash values, bank deposits, terms deposits and others, maturing in three months or less and that may be immediately callable with insignificant risk of change in value. The heading "Cash and Cash Equivalents" also includes deposits from clients and other entities that were not yet compensated. For the purposes of the Consolidated Cash Flow Statement, the heading "Cash and Cash Equivalents" also includes bank overdrafts included on the Consolidated Statement of Financial Standing under the heading "Short-Term Debt", where applicable.

### **g) Leases (Company as Lessee)**

#### Recognition

The Company recognizes a right to use an asset and a lease liability on the start date of the lease. The right to use the asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the start date, in addition to any initial direct costs incurred, as well as an estimate of dismantling and removal costs of the underlying asset (if applicable), less any incentives granted.

The liability of the lease is initially recognized at the present value of the rent not yet paid at the date of the lease, discounting the interest at an interest rate implicit in the lease, or in the event that it is not possible to determine this rate easily, using the rate incremental interest rate. In general, the Company uses its incremental interest rate as the discount rate to be applied.

Lease payments included in the measurement of the lease liability include the following:

- fixed payments, less any incentives already received;
- variable lease payments, depending on a specific rate or index;
- amounts that are due under a residual value guarantee;
- exercise price of the call option, if the lessee is reasonably certain to exercise the option; and
- payment of penalties for terminating the contract, if it is reasonably certain that the lessee cancels the contract.

Liability for leases is remeasured when there are changes in future payments arising from a change in the rate or index or rate, if there is a change in the Company's estimate of the amount that must be paid under

a residual value guarantee, or if the Company changes your assessment of the purchase option, its extension or termination.

When the liability for leases is remeasured, the value of the right to use is also adjusted, or a profit or loss is recorded in the income statement, if the carrying amount of the right of use asset was already reduced to zero.

The Group presents the rights to use assets and liabilities for leases in items duly segregated in the consolidated statement of financial position.

#### Short-term finance leases or leases of low-value assets

The Company does not recognize as asset use rights or lease liability, lease agreements of less than 12 months or low value lease. The Company recognizes the expenses associated with these leases, as an exercise cost during the life of the contracts.

#### Amortization

The right to use the asset is depreciated using the straight-line method, based on the lowest of the useful life of the asset's right to use or the end of the lease term. The estimated useful life of the right-of-use assets is determined on the same basis as for the remaining tangible assets.

#### Impairments

The right to use the asset is periodically reduced by impairment losses, and adjusted for certain variations in the obligation for leases associated with the asset.

#### Accounting estimates and judgments

##### Useful lives, residual values of assets and discount rates

The calculation of residual values of assets, estimated useful lives and discount rates are based on premises of lease agreements (or similar assets) and are defined based on Management's judgment, as well as the best practices in use by the sector.

#### **h) Income Tax**

Income tax for the period is recognized in accordance with IAS 12 Income Taxes ("IAS 12") and is comprised of current tax and deferred tax.

Within income tax for the period, in addition to current tax, the effect of the deferred tax is also recognized, calculated based on the difference between the carrying amount of the assets and liabilities at a given time and the corresponding amount for tax purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are only recognized when there is reasonable assurance that they may be used to reduce future taxable profit, or when there is an offset with deferred tax liabilities that are expected to reverse in the same period. Deferred tax assets are reviewed at the date of the Consolidated Statement of Financial Position and are reduced when it is no longer probable that they will be used in the future.

Tax amounts, either in respect of current or deferred tax, resulting from transactions or events recognized directly in shareholders' equity are recorded directly in those captions. The impact of changes in the tax rate is recognized in net income, except when it relates to items recognized directly in shareholders' equity, in which case the impact is also recognized directly in shareholders' equity.

#### **i) Foreign Currency Transactions and Balances**

Transactions denominated in foreign currencies are translated to the Euro at the exchange rates prevailing at the time the transactions are made. At the date of the Consolidated Statement of Financial Position, assets and liabilities denominated in foreign currencies are adjusted to reflect the exchange rates prevailing at such date. The resulting gains or losses on foreign exchange transactions are recognized in net income. Exchange differences on non-monetary items, including goodwill, and on monetary items representing an extension of the related investment and where settlement is not expected in the foreseeable future, are recognized directly in shareholders' equity under the caption "Cumulative foreign currency translation adjustments", and included in the Consolidated Statement of Comprehensive Income.

The financial statements of subsidiaries operating in other countries are translated to Euro, using the following exchange rates:

- Assets and liabilities at the exchange rates prevailing at the date of the Consolidated Statement of Financial Position;
- Profit and loss items at the average exchange rates for the reported period;
- Cash flow items at the average exchange rates for the reported period, where these rates approximate the effective exchange rates (and in the remaining cases, at the rate effective on the day the transaction occurred); and
- Share capital, reserves and retained earnings at historical exchange rates.

The effect of translation differences is recognized in shareholders' equity under the caption "Cumulative foreign currency translation adjustments" and is included in the Consolidated Statement of Comprehensive Income. In accordance with IAS 21, when a reduction of PHAROL's investment in a foreign entity occurs, through the sale or reimbursement of share capital, the accumulated effect of translation differences is transferred to the Consolidated Income Statement, considering the proportion of the reduction occurred.

PHAROL choose to use the exception under IFRS 1 relating to cumulative translation adjustments as of January 1, 2004 and transferred this amount from "Foreign currency translation adjustments" to "Accumulated earnings". As from January 1, 2004, the Group has been recognizing all translation adjustments directly in shareholders' equity and therefore these amounts are transferred to net income only if and when the related investments are disposed off or there is a repayment of the investment made.

#### **j) Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that qualifies as part of the cost of that asset are capitalized. Other borrowing costs obtained are recognized as an expense in the period in which they are incurred in accordance with the accrual principle and in accordance with the effective interest rate method.

### **k) Consolidated Statement of Cash Flows**

The Consolidated Statement of Cash Flows is prepared under IAS 7, using the direct method. PHAROL classifies as “Cash and cash equivalents” all highly liquid investments, with original maturity of up to three months and an insignificant risk of change in fair value. The “Cash and cash equivalents” item presented in the Consolidated Statement of Cash Flows also includes overdrafts, classified in the Consolidated Statement of Financial Position under “Short-term debt”.

Cash flows are classified in the Consolidated Statement of Cash Flows according to three main categories, depending on their nature: (1) operating activities; (2) investing activities; and (3) financing activities. Cash flows from operating activities include primarily collections from clients, payments to suppliers, payments to employees, payments relating to post retirement benefits and net payments relating to income taxes and indirect taxes. Cash flows from investing activities include primarily acquisitions and disposals of financial investments, dividends received from associated companies and purchase and sale of property, plant and equipment. Cash flows from financing activities include primarily borrowings and repayments of debt, payments relating to interest and related expenses, acquisition of treasury shares and payments of dividends to shareholders.

### **l) Subsequent Events (Note 23)**

Events occurring after the date of the Consolidated Statement of Financial Position that could influence the value of the assets and liabilities existing on the date of said statement are considered when preparing the financial statements for the period. These events, if significant, are disclosed in the notes to the consolidated financial statements.

### **Judgements and Estimates**

When preparing the consolidated financial statements in accordance with IFRS, PHAROL’s Board of Directors uses estimates and assumptions that affect the application of accounting policies and reported amounts. Estimates and judgments are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be probable under the circumstances on which the estimates are based, or as a result of new information or more experience. The main accounting estimates reflected in the consolidated financial statements are as follows:

- (a) Valuation of the investment in Oi** – On May 5, 2014, the Company valued its new stake in Oi based on Oi’s reference share price in the capital increase on that date, having as of that date, appropriated its stake in Oi’s income using the equity method. Additionally, from September 8, 2014, onwards, the portion of the investment to be delivered within the scope of the Exchange Agreement was classified as a non-current asset held for sale, and measured at fair value up till the execution of the Exchange Agreement on March 30, 2015. As at December 31, 2019 and 2018, the measurement of the Company’s

investment in Oi was based on its market value, namely the stock price, given that PHAROL has lost its significant influence. Until December 2017, this investment was valued by the equity method.

**(b) Valuation of the Rio Forte** - On March 30, 2015, the Rio Forte instruments were obtained following the execution of the exchange related to Oi's shares. On that date, after a market consultation, the Company valued the instrument for 15 % of its notional value. This valuation was reviewed on September 30, 2016, having reduced the notional amount to 9.56% and on December 31, 2017 and 2019, to 8.32% and 7.02%, respectively. As at 31 December 2020, there was a further downward revision of the nominal value recovery to 5.79%, which is equivalent to a reduction of 11.1 million Euros to the amount of 51.9 million Euros.

**(c) Valuation and useful life of intangible and tangible assets** – PHAROL uses estimates to determine the useful life of its property, plant and equipment (Note 3).

**(d) Recognition of provisions and adjustments** – PHAROL is party to various ongoing legal claims for which, based on the opinion of its legal advisors, a judgment was made to determine the recognition of a possible provision for these contingencies. Adjustments for accounts receivable are calculated based primarily on the aging of the accounts receivable, the risk profile of the customers and their financial situation.

The estimates were determined based on the best information available during the preparation of the consolidated financial statements, however, situations may arise in subsequent periods which, not foreseeable at that time, were not taken into consideration in these estimates. In accordance with IAS 8, changes to estimates which occur after the reporting date of the consolidated financial statements are applied prospectively in net income.

#### **4. Changes in Accounting Policies**

1. New standards, interpretations and changes, with entry into force as of January 1, 2020

- **Changes to references to the revised IFRS Conceptual Framework (Regulation 2019/2075, of 29 November)**

- In March 2018, the IASB revised the IFRS Conceptual Framework. For entities that use the Conceptual Framework to develop accounting policies when no IFRS applies to a particular private transaction, the revised Conceptual Framework is effective for annual periods beginning on or after January 1, 2020.

- **Amendments to IAS 1 and IAS 8: Definition of Material (Regulation 2019/2104, of 29 November)**

- These changes to IAS 1 and IAS 8 update the definition of “material”, in order to facilitate the judgments made by entities about materiality. The definition of “material”, an important accounting concept in IFRS, helps entities to decide whether or not the information should be included in the financial statements. The amendments clarify the definition of “material” and the way in which it should be used by including in the definition of guidelines that until now were not part of the IFRS. Additionally, the explanations that accompany this definition have been improved. Finally, the changes

made ensure that the definition of “material” is consistent across all IFRS. Applicable to annual periods beginning on or after 1 January 2020.

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- **Amendments to IFRS 9, IAS 39 and IFRS 7: Reform of reference interest rates (Commission Regulation 2020/34, of 15 January)**
  - These changes to IAS 39, IFRS 9 and IFRS 7 are intended to respond to uncertainties that arose as a result of the future discontinuation of interest rate benchmarks, such as interbank interest rates (IBORs) and modify requirements related to hedge accounting. In order to provide some relief from the potential consequences of IBOR reform. In addition, these Standards have been amended to require additional disclosures explaining how the entity's hedging relationships are affected by the existing uncertainties related to the reform of the IBORs. These changes correspond to Phase 1 of the IASB project related to the reform of the IBORs. The IASB is currently working on Phase 2, which will consider additional implications for financial reporting. Applicable to annual periods beginning on or after 1 January 2020.
- **Amendments to IFRS 3 - Business combinations (Regulation 2020/551 of the Commission, of 21 April)**
  - These amendments to IFRS 3 improve the definition of concentration of business activity, helping entities to determine whether a given acquisition actually refers to a business activity or just a set of assets. In addition to the definition change, this amendment provides some additional guidance. Applicable to annual periods beginning on or after 1 January 2020.

2. New rules, interpretations and amendments, with date of entry into force for years beginning on or after January 1, 2021

- **Amendments to IFRS 16: Concessions related to COVID in terms of rents (Commission Regulation 2020/1434, of 9 October)**
  - These changes to IFRS 16 are related to the treatment to be given to rent concessions granted to tenants due to COVID-19. These changes modify the requirements of IFRS 16 to provide tenants with a practical expedient so that they do not need to assess whether a lease grant that occurs as a direct consequence of COVID-19 is a lease modification or not and can handle that lease as not being a rental modification. Applicable to years beginning on or after June 1, 2020.
- **Amendments to IFRS 4 - Insurance Contracts (Commission Regulation 2020/2097, of December 15, 2020)**
  - Currently, according to IFRS 4 - Insurance Contracts, the effective date for application of IFRS 9, after the temporary exemption, is January 1, 2021. In order to align the term of this temporary exemption with the effective date for the application of IFRS 17 - Insurance Contracts, after the changes made on June 25, 2020, the IASB extended the application of the exemption from application of IFRS 9 with IFRS 4 until January 1, 2023.

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Reference interest rate reform - Phase 2 (Commission Regulation 2021/25, 13 January 2021)**

- the IASB finalized its response to the ongoing reform of interbank interest rates (IBOR) and other interest rate benchmarks by issuing a package of amendments to IFRS. These amendments are intended to help entities provide investors with useful information about the effects of this reform on their financial statements.

These amendments complement those issued in 2019 and focus on the effects on the financial statements when an entity replaced an old interest rate benchmark with an alternative benchmark as a result of the reform.

These changes are effective for annual periods beginning on or after January 1, 2021.

3. Standards (new or revised) issued by the “International Accounting Standards Board” (IASB) and interpretations issued by the “International Financial Reporting Interpretation Committee” (IFRIC) and not yet endorsed by the European Union

Additionally, until the date of approval of these financial statements, the following standards and interpretations are still issued by the IASB, not yet endorsed by the European Union:

- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued by the IASB on September 11)**

- This amendment clarifies the accounting treatment for transactions when a parent company loses control in a subsidiary by selling all or part of its interest in that subsidiary to an associate or joint venture accounted for using the equity method. The date of application of these changes has not yet been defined and the endorsement process by the European Union will only start after confirmation of the date of application of the changes by the IASB.

- **IFRS 14: Accounting for Regulatory Deferrals (issued by the IASB on January 30, 2014)**

- This standard allows adopters of IFRSs for the first time to continue to recognize regulatory assets and liabilities in accordance with the policy followed under the previous standard. However, to allow comparability with entities that already adopt IFRS and do not recognize regulatory assets / liabilities, these amounts must be disclosed in the financial statements separately. Applicable to years beginning on or after January 1, 2016, the European Commission having decided not to start the process of endorsing this transitional rule and to wait for the final rule to be issued by the IASB.

- **IFRS 17: Insurance Contracts (issued by the IASB on 18 May 17, including amendments issued by the IASB on 25 June 20)**

- IFRS 17 solves the comparison problem created by IFRS 4 by requiring that all insurance contracts be accounted for in a consistent manner, thus benefiting both investors and insurance companies. Insurance obligations are accounted for using current values instead of historical cost. The information is updated regularly, providing more useful information to users of the financial statements. Applicable

to years beginning on or after 1 January 2023, this new standard is still subject to endorsement by the European Union.

- **Amendments to IAS 1 - Presentation of Financial Statements (issued by the IASB on January 23, 20 and updated on July 15)**

- These changes to IAS 1 - Presentation of Financial Statements, clarify the requirements that an entity applies to determine whether a liability is classified as current or as non-current. These changes, in nature, are intended to be just a reduction in scope, clarifying the requirements of IAS 1, and not a modification to the underlying principles. Applicable to years beginning on or after 1 January 2023, these changes are still subject to endorsement by the European Union.

- **Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements (issued by the IASB on May 14, 2020)**

- This set of minor changes made to IFRS will be effective for annual financial periods beginning on or after January 1, 2022:
  - Amendments to IFRS 3: Update of a reference in IFRS 3 for the Conceptual Financial Reporting Framework without changing the accounting requirements for business combinations;
  - Amendments to IAS 16: Prohibits an entity from deducting from the cost of a tangible fixed asset the amounts received from the sale of items produced while the entity is preparing the asset for its intended use. Instead, the entity should recognize the remuneration received for those sales and the related cost in profit or loss;
  - Amendments to IAS 37: Specifies what costs an entity should include when assessing whether a contract is an onerous contract or not;
  - Annual improvements with minor changes to IFRS 1, IFRS 9 and IAS 41, and the illustrative examples of IFRS 16.

Applicable to years beginning on or after 1 January 2022, these changes are still subject to endorsement by the European Union.

- **Amendments to IAS 1 and IFRS Practice Statement 2 (issued by the IASB on February 12, 2021)**

- These changes to IAS 1 require entities to disclose material information about their accounting policies instead of disclosing significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how the concept of materiality should be applied in disclosures about accounting policies.

Applicable to years beginning on or after 1 January 2023, these changes are still subject to endorsement by the European Union.

- **Amendments to IAS 8: Definition of accounting estimates (issued by the IASB on February 12, 2021)**

- These changes clarify how entities should distinguish changes in accounting policies from changes in accounting estimates. This distinction is important because changes in accounting estimates are



applied prospectively only to transactions and other future events, but changes in accounting policies are generally applied retrospectively to transactions and other past events.

## 5. Exchange rates used to translate foreign currency financial statements

As at December 31, 2020 and 2019, assets and liabilities denominated in foreign currencies were translated to Euros using the following exchange rates to the Euro:

Currency	2020	2019
Real	6.3735	4.5157
USD	1.2271	1.1234

During the years 2020 and 2019, the financial statements, income statements and cash flows of subsidiaries and joint ventures denominated in foreign currencies were translated to euros using the following exchange rates to the Euro:

Currency	2020	2019
Real	5.8943	4.4134
USD	1.1422	1.1195

## 6. Wages and Salaries

The composition of this caption in the 2020 and 2019 financial years is as follows:

	2020	Euro 2019
Fixed and variable remuneration	1,138,408	1,286,325
Social security	214,228	257,201
Other	99,136	28,497
	<b>1,451,771</b>	<b>1,572,023</b>

## 7. Supplies and external services

The composition of this caption in the 2020 and 2019 financial years is as follows:

	2020	Euro 2019
Specialized work (i)	802,226	1,270,418
Insurance	312,055	283,734
Travel	15,477	83,322
Other	240,157	674,603
	<b>1,369,916</b>	<b>2,312,077</b>

(i) In 2020 e 2019 this caption reflects mainly financial and legal services occurred in operational scope concerning the Oi investment in Brazil.

## 8. Indirect taxes

The composition of this caption in the 2020 and 2019 financial years is as follows:

	2020	Euro 2019
VAT	173,692	261,424
Other	1,464	92,371
	<b>175,156</b>	<b>353,795</b>

## 9. Net interest income

The composition of this caption in the 2020 and 2019 financial years is as follows:

	2020	Euro 2019
<b>Net interest earned</b>		
Related to cash and cash equivalents (i)	(1,246)	(10,840)
	<b>(1,246)</b>	<b>(10,840)</b>

(i) Interest income obtained in 2020 and 2019 essentially relates to cash amounts applied in term deposits by PHAROL.

## 10. Taxes and rates

In 2020, companies located in mainland Portugal are subject to Corporate Income Tax at a base rate of 21.0%, plus (1) up to a maximum of 1.5% of taxable income through a municipal tax, and (2) a state surcharge levied at the rates of 3.0% on taxable income between Euro 1.5 million and Euro 7.5 million, 5.0% on taxable income between Euro 7.5 million and Euro 35 million and 9.0% on taxable income in excess of Euro 35.0 million, resulting in a maximum aggregate tax rate of approximately 31.5% for taxable income higher than Euro 35 million. When calculating taxable income to which the above tax rate is applied, non-tax-deductible amounts are added to or subtracted from accounting records.

The composition of the corporate income tax for as at December 31, 2020 and 2019 is as follows:

	2020	Euro 2019
<b>Income tax</b>		
Income tax - current	30,145	12,655,388
	<b>30,145</b>	<b>12,655,388</b>

In 2019, and following the signing of the aforementioned agreement with Oi, this item essentially reflects the reversal of refunds received from the Tax Authority relating to IRC from previous years, which had been recorded as income in the first half of 2018, in the amount of 12,542,510 euros.

## 11. Earnings per Share

Earnings per share for 2020 and 2019 were as follows:

		2020	Euro 2019
<b>Net loss attributable to equity holders of Pharol</b>	(1)	<b>(14,315,915)</b>	<b>20,743,834</b>
<b>Weighted average common shares outstanding in the period</b>	(2)	<b>834,065,573</b>	<b>846,440,786</b>
<b>Earnings per share from continuing operations</b>			
Basic and diluted	(1)/(2)	(0.02)	0.02

## 12. Taxes receivable and payable

On December 31, 2020 and 2019, this caption has the following composition:

	31 Dec 2019		31 Dec 2018	
	Receivable	Payable	Receivable	Payable
<b>Current taxes</b>				
Operations in Portugal				
Value-added tax	-	10,309	-	1,783
Income taxes	-	25,494	-	107,495
Personnel income tax withholdings	-	24,082	-	30,239
Social Security Contributions	-	68,429	-	74,873
Other	-	119	-	102
	-	<b>128,432</b>	-	<b>214,493</b>
Taxes in foreign countries	-	4,165	-	6,432
	-	<b>132,597</b>	-	<b>220,924</b>
<b>Non-current taxes</b>				
Taxes in foreign countries	38,144	-	53,836	-
	<b>38,144</b>	<b>132,597</b>	<b>53,836</b>	<b>220,924</b>

### 13. Financial Assets

This caption corresponds to the investment in Oi, which since December 2017 has been measured at fair value. Until that date, Oi was classified as associate and measured by the equity method.

On September 8, 2014, as explained above, PHAROL entered into an Exchange Agreement with Oi, for the Exchange of a portion of Oi shares held directly by PHAROL for the Rio Forte Investment and the Call Option over the shares. The Exchange was completed on March 30, 2015, after obtaining all necessary approvals. Because of the Exchange, the portion of the investment in Oi delivered in connection with the Exchange was classified as a non-current asset held for sale and measured at fair value based on the price of Oi shares until the Exchange Agreement date. The remaining interest of 22.8%, including the interests of 15.9% and 3.0% held directly by PHAROL and Bratel Brasil, respectively, and the interest of 3.9% owned indirectly through the controlling holding companies of Oi, remained classified as an investment in joint ventures, measured according to the equity method of accounting. After the Exchange Agreement, on March 30, 2015, the interest was 27.5%.

As referred to above, leading up to the New Ownership Structure of Oi, the Shareholder Agreements through which Oi was jointly controlled were terminated on July 30, 2015. The simplification of the structure occurred on September 1, 2015, and led to the incorporation by Oi of several assets at fair value that were not previously booked by the holding companies.

As a result of the transaction, PHAROL's effective share in Oi reduced from 27.5% to 27.4%. Furthermore, during 2015, changes to Oi's bylaws were approved, which included a 15% limitation on the voting rights of any individual shareholder.

On October 8, 2015, Oi's Board of Directors homologated the voluntary conversion of Oi's preferred shares into common shares ("Voluntary Conversion of PSs"), approved the effective conversion of the preferred shares, object to the conversion manifestations in BM&FBovespa and in the Bank of Brazil, and accepted the conversion solicitations presented by the holders of American Depository Shares ("ADSs") representative of preferred shares ("Preferred ADSs"). The ADSs representative of the new common shares, resulting from the Offer to Exchange, related with the Voluntary Conversion of PSs, were issued on October 13, 2015. Following this operation, PHAROL's effective stake in Oi decreased from 27.4% to 27.2%.

In accordance with IAS 28 – Investments in Associates and Joint Ventures, there is a presumption that significant influence exists when voting rights are higher than 20%. For voting rights less than 20%, there should be clear indications through which significant influence may be exercised. The limitation to 15% of PHAROL’s voting rights, considering the remaining available voting rights, represented as at December 31, 2016, an effective voting right of 18.83%. By analogy, IFRS 10 – Consolidated financial statements consider that control may occur when there is a concentration of significant voting rights, with the remainder of voting rights largely dispersed (“de facto control”). In Oi’s shareholder structure, over 30% of ordinary shares are dispersed in free float, and two other shareholders besides PHAROL have voting rights of between 5% and 9% each.

However, in December 2017, and after the decision by the 7th Business Court of the District of the Capital of the State of Rio de Janeiro, which handled the Judicial Recovery (“Judgment”), which decided to withdraw the rights of the members of the Council Board of Directors of Oi in the approval of Oi’s Judicial Recovery Plan in which Oi is located, and subsequent events, it was understood that PHAROL had lost the significant influence it had until then on its associate Oi SA.

Therefore, since December 31, 2017, PHAROL started to record its investment in Oi at market value, and it was classified as “Financial Assets”.

Therefore, on December 31, 2020 and 2019, the accounting for Oi Investment, is as follows:

		2020	2019
Stock Price Oi (ON)	R\$	2.20	0.86
Stock Price Oi (PN)	R\$	2.82	1.23
Shares Outstanding (ON)	Million	5,796	5,796
Shares Outstanding (PN)	Million	156	156
Market Cap.	R\$ Million	13,192	5,177
Number of shares owned by PHAROL (ON)	Million	319.4	326.3
Number of shares owned by PHAROL (PN)	Million	-	1.8
% Participation	%	5.37%	5.51%
Market value R\$	R\$ Million	702.7	282.8
Market value Eur.	Eur. Million	110.3	62.6

#### 14. Other non-current assets

This caption includes an estimated future recovery of 51.9 million Euros related to the debt instruments issued by Rio Forte on 31 December 2020.

Regarding the debt instruments issued by Rio Forte, after having learned the Report of Judicial Administrators in the Rio Forte insolvency process (Rapport n° 4 des Curateurs), dated August 31, 2016, available at [www.espiritasantoinsolvencies.lu](http://www.espiritasantoinsolvencies.lu), PHAROL initiated efforts to analyze the financial, accounting and legal implications of what is contained in point 2.1.6., which is transcribed in free translation:

“Predictable recovery

The information currently available to the Judicial Administrators does not allow an estimate to be made, either of the total recovery, or of the recovery to be made by the company in bankruptcy.

It cannot be ruled out that judicial foreclosure and the possible rights of third parties involved will prevent for a prolonged period, or even definitively, the bankruptcy estate from recovering and distributing certain

assets. In fact, it is not excluded that the judicial authorities have the objective of confiscating the assets now being held.”

PHAROL's Management, after due diligence and supported by the analysis of its advisors, concluded, by a principle of prudence, that the expected values of recovery of assets by the mass of the insolvent and, consequently, by PHAROL, with Rio Forte had reduced. PHAROL's investment in Rio Forte's securities was initially valued at fair value upon its initial recognition on March 30, 2015, and subsequently measured at amortized cost less any impairment losses. Based on the basic principles set out in IAS 39 (currently IFRS 9), Management, based on the information available, used its judgment in the definition of assumptions that culminated in a credit appreciation of Rio Forte by 85.7 million Euros at 31 December 2016. This reflects a value of about 9.5% of the nominal value, against approximately 15% of the nominal value at 31 December 2015, which determined the accounting of an impairment in the amount of € 48.8M.

Additionally, in December 2017, after the update of the amount of credit complaints considered in the last report of the Judicial Administrators was higher than previously considered, the debt recovery valuation was revised downwards again, having registered at 8.32 % of recovery, which is equivalent to a reduction of 11.1 million Euros to the amount of 74.6 million Euros. At 31 December 2018, the debt recovery amount remained at 8.32%.

In April 2019 and 5 years after the filing of the Rio Forte credit claim, a new report by the Judicial Administrators was published on 30 April 2019, which essentially points to: 1) postponement of the results of the conclusion of the analysis. debt declarations; and 2) downward revision of Rio Forte's asset value in Latin America; Accordingly, and based on these new factors, the recovery in debt recovery was once again revised downwards to 7.19% of nominal value recovery, equivalent to a reduction of 10.1 million euros. Euro to the amount of Euro 64.5 million. At the end of 2019 and after the analysis of the last report issued by the Judicial Administrators, with effect on December 31, 2019, it was once again revised downwards, with the face value recovery set at 7.02 %, which is equivalent to an additional reduction of 1.5 million Euros to a total recovery amount of 63 million Euros. On December 31, 2020, a new downward revision of the nominal value recovery was carried out to 5.79%, essentially justified by the depreciation of assets held by Rio Forte in Latin America, which is equivalent to a reduction of 11.1 million of Euros to the amount of 51.9 million Euros.

Additionally, and still within the scope of the credit on Rio Forte, PHAROL in December 2017 learned of a statement from the curators of Espirito Santo International, SA, ("ESI") in which they declare that this bankrupt company will evaluate the possibility to sue PHAROL, asking for the latter to be ordered to reimburse 750 million Euros, without specifying the grounds for that request.

Following this statement, already in January 2019, PHAROL was notified by ESI's curatorship, as a precautionary measure to interrupt any limitation period, with a view to an eventual cancellation of Notes payments made by ESI during January 2014.

After analyzing the aforementioned subpoena, PHAROL considers the probability of being able, on the basis of the alleged facts, to be able to obtain any condemnation of PHAROL under the subpoenaed terms highly remote. Accordingly, PHAROL has not made any provision in its financial statements.

## 15. Accounts Payable

As at December 31, 2020 and 2019, the composition of this caption is as follows:

	2020	Euro 2019
<b>Current accounts payable</b>		
Current suppliers	271,498	164,454
Others	62,785	9,144
	<b>334,283</b>	<b>173,598</b>

## 16. Accrued Expenses

As at December 31, 2020 and 2019, the composition of this caption is as follows:

	2020	Euro 2019
<b>Accrued expenses</b>		
Supplies and external services	507,531	522,513
Vacation pay and bonuses	356,116	221,259
Others	33,220	65,815
	<b>896,867</b>	<b>809,587</b>

## 17. Guarantees and financial commitments

As at December 31, 2020 and 2019, the composition of this caption is as follows:

	2019	Euro 2018
Bank and other guarantees presented to the tax authorities	84,617,476	84,617,476
	<b>84,617,476</b>	<b>84,617,476</b>

The bank and other guarantees presented to the tax authorities essentially include Euro 85 million on December 31, 2020 and 2019, respectively, related to the tax assessments received by PHAROL. The company presented legal challenges to these assessments and, in accordance with the Portuguese Law, provided collateral, in order to avoid the initiation of enforcement proceedings, which, in the absence of guarantee or payment of the contested tax, would continue until the request of a pledge of sufficient assets to cover the requested tax. The Portuguese Law, while always allowing for the appeal over taxes liquidated by the tax authorities, only suspends enforcement proceedings upon payment of the tax, or the provision of a guarantee. Providing a guarantee, thereby, avoids the payment of tax before the appeal decision or attachment of assets in enforcement proceedings. The change in the value of the guarantees provided in 2018 occurred due to cancellation due to the expiration of part of the guarantees.

These guarantees were presented by PHAROL as the controlling company of the consolidated tax in the years in question, even though, as at December 31, 2020, the contingencies associated to these guarantees are not the Company's responsibility, having been contractually transferred to Oi, while PHAROL remains jointly and severally liable for these contingencies. Notwithstanding the expiration and consequent cancellation of part of the Guarantees, the tax proceedings are still ongoing and Oi is responsible for them and may amount to up to 393 million euros. According to the agreements with Oi, Oi is obliged to substitute the bank

guarantees provided by PHAROL to the tax authority for guarantees provided by Oi. In cases where this substitution is not possible, Oi has undertaken to provide guarantees with the same value in favor of PHAROL.

As such, as of December 31, 2020, a Pledge Agreement for shares of Telemar Norte Leste is in force with a maximum amount up to the limit of the potential liabilities currently in existence.

In 2019, following the Private Instrument of Transaction and Other Covenants, signed between PHAROL and Oi on January 8, 2019, which clarified the destination to be given to the refunds of the Tax Authority, these were recognized under the heading "Other Current Liabilities".

In January 2020, as agreed in the aforementioned Instrument, Oi, through PT Participações SGPS, SA, has deposited in escrow 34,340,803.32 Euros, as a guarantee to PHAROL in the event of tax contingencies that shall be incurred by Oi.

## 18. Capital

### 18.1. Share capital

The share capital of PHAROL, which is fully subscribed and paid in, was as at December 31, 2020 and 2019, Euro 26,895,375, represented by 896,512,500 common shares, with a nominal value of three Euro cents each.

### 18.2. Treasury shares

As at December 31, 2020 and 2019, the composition of this caption is as follows:

	Euro	
	2020	2019
Shares held by PHAROL	184,873,844	181,842,907
	<b>184,873,844</b>	<b>181,842,907</b>

As at December 31, 2020 PHAROL held 74,822,140 treasury shares, corresponding to 8.35% of the share capital PHAROL

### 18.3. Legal reserve

Commercial law and PHAROL's articles of association provide that at least 5% of the net annual income must be appropriated to strengthen the legal reserve until this reserve represents 20% of the share capital. This reserve is not available for distribution to shareholders, unless on company liquidation, but may be used to absorb losses, once all other reserves have been exhausted, or for incorporation in the share capital. As at December 31, 2020 and 2019, the legal reserve was Euro 6,773,139 and was already fully incorporated, corresponding to more than 20% of the share capital.

### 18.4. Reserve for treasury shares

The reserve for treasury shares relates to the recognition of a non-distributable reserve equivalent to the nominal value of the cancelled shares, or to the acquisition cost of treasury shares held by PHAROL. This reserve has the same legal regime as the legal reserve. As at December 31, 2020 and 2019, this reserve relates to shares cancelled on December 20, 2007, March 24, 2008, and December 10, 2008, in the amount

of Euro 6,970,320, as well as the treasury shares acquired between 2014, 2016, 2019 and 2020, amounting to Euro 184,873,844.

### 18.5. Revaluation reserve, other reserves and accumulated earnings

As at December 31, 2020 and 2019, this caption was made up as follows:

	2020	Euro 2019
Retained earning	131,099,665	110,355,831
Net income	(14,315,915)	20,743,834
Free reserves	105,209,244	105,209,244
Cumulative foreign currency translation adjustments (i)	(43,137)	(46,210)
Income and expenses recognized directly in equity (ii)	(97,216,097)	(145,355,197)
	<b>124,733,759</b>	<b>90,907,501</b>

(i) The variation of this caption reflects mainly the exchange effect arising from the transfer of the subsidiary Pharol Brasil.

(ii) On December 31, 2020 and 2019, with IFS9 application, the investment of the associate Oi, which started to be classified as an investment in equity instruments at fair value through other comprehensive income, all the fair value changes occurred in this investment were recognized in equity.

### 19. Consolidated Statement of Cash Flows

#### (a) Payments to suppliers

In 2020 and 2019, payments to suppliers mainly reflect payments of as third party suppliers and consultants.

#### (b) Other net receipts

In 2020, other net receipts essentially include reimbursements made by the Portuguese Tax Authority in relation to taxes paid in previous years.

#### (c) Capital Realization and other equity instruments

In 2020, this heading relates to the sale of shares of the company Oi S.A..

#### (d) Acquisition of Treasury Shares

In 2020, this item refers to the acquisition of 24,750,426 treasury shares.

#### (e) Cash and cash equivalents at the end of the period

At 31 December 2020 and 2019, the composition of this caption is as follows:

	2020	Euro 2019
<b>Cash and cash equivalents</b>		
Cash	2,823	1,247
Demand deposits	20,727,087	9,947,407
Time deposits	-	8,000,000
	<b>20,729,910</b>	<b>17,948,653</b>

### 20. Related Parties

During the years ended December 31, 2020 and 2019, the fixed remuneration of the Board members, which was established by the Remuneration Committee, amounted to Euro 503.8 and 627 thousand, respectively.



On December 31, 2020 and 2019, no share-based payment was in force, nor any termination benefit program.

## 21. Shareholders with Qualified Holdings

The Company believes that it is relevant to disclose outstanding balances and transactions with its main shareholders, namely those with a qualified holding of more than 2% in PHAROL's share capital, and with all the entities reported by these shareholders as being part of the respective economic groups. The tables below present the balances as at December 31, 2020 and 2019, and the transactions occurred in the years ended December 31, 2020 and 2019 between PHAROL and the entities that are identified as shareholders with qualified holding and respective economic groups:

	Euro	
	2020	2019
	<b>Cash and bank deposits</b>	
<b>Shareholder</b>		
Novo Banco	2,836,027	5,389,599
	<b>2,836,027</b>	<b>5,389,599</b>

	Euro			
	2020		2019	
	Costs and losses	Net interest income	Costs and losses	Net interest income
<b>Shareholder</b>				
Novo Banco	252	469	922	3,849
	<b>252</b>	<b>469</b>	<b>922</b>	<b>3,849</b>

## 22. Financial instruments

### 22.1. Financial risks

PHAROL is exposed basically to (i) market risks related with changes in currency exchange rates and interest rates, (ii) credit risks. The main objective of risk management at PHAROL is to reduce these risks to an acceptable level.

#### 22.1.1 Currency exchange risk

Currency exchange risks are essentially related with PHAROL investments in Brazil. On December 31, 2020 and 2019, net exposure (assets less liabilities, net of non-controlling interests) in Brazil amounted to R\$702,5 million (Euro 101,2 million) and R\$282 million (Euro 62.5 million), respectively. Risks relative to Company investments in operations abroad basically concern Oi investments. PHAROL does not have any contracted derivative instrument to hedge currency exchange risk associated with investments in foreign companies.

The effect on PHAROL's equity resulting from hypothetical changes in relevant risk variables is the impact of the valuation (devaluation) of the Real against the Euro in 0.1, from 6.37 to 6.47 (6.27), would be an increase (decrease) in net assets on December 31, 2020, of approximately Euro 1.7 million (Euro 1.8 million), corresponding to adjustments in currency exchange conversion for investments in Brazil.

#### 22.1.2 Credit risks

Credit risk is essentially associated with the risk of a counterpart defaulting on contractual obligations, resulting in a financial loss to the Group. PHAROL is essentially subject to credit risk in its operational and treasury activities.

Criteria used to calculate adjustments to accounts receivable are based on a recoverability analysis of accounts receivable on a regular basis.

On December 31, 2020, the receivables balance was not considered as significant.

Risks associated with treasury activities essentially result from investments made by the Group in cash investments. As mentioned before, in order to mitigate this risk, PHAROL put into place an investment diversification policy as of July 2014, so that investment in a financial institution is not greater than 34% of the total treasury applications. Thus, it ensures that amounts are invested in short term applications in diverse and reputed financial institutions.

PHAROL is also subject to credit risk in its investment in Rio Forte Investments, but has adjusted the value accordingly. In addition, and in connection with the Rio Forte debt instruments, PHAROL was informed of a statement from the curators of Espírito Santo International, SA ("Insolvency"), stating that this bankrupt company is going to sue PHAROL for the conviction of this company refund of EUR 750 million, without specifying the grounds for such a request.

Following this announcement, as of January 2019, PHAROL was summoned by the curator of Espírito Santo International, SA, as a precautionary measure to interrupt any limitation period, with a view to canceling ESI Notes payments during the month of January 2014.

After analyzing the abovementioned summons, PHAROL considers it highly remote that, on the basis of the alleged facts, it is possible to obtain any conviction of PHAROL in the terms provided. Accordingly, PHAROL has recorded any provision in its financial statements.

### 23. Subsequent events

- Oi's stock price evolution between December 31, 2019, and March 12, 2021, can be found below:

	31 dec 20	12 mar 21
Oi ON share price (Reais)	2.2	1.86
Exchange rate Real/Euro	6.3735	6.6421
Oi ON share price (Euro)	0.35	0.28

- Following the measures enacted by the Government in January 2021 that forced a new general containment, PHAROL implemented a response plan with the objective of maintaining the normal functioning of its services during the period in which these measures are maintained.

Despite the high uncertainty regarding the current economic situation, PHAROL does not anticipate significant impacts on the development of its activity or the continuity of its operations.

# **PHAROL, SGPS S.A.**

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**REPORT AND OPINION OF THE FISCAL COUNCIL**

# **FISCAL COUNCIL REPORT AND OPINION**

## **PHAROL, SGPS S.A.**

### **Financial year 2020 (consolidated accounts)**

To the Shareholders of  
PHAROL, SGPS S.A.

In compliance with the provisions of paragraph g) of number 1 of article 420Q of the Commercial Companies Code, it is incumbent upon us, as members of the Fiscal Council of "PHAROL, SGPS S.A." (hereinafter "PHAROL"), issue the annual report on our supervisory action as well as give an opinion on the management report and consolidated financial statements presented by the Board of Directors for the year ended December 31, 2020, and also our assessment of the respective legal certification accounts and audit report issued by the company of statutory auditors.

#### **I. Inspection activities**

1. The Supervisory Board regularly performed the functions of its competence, through periodic meetings with those responsible for the relevant areas, as well as the additional information and clarifications obtained, including the presentation of the main trends and developments in terms of management development. and PHAROL's activity.

2. The Supervisory Board also assessed the financial information produced in the course of the 2020 financial year, having carried out the analyzes and verifications deemed convenient and necessary.

3. The work of the Supervisory Board has always consisted in complying with the legally established matters, in permanently monitoring PHAROL's activity, and in verifying that the individual consolidated statements have been prepared in accordance with the accounting framework in force.

4. During the fiscal year of 2020, the Fiscal Council met eleven times, having developed several actions, of which the following stand out:

i) Inspection of the quality, integrity and effectiveness of the internal control and risk management systems;

ii) Supervision of the preparation of consolidated financial information;

iii) Verification of the regularity of the accounting records and the accuracy of the documents consolidated accountability;

iv) Appreciation of the accounting policies and valuation criteria adopted by PHAROL as to their adequacy and consistency, which aim to ensure the presentation of a true and appropriate image of the financial position and results;

v) Verification of the conformity of the consolidated financial statements with the applicable legal requirements;

vi) Analysis of the consolidated financial information disclosed.

5. Under the terms of the internal regulation that defines the rules and procedures to be adopted in the System of Qualified Participation of Undue Practices (Whistleblowing), the Fiscal Council became aware of the semiannual reports of the activity developed by the Nucleus for Analysis of Qualified Participations, dated 8 July 2020 and January 4, 2021, with no Participations occurring during the 2020 financial year.

6. The Supervisory Board, within the scope of its functions, exercised its powers in terms of supervising the qualifications, independence and exercise of functions of the external auditor and statutory auditor, having also met regularly with him, who always provided all clarifications, technical and accounting, deemed necessary.

It also became aware of the results of the audit and external audit work on the consolidated financial statements for the year 2020, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, consolidated statement of cash flows and respective notes.

The statutory auditor and external auditor followed the process of preparing PHAROL's consolidated financial statements, having informed the Supervisory Board of its conclusions and its agreement regarding the documents prepared by the Board of Directors.

Through the additional report sent to the Supervisory Board, the statutory auditor and external auditor communicated the relevant aspects of the work carried out and the respective conclusions.

The Fiscal Council became aware of the legal certification of the accounts on the consolidated financial information for the financial year 2020, issued with a reservation and two emphases, by the statutory auditor and external auditor, a document that deserved his agreement.

It is the understanding of the statutory auditor and external auditor that consists of relevant audit matters:

- i) Measurement of investment in Oi, S.A.
- ii) Measurement of investment in debt securities issued by Rio Forte Investments,

In these areas, audit procedures and tests were deemed relevant in the circumstances.

7. In the course of its duties, the Supervisory Board confirmed that the report of the Board of Directors refers to the most relevant aspects of the activity during the year and is consistent with the consolidated financial statements for the year.

8. Also within the scope of its powers, and as provided for in number 5 of article 420 of the Commercial Companies Code, the Board also verified that the PHAROL Corporate

Governance Report disclosed includes the elements required under the terms of article 2452 - A of the Securities Code.

## **II. Declaration of responsibility**

The Fiscal Council declares that, as far as it is aware, the information provided for in paragraph a) of number 1 of article 245 of the Portuguese Securities Code, for the consolidated accounts for the year ended December 31, 2020:

- i) It was prepared in accordance with the applicable accounting standards, giving a true and appropriate image of the assets and liabilities, the financial situation and the results of PHAROL and the companies included in the consolidation perimeter;
- ii) Faithfully exposes the evolution of PHAROL's business, performance and position and the companies included in the consolidation perimeter;
- iii) It contains a description of the main risks and uncertainties that PHAROL faces in its activity.

## **III. Opinion**

Based on the aforementioned report, the steps taken as well as the conclusions contained in the legal certification of the accounts and audit report and the additional report to the supervisory body on the consolidated financial information, and taking into account the information received from the Board of Directors, the services of PHAROL and the statutory auditor and external auditor, the Supervisory Board is of the opinion that the General Meeting approves the management report and the consolidated financial statements for the financial year 2020.

Finally, the members of the Fiscal Council express their recognition and recognition to the Board of Directors, the main responsible persons and other employees of PHAROL thanks for the collaboration provided in the performance of the duties.

Lisbon, March 15, 2021

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José Maria Ribeiro da Cunha — Chairman

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Isabel Maria Beja Gonçalves Novo — Member

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João Manuel Pisco de Castro - Member

# **PHAROL, SGPS S.A.**

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**STATUTORY AUDITORS' CERTIFICATION AND AUDIT REPORT**

## STATUTORY AUDITOR'S CERTIFICATION AND AUDIT REPORT

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail)

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### Qualified Opinion

We have audited the accompanying consolidated financial statements of Pharol, SGPS, SA Group (Group), which comprise the consolidated statement of the financial position as at December 31, 2020 (showing a total of 183 332 900 euro and a total net equity of 165 372 593 euro, including a net loss of 14 315 915 euro) and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the “Basis for qualified opinion” section of our report, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Pharol, SGPS, SA Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union.

#### Basis for qualified opinion

The Independent auditor's report on the individual and consolidated financial statements for the year ended December 31, 2019 of Oi, SA, dated March 25, 2020, included a “Material uncertainty as to going concern” of Oi, SA. Bearing in mind the Independent auditor's review report on the interim individual and consolidated financial statements for the period ended September 30, 2020 of Oi, SA, dated December 2, 2020, we highlight the following paragraph of the Emphasis titled “Going concern”, taking also into account the note 13 to the present consolidated financial statements: *“We draw attention to Note 1 to the individual and consolidated financial information, on the section about going concern, which informs that the individual and consolidated financial information has been prepared assuming the continuity of the Company as*



*a going concern, which considers among other aspects: (i) the fulfilment of the requirements foreseen in the Judicial Reorganization Plan (“PRJ”), considering the new terms and conditions established in the amendment that was approved at the General Meeting of Creditors (AGC) and ratified by the Judicial Recovery Court on October 5, 2020, as well as the fulfilment of the requirements foreseen in Law No. 11.101/2005; (ii) the successful implementation of the strategic plan, which includes, among other conditions, the sale of the Isolated Productive Units (UPIs) related to the business of the telephony and data operations in the mobile communication market (“UPI Ativos Móveis”), of passive infrastructure (“UPI Torres” and “UPI Data Center”), the telecommunications networks operation (“UPI InfraCo”) and the TV business (“UPI TVCo”), to reverse the conditions that have been causing recurring losses. These events or conditions indicate that there are significant uncertainties that may cast significant doubt on the Company’s going concern. (...).”* Up to the present date, neither the individual and consolidated financial statements for the year ended December 31, 2020 of Oi, SA, nor the corresponding Independent auditor’s report, are yet available, situation that limits the scope and depth of the audit. As referred in the note 13 to the present consolidated financial statements, the investment in Oi, SA, as at December 31, 2020 is measured by the market value at that date, determined using the closing stock exchange listed market price. As presented in note 23 to the present consolidated financial statements, the listed market price of the ordinary shares of Oi, SA evolved from R\$ 2,20 (€ 0,35) as at December 31, 2020 to R\$ 1,86 (€ 0,28) as at March 12, 2021.

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section below. We are independent of the Group entities in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.



### **Emphasis of matter**

The chapter 4 of the Consolidated Annual Report 2020 and the notes 3, 14 and 22 to the present consolidated financial statements, disclose, on one hand, that the measurement of the debt securities issued by Rio Forte Investments, SA reflects the management's best estimate concerning the recoverable amount of those securities and, on the other hand, that the Group was summoned by the curators of Espírito Santo International SA (ESI), in view of a possible cancellation of Notes' payments, made by ESI, during the month of January 2014. Pharol, SGPS, SA (Pharol) considers a very low probability, based on alleged facts, of obtaining any conviction of Pharol under the terms provided.

The chapter 4 of the Consolidated Annual Report 2020 discloses that the Group is subject to the potential economic effects that the pandemic may cause in the economies in which it operates, and may have a direct effect on the market value of the assets in which the Group has a stake. The note 23 to the present consolidated financial statements also discloses that, following the measures enacted by the Government in 2021, which required a new general confinement, the Group implemented a response plan with the objective of maintaining the normal functioning of its services, during the period in which these measures are maintained. Despite the high uncertainty regarding the current economic situation, the Group does not anticipate significant impacts on the development of its activity or on the continuity of its operations.

Our opinion is not modified in respect of these matters.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	Synthesis of audit response
<b><i>Measurement of Oi, SA investment</i></b>	
<p>The equity investment in Oi, SA (voting rights of 5,51%) is presented as financial assets measured by the market value.</p> <p>Oi, SA is a large entity with high public and media profile, being highly relevant to the Group financial statements. Oi, SA is under a judicial reorganization process since June 2016. The respective financial statements are audited by other auditors.</p> <p>Related disclosures: Notes 2, 3 and 13 to the present consolidated financial statements.</p>	<p>The audit response involved, in synthesis, the performance of the following procedures:</p> <p>Confirmation of the shares held by the Group as at December 31, 2020, through the verification of the documentation from the custodian banks where these shares are deposited.</p> <p>Verification of the adequate form of classification and measurement of this investment, bearing in mind the provisions of the applicable IFRS.</p> <p>Obtaining and analysing the independent auditor's review report on the most recent available individual and consolidated financial statements (as at September 30, 2020) of Oi, SA;</p> <p>Analysis and validation of the calculations inherent to the measurement by market value;</p> <p>Evaluation of the reasonableness of the financial statements' disclosures.</p>



Key audit matters	Synthesis of audit response
<b>Measurement of the investment in debt securities issued by Rio Forte Investments, SA</b>	
<p>At March 30, 2015 the debt securities issued by Rio Forte Investments, SA (Rio Forte) were returned to the Group, following the performance of the exchange contract signed on September 8, 2014 between Oi Group and the Group.</p> <p>Rio Forte is under an insolvency process taking place in Luxembourg, with high public and media profile. This investment is relevant within the scope of the Group financial statements and the respective measurement involves significant judgements.</p> <p>Related disclosures: Notes 3, 14 and 22 to the present consolidated financial statements.</p>	<p>The audit response involved, in synthesis, the performance of the following procedures:</p> <p>Analysis of the information present in the reports and announcements issued by the Rio Forte insolvency curators;</p> <p>Analysis of the judgements made by the management in determining the recoverable amount of the debt securities at December 31, 2020;</p> <p>Circularization of the banks where the debt securities are deposited;</p> <p>Monitoring of possible developments arising from an announcement issued by the insolvency curators of Espírito Santo International, SA issued in November 14, 2017 and the corresponding subpoena in the meanwhile received in 2019;</p> <p>Circularization of the lawyers that handle the insolvency process and analysis and appraisal of the respective response about the expected outcome for Pharol of the subpoena received from ESI referred before.</p> <p>Evaluation of the reasonableness of the financial statements' disclosures.</p>

### Responsibilities of management and of the supervisory body for the consolidated financial statements

Management is responsible for:

- (i) the preparation of consolidated financial statements that give a true and fair view of the Group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union;
- (ii) preparation of the management report and the corporate governance report in accordance with the applicable laws and regulations;
- (iii) designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- (iv) the adoption of accounting policies and principles appropriate in the circumstances; and

- (v) assessing the Group's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Group's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

#### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (i) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- (ii) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- (iii) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- (iv) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists,

we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- (v) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (vi) obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group Audit. We remain responsible for our audit opinion.
- (vii) communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- (viii) determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes their public disclosure;
- (ix) provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the consolidated financial statements, and the verification of the requirements as provided in numbers 4 and 5 of article 451.º of the Portuguese Companies' Code.



## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **On the management report**

Pursuant to article 451.º, n.º 3, al. (e) of the Portuguese Companies' Code, except for the possible effects of the matter described in the "Basis for qualified opinion" section of our report, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatements.

### **On the corporate governance report**

Complying with article 451.º, n.º 4, of the Portuguese Companies' Code, in our opinion, the corporate governance report includes the information required to Pharol to provide under article 245.º-A of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of n.º 1 of that article.

### **On the additional matters provided in article 10.º of Regulation (EU) n.º 537/2014**

Pursuant to article 10.º of the Regulation (EU) n.º 537/2014 of the European Parliament and of the Council, of 16 April 2014, in addition to the key audit matters mentioned above, we also report the following:

- We were appointed as auditors of Pharol in the shareholders general assembly held on May 29, 2015 for a first mandate from 2015 to 2017. We were appointed for a second mandate, from 2018 to 2020, as auditors of Pharol in the shareholders general assembly held on May 25, 2018.
- Management has confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional scepticism, and we design audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work we have not identified any material misstatement on the consolidated financial statements due to fraud.



- We confirm that our audit opinion issued is consistent with the additional report that we prepared and delivered to the supervisory body of Pharol on March 15, 2021.
- We declare that we have not provide any prohibited services as described in article 77.º, number 8, of the Ordem dos Revisores Oficiais de Contas statutes, and we have remained independent of the Group in conducting the audit.
- We inform that, in addition to the audit, we have not provided to the Group any other services.

Lisbon, March 15, 2021

Rui Lourenço Helena, as representative of  
BDO & Associados - SROC



**CORPORATE GOVERNANCE REPORT**  
**2020**



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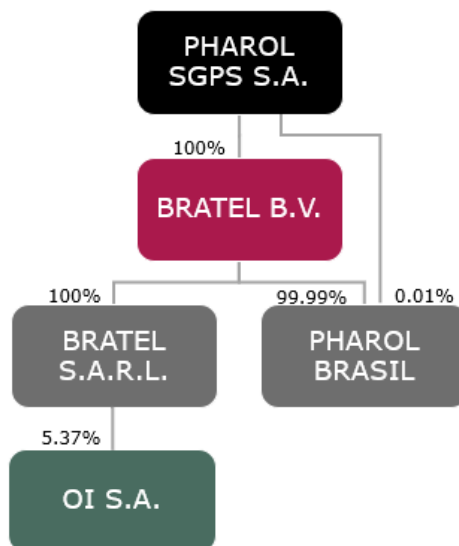
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## INTRODUCTION

PHAROL, SGPS SA, is headquartered at Rua Joshua Benoliel, 1, 2C, Edifício Amoreiras Square, 1250-133 Lisboa, with a share capital of EUR 26,895,375.00, registered on the Commercial Registry Office under unique registration and personal number collective 503215058 ("PHAROL" or "Company") is public listed company, issuer of securities admitted to trading on the regulated market of Euronext Lisbon.

In this report, PHAROL complies with the recommendations contained in the Corporate Governance Code of the Portuguese Institute of Corporate Governance ("CGS IPCG") which entered into force on January 1, 2018, revised in 2020, and continues to prepare the Report in accordance with the annex to Regulation of CMVM nº 4/2013 of January 1, 2014 and with the circular issued by the same Commission on January 28, 2020. This Report intends to reflect the adjustment and the pertinence of each recommendation to the reality and conjuncture of the Company with reflecting its classic corporate governance model and the provisions of paragraph a) of no. 1 of article 278 of the Commercial Companies Code.

The structure and investment of the PHAROL Group as of December 31, 2020 are as follows:





## PART I – INFORMATION ON SHAREHOLDER STRUCTURE, ORGANIZATION AND CORPORATE GOVERNANCE

### A. SHAREHOLDER STRUCTURE

#### I. CAPITAL STRUCTURE

##### 1. CAPITAL STRUCTURE

The share capital in PHAROL is 26,895,375 Euros and it is fully paid up and represented by 896,512,500 common shares with a par value of three Euro cents each.

All PHAROL ordinary shares are admitted to trading on the Euronext Lisbon regulated market.

On June 3, 2020, PHAROL's Board of Directors decided to terminate its American Depositary Receipts (ADR) program.

This decision is part of the cost reduction strategy and consolidation of Euronext Lisbon as the primary trading market for PHAROL shares, started in 2015 with the delisting of the ADSs from the New York Stock Exchange ("NYSE") and trading in the United States of America only over the counter.

The termination was carried out in accordance with the procedures provided for in the deposit agreement in effect, taking effect on September 3, 2020.

##### 2. RESTRICTIONS TO SHARE TRANSFERABILITY, SUCH AS CONSENT CLAUSES FOR DISPOSAL, OR LIMITATIONS TO SHARE OWNERSHIP

The Company does not adopt any specific limitations as to share transferability. However, the Bylaws provide that shareholders carrying out, directly or indirectly, a business competing with the business of companies in a control relationship with PHAROL may not be the owners, without the prior authorisation of the General Meeting of shareholders, of ordinary shares representing more than 10% of the share capital in the Company.

##### 3. NUMBER OF OWN SHARES, CORRESPONDING CAPITAL PERCENTAGE AND CORRESPONDING VOTING RIGHTS PERCENTAGE

On 31 December 2020, the Company held 74,822,140 own shares, corresponding to 8,35% of PHAROL share capital.

The voting rights inherent to the own shares are suspended, in accordance with the applicable legislation.

##### 4. SIGNIFICANT AGREEMENTS INCLUDING CHANGE OF CONTROL CLAUSES

There are no significant agreements entering into force in the event of change in control in PHAROL. There are no measures requiring payment or assumption of fees by the Company in the event of change of control or change in the composition of the Board of Directors and which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of Board members.

5. RENOVATION / REVOCATION OF DEFENSIVE MEASURES, IN PARTICULAR THOSE PROVIDING FOR THE RESTRICTION OF THE NUMBER OF VOTES THAT MAY BE HELD OR EXERCISED BY A SINGLE SHAREHOLDER

PHAROL's Bylaws include a limitation on the counting of votes whereby any votes in excess of 10% of the total voting rights corresponding to the share capital cast by a single shareholder of ordinary shares, directly or through a representative, in his own name or as a representative of another shareholder, shall not be counted (article 13, 10).

The Company's bylaws provide a limitation on the counting of votes. On 24 May 2016, the discussion of this point was taken to the Shareholders' Meeting and it was decided to keep this limitation.

Also, the Regulation of the Board of Directors approved at the beginning of 2020 is stipulated that, providing for the Company's bylaws a limitation on the number of votes that can be held or exercised by a single shareholder, individually or in concert with others, the Board of Directors must promote that, at least every 5 years, should it be submitted to deliberation by the general meeting the change or maintenance of this statutory requirement.

Taking into account the foregoing, at the Annual General Meeting to be held in 2021, a new proposal will be brought to the consideration of shareholders regarding the maintenance (or not) of the release of the articles of association regarding this matter.

6. SHAREHOLDERS' AGREEMENTS OF WHICH THE COMPANY IS AWARE AND MIGHT LEAD TO RESTRICTIONS IN THE TRANSFER OF SECURITIES OR VOTING RIGHTS

The Company has no knowledge of the existence of any shareholders' agreements that might lead to restrictions in the transfer of securities or voting rights.

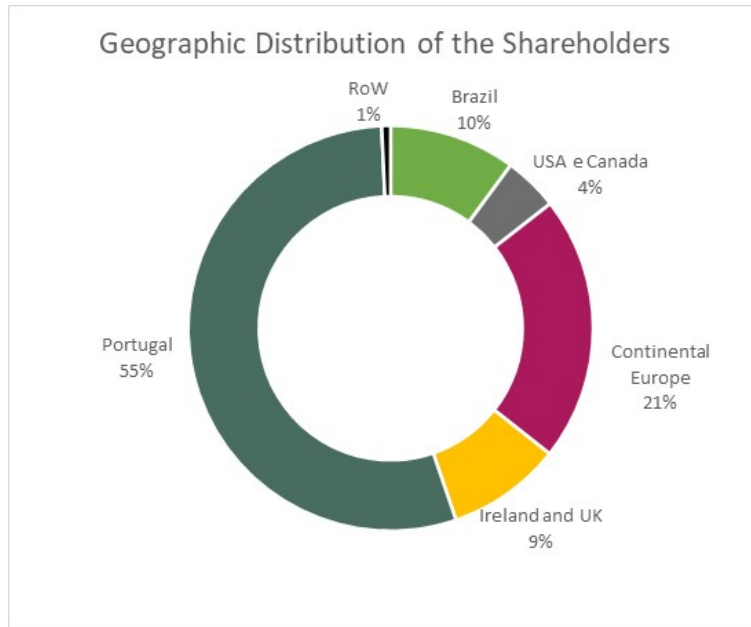
## II. SHAREHOLDINGS AND BONDS

7. OWNERS OF QUALIFIED HOLDINGS, PERCENTAGE OF CAPITAL AND VOTES ATTRIBUTABLE, SOURCE AND CAUSES FOR ATTRIBUTION

As of 31 December 2020, qualified holdings represented about 19.56% of PHAROL share capital, as follows:

DATE OF INFORMATION	ENTITIES	NO. OF SHARES	% OF CAPITAL	% OF VOTING RIGHTS
<b>31/05/2012</b>	<b>Telemar Norte Leste S.A.</b>	<b>89,651,205</b>	<b>10.00%</b>	<b>10.00%</b>
	Telemar' s sole shareholder is OI S.A..			
	Total attributable	89,651,205	10.00%	10.00%
<b>02/04/2018</b>	<b>Novo Banco S.A.</b>	<b>85,665,125</b>	<b>9.56%</b>	<b>9.56%</b>
	Directly	85,665,125		
	Shares held by companies in a controlling or group relationship with Novo Banco, S.A.	916		
	Shares held by directors and members of the Corporate Bodies	595		
	Total attributable	85,666,636	9.56%	9.56%

PHAROL has a diversified shareholder structure, with around 45% of its share capital held by foreign shareholders, essentially divided between Brazil, North America (US and Canada) and Europe, representing 10%, 4% and 30% respectively of the shareholder basis. The Portuguese market represents around 55% of the shareholder basis.



Source: Interbolsa (December 2020)

For further information on the source and cause of the qualified holdings, please refer to the section called “Qualified Holdings” on the annual management report.

Updated information on qualified holdings in the Company may be consulted at [www.pharol.pt](http://www.pharol.pt) and on CMVM website.

**8. NUMBER OF SHARES AND BONDS HELD BY THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES**

Regarding this matter, please see item 17 of Part I below.

Members of the supervisory bodies do not hold PHAROL shares.

**9. SPECIAL POWERS OF THE MANAGEMENT BODY, NOTABLY AS REGARDS CAPITAL INCREASE RESOLUTIONS**

The powers of PHAROL’s Board of Directors are described in item 21 below.

Prior to the resolution of the General Meeting setting parameters for capital reinforcement or reinforcement, PHAROL’s bylaws authorize the Board of Directors, with the favourable opinion of the Fiscal Council, to resolve to increase the capital stock by one or more times, and by cash inflows, in value up to 80,000,000 euros. The total amount of the authorized capital increase includes not only the nominal value of the issue(s) and the issue premium(s). For the calculation of the overall limit of 80,000,000.00, convertible bonds issued under Article 8 of the bylaws shall always be taken into account.

**10. SIGNIFICANT COMMERCIAL RELATIONSHIPS BETWEEN OWNERS OF QUALIFIED HOLDINGS AND THE COMPANY**

PHAROL does not have significant commercial relationships with holders of any qualifying holdings.

Nevertheless, PHAROL and Oi still have a Call Option Agreement under which PHAROL holds a call option to repurchase Oi shares that were the subject of the Exchange Agreement entered into in September 2014. Currently, this option concern over 8,538,276.96 common shares and 17,076,553.92 preferred shares of Oi, with an exercise price of 20.104 reais for common shares and 18.529 reais for preferred shares, to be adjusted by the Brazilian CDI rate plus one, 5% per year from March 30, 2015, and a maturity of 6 years, with the possibility of exercising the option for PHAROL at 10% at the end of the first year and at 18% at the end of each subsequent year, and yet to be corrected for the capital increases meanwhile carried out in Oi. This call option is currently valued at zero Euros.

Relevant transactions executed during 2020 with other owners of qualified holdings, who are not related parties, are described in Note 21 the consolidated financial statements included in the Report and Consolidated Accounts 2020. There are no other relevant commercial relations between owners of qualified holdings and the Company.

PHAROL/BRATEL and Oi reached a consensus to close and extinguish judicial and extrajudicial disputes in Brazil, Portugal and in all the different countries where were discussions involving companies from both Groups and was signed an agreement to that effect on 9 January 2019.

In addition to other previously existing guarantees, Oi, as stipulated in the said agreement, through PT Participações SGPS, SA, in January 2020, made a deposit in a guarantee account in the amount of Eur. 34,340,803.32 intended to guarantee the PHAROL in case of eventual condemnation in tax contingencies under Oi's responsibility, thus ending all disputes then existing with this company.

## **B. CORPORATE BODIES AND COMMITTEES**

### **I. GENERAL MEETING OF SHAREHOLDERS**

#### *COMPOSITION OF THE BOARD OF THE GENERAL MEETING OF SHAREHOLDERS*

The General Meeting of shareholders ordinarily meets once a year or whenever it is requested to the Chairman of Board of the General Meeting of shareholders by the Board of Directors, the Fiscal Council or by shareholders representing at least 2% of the share capital.

Shareholders may participate directly in the General Meeting or appoint their representatives, within the broadest terms provided for under the Portuguese Companies Code, using the form available at [www.pharol.pt](http://www.pharol.pt) and the specific information given in the respective notice.

The Compensation Committee is represented in all General Meetings.

The Chairman of the Board of the General Meeting of shareholders is also provided with logistic support as required to carry out his duties, and the shareholders may contact the Board of the General Meeting of shareholders as follows:

Presidente da Mesa da Assembleia Geral  
Rua Joshua Benoliel, 1, 2C, Edifício Amoreiras Square, 1250-133, Lisboa  
Tel. - + 351800207369  
Fax - + 351 212697949  
E -mail: [assembleia@pharol.pt](mailto:assembleia@pharol.pt)

## 11. IDENTIFICATION OF THE MEMBERS OF THE BOARD OF THE GENERAL MEETING OF SHAREHOLDERS, COMMENCEMENT AND EXPIRATION OF TERM OF OFFICE

### Board of the General Meeting of Shareholders

---

Diogo Lacerda Machado	Chairman
Maria de Lourdes Cunha Trigos	Secretary

The members of the Board of the General Meeting of Shareholders were elected on 25 May 2018 to complete the 2018-2020.

### *EXERCISE OF VOTING RIGHTS*

## 12. POSSIBLE LIMITATIONS ON VOTING RIGHTS

Under the Company's Bylaws, each share grants the right to one vote. Only shareholders entitled to vote on the record date (i.e., on the fifth trading day prior to the General Meeting) and in compliance with the procedures and periods set forth in the notice.

Within the framework of American Depositary Receipts (ADR) or Global Depositary Receipts (GDR) programmes having as their object Company shares, the holders of ADR or GDR were deemed to be the shareholders, while the entity in whose name the shares were registered were deemed a simple representative of the shareholders, provided however that such shareholders complied with the conditions set forth in the Bylaws for the exercise of such right. These conditions were communicated to the holders of the right to vote in each notice for the General Meeting of shareholders.

As previously mentioned, PHAROL's Board of Directors has decided to terminate its ADR program, whose termination took effect on September 3, 2020.

According to article 13 of the Company's Bylaws, the votes cast by a single holder of ordinary shares, directly or through a representative, in his own name or as a representative of another shareholder, that exceed 10% of the total voting rights corresponding to the share capital shall not be counted. Shares held by a person in situations as provided for under article 20 of the Portuguese Securities Code shall be deemed to belong to the shareholder, and the limitation on the counting of votes cast by each person affected by the said provision shall be proportional to the number of votes held and cast.

There are no shares not granting voting rights, without prejudice to the limitations described above.

The Company Bylaws provide that the voting by correspondence or by electronic means may encompass all matters contained in the notice, under the terms and conditions set forth therein, and votes cast in this way shall be considered at the time of the counting by adding the same to the voting rights exercised in the course of the General Meeting.

The Bylaws further provide that the terms and conditions for voting by correspondence or by electronic means shall be defined by the Chairman of the Board of the General Meeting of shareholders in the notice, in order to ensure their authenticity, regularity, security, reliability and confidentiality up to the time of voting rights exercised in their course of the General Meeting.

Correspondence vote authenticity shall be ensured before the Chairman of the Board of the General Meeting of shareholders by means of a communication with a legally acknowledged signature, in the case of corporations, or, in the case of individuals, with a simple signature together with a photocopy of the relevant identity card. In order to guarantee vote confidentiality, said communication shall be sent in a closed envelope that will only be considered at the time of vote counting.

In respect of voting by electronic means, and according to the Company's practice, shareholders may vote

through the website [www.pharol.pt](http://www.pharol.pt) in observance of the requirements established thereon, provided that, by the time and date scheduled on the notice for the General Meeting of shareholders, they deliver to the Chairman of the Board of the General Meeting a communication, prepared in accordance with the form made available on that same website, with a legally acknowledged signature (or, for individuals, a simple signature together with a copy of the relevant identity card), and setting out the post address to where the email and password should be sent by the Company.

Votes cast by correspondence or by electronic means are deemed as negative votes as to any resolution proposals submitted after such votes were cast. The presence at a General Meeting of a shareholder who had exercised his voting rights by correspondence or by electronic means, or of his representative, determines the revocation of the vote so cast.

According to PHAROL's practice, the procedure for voting by correspondence shall be as follows:

- Shareholders entitled to vote may, according to article 22 of the Portuguese Securities Code, exercise such vote by correspondence, provided that, by the time and date scheduled on the notice, a communication addressed to the Chairman of the Board of the General Meeting is delivered to the latter, such communication to be with a legally acknowledged signature (or, for individuals, a simple signature together with a copy of the relevant identity card), and set out the address to where voting papers and other documentation should be sent. In reply, the voting papers and other relevant documentation will be sent to such shareholders, who shall send to the Chairman of the Board of the General Meeting, in such a way as to be received by the time and date scheduled on the notice for the General Meeting a closed envelope containing another closed envelope with the duly filled in voting papers;
- Notwithstanding the possibility of downloading the voting papers from the Internet according to the next paragraph, there are voting papers available to shareholders at the offices of the Company, and the same may also be provided by hand delivery, by post or by electronic mail;
- As an alternative, shareholders may also download the voting papers from the website [www.pharol.pt](http://www.pharol.pt), and send the same, addressed to the Chairman of the Board of the General Meeting, duly filled in and in a closed envelope, in such a way as to be received, together with an envelope containing a copy of the identity card (or, for corporations, a legally acknowledged signature), by the time and date scheduled on the notice for the General Meeting.

The period for receipt of declarations of vote by correspondence according to PHAROL practice is 3 business days prior to the date of the General Meeting.

PHAROL's Bylaws do not provide for any system of detachment of patrimonial rights pertaining to the shares.

Considering the above described mechanisms for the participation and vote at the General Meeting, PHAROL promotes shareholder participation through voting by correspondence, by electronic means and by duly appointed representative in accordance with the legal and bylaw rules above.

### 13. MAXIMUM PERCENTAGE OF VOTING RIGHTS THAT MAY BE EXERCISED BY A SINGLE SHAREHOLDER OR BY SHAREHOLDERS CONNECTED TO THE FORMER THROUGH ANY OF THE RELATIONSHIPS SET FORTH IN ARTICLE 20.1 OF THE PORTUGUESE SECURITIES CODE

Regarding this matter, please see item 12 of Part I above.

#### 14. SHAREHOLDER RESOLUTIONS WHICH, ACCORDING TO THE BYLAWS, CAN ONLY BE ADOPTED WITH QUALIFIED MAJORITY, APART FROM THOSE LEGALLY PROVIDED FOR

Under article 14 of the Company's Bylaws, the General Meeting of shareholders resolves, on a first or subsequent call, by a majority of votes cast, without prejudice to any qualified majority as required in cases as provided for by law.

In this way, the constitutive and resolute quorum of the General Meeting of shareholders established under PHAROL's Bylaws is no different from that established under the Portuguese Companies Code.

## II. MANAGEMENT AND SUPERVISION

### COMPOSITION

#### 15. IDENTIFICATION OF THE CORPORATE GOVERNANCE MODEL

PHAROL follows a governance model, which is based on the existence of a Board of Directors and a Statutory Auditor ("ROC") elected by the General Meeting of shareholders upon a proposal by the Fiscal Council. In 2017, the Board of Directors appointed a Managing Director with an operational role, and predicted the existence of a Monitoring Committee, which, however, was not fulfilled considering the small size of the company and the high frequency of meetings of the Board of Directors, which end up filling, in this way, that monitoring role.

In any case, a proposal to amend the bylaws is foreseen at the next Annual General Meeting, which, for the reasons mentioned, does not maintain the obligation to create that Monitoring Committee.

PHAROL'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 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 one or more times within the limits of the law.

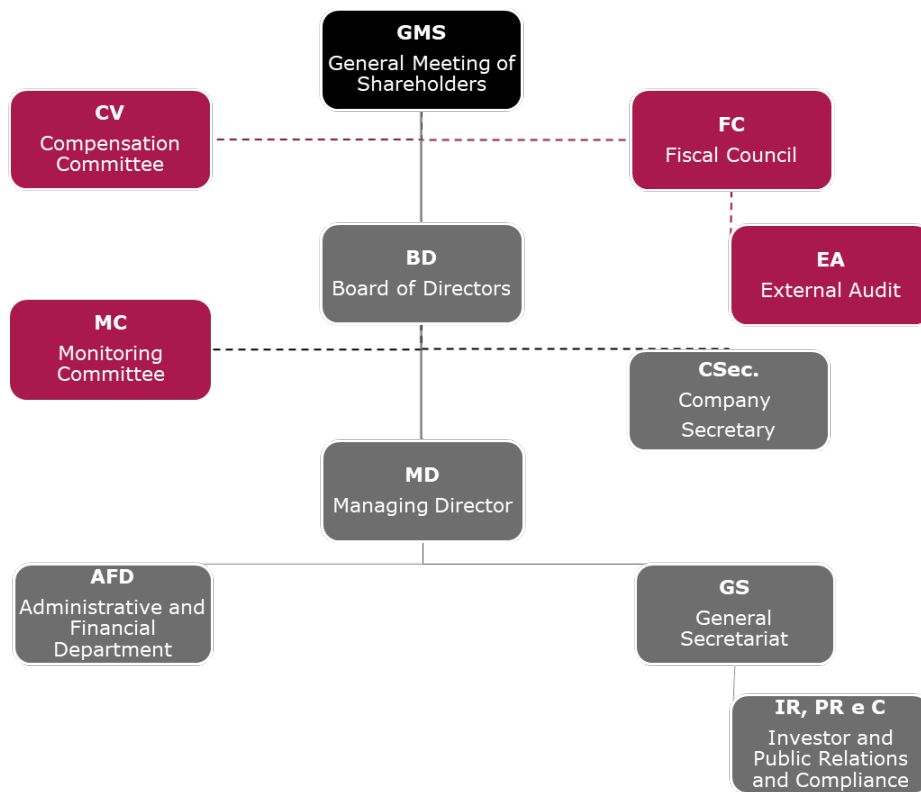
The Fiscal Council, together with the External Audit, performs the supervisory functions that derive from the applicable laws and regulations.

PHAROL currently has as its only fundamental objectives the management of two assets: the social participation in the Brazilian company Oi and the possible recovery of credit in the scope of the bankruptcy of Rio Forte.

To ensure its operational functioning, PHAROL has 8 permanent employees and the support of several external consultants and advisory services in the legal, financial and accounting areas.

In this context of such a reduced structure and dimension, the existence of 6 Directors, of which 4 are independent, from the Supervisory Board and the ROC, seem sufficient to efficiently guarantee the functions that are entrusted to the Company's management, including of risks.

On 31 December 2020, PHAROL's governance model could be schematised as follows:



## 16. BYLAW RULES ON THE PROCEDURAL AND MATERIAL REQUIREMENTS FOR THE APPOINTMENT AND REPLACEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS

The members of the Board of Directors are elected by the General Meeting of shareholders as described in item 17 of Part I below.

The Bylaws determine that the absence of any director from more than half the ordinary meetings of the Board of Directors during one financial year, in a consecutive way or not, without a justification acceptable to the Board of Directors, shall be deemed as a definitive absence of such director. Such definitive absence shall be declared by the Board of Directors, and the director in question shall be replaced as provided for by law and the Bylaws.

## 17. COMPOSITION OF THE BOARD OF DIRECTORS

On January 8, 2020, the amendment to the bylaws was decided at the General Meeting, and at present, the Board of Directors is composed of a minimum number of 3 and a maximum of 7 members.

The Company is also subject to the provisions of Law no. 62/2017, of August 1 (regime of balanced representation between women and men in the administrative and supervisory bodies of the entities of the public sector and companies listed). Under the terms of this law, the proportion of persons of each sex reassigned to each management and supervisory body of each company may not be less than 20% from the first elective general meeting after January 1, 2018.

Furthermore, on October 30, 2020, PHAROL approved its Plan for Gender Equality 2020-2021, a document that can be consulted on the Society's website at [www.pharol.pt](http://www.pharol.pt)

The term of office of the directors is three years, and may be re-elected one or more times, within the limits established by law.



On December 31, 2020, the board of directors effectively in office was as follows:

Members (date of first appointment)	Board of Directors	Independence (1)	No. of shares
Luis Maria Viana Palha da Silva (2015)	President	No	200,000
Avelino Cândido Rodrigues (2019)	Member	Yes	
Jorge Telmo Maria Freire Cardoso (2014) (*)	Member	No	
Maria do Rosário Amado Pinto Correia (2015)	Member	Yes	40
Maria Leonor Martins Ribeiro Modesto (2018)	Member	Yes	
Pedro Zañartu Gubert Morais Leitão (2015)	Member	Yes	

(\*) He submitted his resignation request on February 10, 2021.

The Board of Directors non-executive members are the majority of the directors in office.

The Managing-Director reported on all of the relevant matters to all other members of the Board of Directors.

## 18. EXECUTIVE AND NON-EXECUTIVE BOARD MEMBERS AND INDEPENDENCE CRITERIA

As referred to in item 17 above, as at 31 December 2020 the Company distinguishes executive and non-executive directors. In the same item, those directors that are considered independent are identified.

As at 31 December 2020, the Board of Directors of PHAROL has 4 independent directors, from among 6 members of the Board.

The number of non-executive and independent directors is adequate in relation to the provisions of Recommendations III.2 to III.4 of the IPCG Code, with a number of directors non-executives who meet the independence requirements of more than 1/3 and meeting the conditions for the effective performance of the Board of Directors in relation to the size of the Company. This ensures strategic decision-making regarding the company's risk profile, constructive supervision of the results achieved, as well as the ability to influence an efficient decision-making process and implement appropriate governance, sustainability and ethical conduct practices.

All directors deemed independent by PHAROL, as of 31 December 2020, as set out in item 17 above, meet the conditions required for the performance of their duties and compliance with their obligations to act diligently and in the interest of the Company in an independent manner. Thus, the Board of Directors considers that the Company's management body includes a number of independent members that is appropriate to its size and shareholder structure.

According to PHAROL's Internal Regulation no. 3/2017, the members of the Board of Directors of the Company, must send to the Chairman of the Board, within 10 business days as from their election or co-optation, and no later than 31 January of each year, declarations prepared in accordance with an Appendix to the said Internal Regulation.

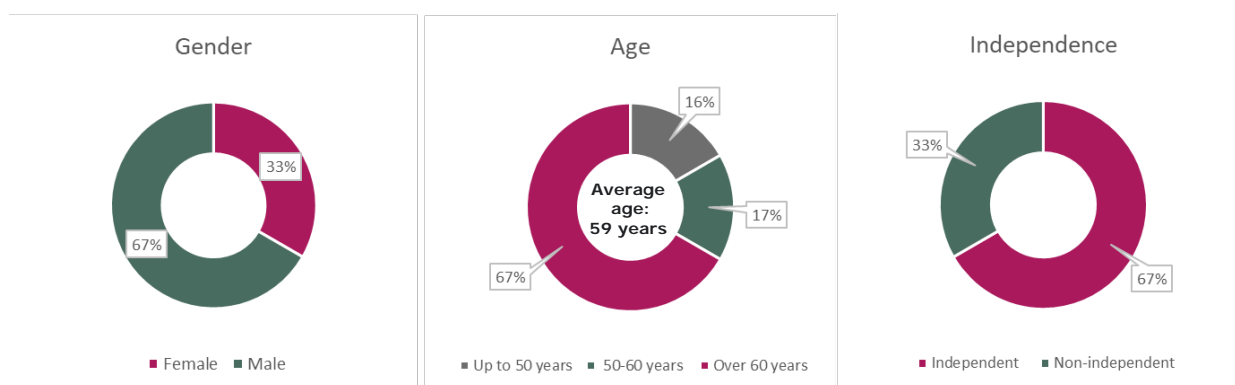
Where the independence situation of any member of the Board of Directors is subsequently changed, the director in question must send to the Chairman of the Board an updated declaration, in the 10 business days following such subsequent change.

The Board of Directors assesses the independence of its non-executive members, on the basis of such declarations, as well as of any other information of which the Board may be aware.

## 19. PROFESSIONAL QUALIFICATIONS AND OTHER RELEVANT CURRICULUM ELEMENTS OF THE MEMBERS OF THE BOARD OF DIRECTORS

The composition and qualifications of the members of the Board of Directors of PHAROL are defined in the internal regulations of this Board, referred in point 21 of this report.

PHAROL also complies with the provisions of Article 245-A of the CVM and with the balanced representation regime between women and men between the management and supervisory bodies of public sector entities and listed companies, law 62/2017.



In accordance with Recommendation I.2.1., the curricula of the members of this body follow in Annex I, describing the criteria and conditions related to the respective profile, including individual attributes and diversity requirements.

## 20. FAMILY, PROFESSIONAL OR COMMERCIAL RELATIONSHIPS, FREQUENT AND SIGNIFICANT, OF THE MEMBERS OF THE BOARD OF DIRECTORS WITH OWNERS OF QUALIFIED HOLDINGS ABOVE 2% OF THE VOTING RIGHTS

As at 31 December 2020, no member of the board of directors has no family, professional or commercial relationships, frequent and significant, with owners of qualified holdings above 2% of the voting rights, except:

- Jorge Telmo Maria Freire Cardoso: was is director of Novo Banco, S.A., an entity having a qualified holding more than 2%, until November 30,2020. On February 10, 2021, he resigned as a non-executive member of the Board of Directors of PHAROL, with effect, under the terms of the law, on March 31 of the same year.

## 21. DISTRIBUTION OF POWERS AMONG THE VARIOUS CORPORATE BODIES, COMMITTEES AND/OR DEPARTMENTS OF THE COMPANY

### MANAGEMENT BODY

#### Board of Directors

Pursuant to the Bylaws, the Board of Directors is the corporate body responsible for managing the Company's businesses and practicing all acts regarding the corporate scope that are not within the powers of other corporate bodies. It establishes the strategic orientation of PHAROL and monitors the day-to-day management delegated to the Managing Director, designated in 2017 to ensure the existence of a structure more suited to the management needs of PHAROL.

On February 28, 2020, a new regulation of the Board of Directors was approved, governed by the following

guidelines:

The Board of Directors will perform its duties in accordance with the corporate interest and with the applicable legal and statutory provisions, taking into account the general objectives and fundamental principles of the Company, the long-term interests of its shareholders and other investors and the sustainable development of the activity corporate structure of the Company and its subsidiary company (ies). Corporate governance should promote and enhance the performance of companies and the capital markets and consolidate the confidence of investors, workers and the general public in the quality and transparency of management and supervision and in the sustained development of society.

The Company's Board of Directors is composed of the members elected in accordance with the applicable legal and statutory provisions framed in an open and transparent culture with respect for diversity.

The Directors, whose profiles will have to correspond to criteria and requirements of technical competence, independence, integrity, loyalty, availability, experience and gender diversity, will develop their respective qualifications, knowledge and experience with a view to the exercise of their duties and competences and the fulfilment respective duties and functions.

The duties and powers of the Board of Directors are as follows:

1. The Board of Directors is responsible for managing the Company's business dealings and activities and carrying out all actions regarding the corporate purpose that do not fall within the scope of other corporate bodies. It will also establish the strategy for the Company and its subsidiary(ies), engaging, to this purpose, in the necessary managerial and supervisory activities.
2. Regardless of any other powers provided for in the applicable laws and bylaws and of powers delegated to the Managing Director, the Board of Directors is responsible, in particular, for:
  - a) Establishing the general objectives and the fundamental principles of the policies applicable to Company and its subsidiary(ies). These are to be submitted to the General Meeting for approval;
  - b) Approving the general policies and the strategy for the Company and its subsidiary(ies), considering the objectives and principles approved by the General meeting;
  - c) Establishing and deciding on any amendments to the business structure of the Company or of its subsidiary(ies), whenever these do not constitute mere internal restructurings of the Company and/or its subsidiary(ies) that fall within the scope of the general objectives and fundamental principles approved by the General Meeting;
  - d) Deciding on important extensions or reductions in the Company's business activities or in those of its subsidiary(ies);
  - e) Adopting any other decisions deemed strategic for the Company and its subsidiary(ies), taking into account it's the amount, risk or special characteristics involved;
  - f) Evaluating the Company's corporate governance model on an annual basis and disclosing such evaluation in the Annual Governance Report, identifying any constraints on the operation of this model and proposing adequate measures to overcome such constraints;
  - g) Ensuring that the Company has efficient internal control, risk management and internal audit systems;
  - h) Replacing directors who are definitively absent, through co-optation;
  - i) Appoint and establish the day-to-day management skills in the Managing Director, delegating the skills whose inclusion is not prohibited by article 407 of the Commercial Companies Code;
  - j) Annually evaluate itself performance through a self-assessment model, as well as that of the Managing Director and, if applicable, the performance of its committees, taking into account the fulfilment of the Company's strategic plan and budget, the management of risks, its internal functioning and the contribution of each member to the effect, and the relationship between the Company's bodies and commissions;
  - k) Providing for the Company's statutes to limit the number of votes that can be held or exercised

by a single shareholder, individually or in consultation with other shareholders, the Board of Directors must promote that, at least every 5 years the amendment or maintenance of this statutory provision is subject to deliberation by the general meeting.

- l) Appointing and removing the General Secretary and the Company Secretary and their alternate(s).

Within the delegation of powers, the Board of Directors assigned the Managing Director all powers necessary for the day-to-day management of the Company, except for those matters that are not delegable pursuant to article 407 of the Portuguese Companies Code listed below:

- a) Selection of the Chair of the Board of Directors;
- b) Co-opting directors;
- c) Request to convene General Meetings;
- d) Annual report and accounts, to be submitted to the General Meeting for approval;
- e) Acquisition, sale and disposal of real estate and capital holdings;
- f) Provision of real or personal sureties or guarantees by the Company, where the competence for this lies with the Board of Directors, without prejudice to the stipulations of sub-paragraph h) of article 15 of the Company's Articles of Association;
- g) Change in the location of the Company's registered offices;
- h) Projects for the merger, demerger or transformation of the company, to be submitted to the General Meeting, or any corporate acquisitions, disposals, mergers, demergers, strategic partnership agreements or other forms of long-lasting cooperation that involve the Company and/or its subsidiary(ies), whenever such operations do not constitute mere internal restructurings of the Company and/or its subsidiary(ies) that fall within the scope of the general objectives and fundamental principles approved by the General Meeting;
- i) Projects for increases in capital, to be submitted to the General Meeting;
- j) Changes to the articles of association, to be submitted to the General Meeting;
- k) Important extensions or reductions in the Company's business activities or important changes to the Company's organizational structure;
- l) Annual business plans, budgets or investment plans;
- m) Setting of the amount to be proposed each year to the General Meeting for the issue of bonds or other securities.

No authority of the Board of Directors is delegated as regards: (i) the determination of the Company's general strategy and policies, and strategic decisions due to their amount, risk or special features, notably, regarding this latter, as a consequence of such matters being reserved to the powers of the Board of Directors pursuant to its Internal Regulation.

Regarding the Monitoring Committee, it is explained in item 15 the solution adopted.

Notwithstanding the Fiscal Council's powers, the Board of Directors is also responsible for ensuring the Company practice effective internal control and risk management procedures, in accordance with the rules of procedure. The application structures of these systems are described in C.III of Part I of this report.

Other than any matters excluded by law, the Board of Directors is forbidden from passing resolutions on matters assigned by the Bylaws to the General Meeting of shareholders. Shareholders, in their turn, may only resolve on management matters at the request of the management body.

All members of the Board of Directors take informed decisions on the matters submitted to them.

The Board of Directors during 2020 met with high frequency, having held 11 meetings, between ordinary and extraordinary meetings.

The Board discussed the main issues relevant to the Company, namely discussing its Strategic Plan and approving the Budget, as well as all other matters of importance to the Company's management. Budgetary

deviations and in-depth strategic options were regularly assessed for each of the assets included in PHAROL's portfolio.

The Board of Directors met with the Audit Board whenever necessary or imposed by the rules and regulations and received periodic information notes on the main issues and decisions made by the Chief Executive Officer.

The participation and contribution of all Directors for the evaluation and deliberation of all situations brought to the Board was a constant.

Due to the information received from the Managing Director and the regularity with which the Board met, the Board of Directors has maintained that it is not necessary for a Commission to follow up on it.

The Board of Directors maintained a Self-Assessment model, which was guaranteed to be anonymous and confidential, covering a wide range of 21 items.

In this questionnaire were evaluated the composition and decision-making process of the Board of Directors, covering various topics such as the respective size, diversity and independence, quality of the information that allows monitoring its strategic objectives and risk assessment, as well as the quality of the decisions taken and focus on the main issues, within the Council's competence.

In another context, matters relating to the responsibility of the Board of Directors, the role and leadership of the President and the performance of the Secretary Company in terms of supporting the President and the Board itself were evaluated.

### **Powers of the Chairman of the Board of Directors**

Pursuant to the Bylaws and to the Board of Directors' internal operating rules, the Chairman of the Board of Directors is entrusted with the following duties:

- Call and direct the meetings of the Board of Directors;
- Coordinate the activity of the Board of Directors;
- Represent the Council in and out of court;
- Ensure the correct execution of the Board of Directors' resolutions;
- Represent the Board of Directors and promote communication between the Company and its shareholders.

### **Managing-Director**

Since 2017, the Board of Directors delegated on a Managing-Director the daily management of the Company, according to the respective delegation of powers, retaining supervision and control functions.

On February 28, 2020, a new regulation of the Managing-Director was approved, which has a description of his powers and delegation of powers.

Within the scope of these Regulations, it is incumbent upon the Managing-Director to decide the instructions or guidelines to be given by the Company to the directors of its subsidiary companies, regarding the matters referred to in its delegation of powers, under the terms and in compliance with the provisions of the applicable law.

## **Powers of the Managing Director**

1. The Managing Director is responsible for the management of the daily management of the Company, in accordance with the terms of the Portuguese Companies Code and the Bylaws.

2. Within the quantitative limits established by the Board of Directors, it is the responsibility of the Chief Executive Officer, namely:

- a) propose to the Board of Directors the goals and management policies of the Company;
- b) prepare annual activity and financial plans;
- c) manage the social affairs and practice all acts and operations related to the corporate purpose that do not fit in the competence attributed to other Bodies of the Company;
- d) represent the Company in and out of court, actively and passively, being able to withdraw, compromise and confess in any lawsuits, as well as to conclude arbitration agreements;
- e) to resolve on the issue of bonds and other securities in accordance with the Bylaws;
- f) establish the technical and administrative organization of the Company and the internal rules, namely on personnel and their remuneration;
- g) to establish representatives with the powers they deem appropriate, including those to be replaced;
- h) exercise the other powers attributed to it by law or by the General Meeting.

## **SUPERVISORY BODIES**

### **Fiscal Council**

As a supervisory body, the Fiscal Council has, in addition to all other powers established in the law or the Bylaws, the following specific rules:

1. The Fiscal Council shall:

- a) supervise the administration of the Company and, in particular, annually assess the fulfilment of the strategic plan and budget of the Company, the risk management, the internal functioning of the Board of Directors and its committees, as well as the relationship between the Company's bodies and committees, if any;
- b) accompany, assess and give its opinions on the strategic lines and the risk policy defined by the Board of Directors;
- c) monitor compliance with the law and the Company's Articles of Association;
- d) confirm that the books, accounting records and their support documents are in due order;
- e) when it deems convenient and through the means it finds adequate, confirm available cash and the existence of any type of goods or values belonging to the Company or received by it as a guarantee, deposit or other purpose;
- f) confirm the accuracy of the accounting statements and, generally, supervise the quality and integrity of the financial information specified in the Company's accounting statements;
- g) check whether the accounting policies and the valuation criteria applied by the Company result in a correct evaluation of its assets and results;
- h) prepare an annual report on its supervisory activities and issue an opinion on the report, accounts and proposals presented by the board, in which it expresses its agreement or not with the annual management report, with the fiscal year accounts, and with the audit

clearance or a declaration of impossibility of issuing such clearance, besides including a statement signed by each of its members, as provided for in Art. 245(1)(c) of the Portuguese Securities Market Code;

- i) convene the General Meeting, when the Chairman of the Bureau should, but does not do so;
  - j) supervise the process for the preparation and disclosure of financial information, including the suitability of the accounting policies, estimates, judgements, relevant disclosures and their consistent application between fiscal years, in a duly documented and communicated manner;
  - k) accompany the legal review of the individual and consolidated accounts, as well as supervise and assess the internal procedures regarding accounting and auditing matters;
  - l) supervise the quality, integrity and effectiveness of the risk management system, internal control system and internal audit system, if any, including the annual review of its adequacy and effectiveness, proposing any changes that are deemed necessary;
  - m) to be the recipient, on a quarterly basis, of the management report and monitoring of the respective risk reports, in order to ensure that the risks effectively incurred by the Company are consistent with the objectives established by the board;
  - n) receive notifications of deficiencies, claims and/or complaints (“whistleblowing”) submitted by shareholders, Company employees or others, and implement procedures to receive, record and process those notifications when related to aspects of accounting, auditing and internal control procedures in these matters;
  - o) contract services provided by experts to assist the Fiscal Council members in carrying out their duties, such as contracting and remuneration of said experts to take into account the importance of the issues for which they are responsible and the Company’s economic situation;
  - p) verify that the disclosed report on the corporate governance structure and practices includes the information specified in Art. 245 – A of the Securities Market Code;
  - q) propose to the General Meeting the appointment of the statutory auditor or a firm of statutory auditors, using a selection process based on the commercial evaluation (overall amount of the proposals) and on a technical assessment using the following criteria: experience as an auditor/statutory auditor, methodology of the account auditing procedure, planning of the works and the allocation of human resources, and the Curricula Vitae of the people in charge and of the members of the audit team directly assigned to the work;
  - r) supervise the independence of the statutory auditor, including obtaining the formal written confirmations provided for in Arts. 63 and 78 of the Statutes of the Association of Statutory Auditors and, in particular, verifying the suitability and approving the provision of other services beyond those of auditing, pursuant to the terms of Art. 77(10) and (11) of the Statutes of the Association of Statutory Auditors;
  - s) be the main interlocutor for the independent auditor and the statutory auditor or the firm of statutory auditors and the first recipient of the corresponding reports, having the responsibility, specifically, of proposing the corresponding remuneration and diligently ensuring there are suitable conditions in the Company for the provision of their services;
  - t) annually evaluate the work carried out by the independent auditor and the statutory auditor or the firm of statutory auditors, their independence and suitability for exercising their duties, and propose to the competent corporate body their dismissal or the resolution of the contract for the provision of their services whenever there is just cause for such.
- s) annually evaluate the work carried out by the independent auditor and the statutory auditor or the firm of statutory auditors, their independence and suitability for exercising their duties, and propose to the competent corporate body their dismissal or the resolution of the contract for the provision of their services whenever there is just cause for such.

The Fiscal Council also has the following duties:

- a) Analyse and issue its opinion on relevant issues related to accounting and auditing aspects and the impact on the financial statements caused by alterations to account standards applicable to the Company and to its accounting policies;

- b) Settle any disputes between the Company's Board and the independent auditors indicated in the previous subparagraph, in regard to the financial information to be included in the accounting statements to be reported to the competent entities and in regard to the process of preparing the audit reports to be issued by the said independent auditors;
- c) It will issue a statement and a prior opinion within the scope of its legal and statutory competences, and whenever it deems such necessary or convenient, on any reports, documentation or information to be disclosed or submitted by the Company to the competent authorities;
- d) Issue a prior opinion on transactions with related parties, under the terms defined by the Company's regulations;
- e) Issue a statement on work plans and the resources allocated to the internal control services, including monitoring compliance with the norms applicable to the Company (compliance services) and internal auditing, if any;
- f) Receive the reports made by the internal control services, at least when dealing with matters related to the presentation of accounts, or the identification or resolution of conflicts of interest and the detection of potential irregularities.

### **Statutory Auditor**

Under articles 420,1(c), (d), (e) & (f) and 446,3 of the Portuguese Companies Code, it is the duty of the Statutory Auditor to control the regularity of the books, accounting records and documents supporting the same, as the Statutory Auditor deems fit and appropriate, the extension of cash and inventory of any kind of assets or values owned or received as collateral, deposit or otherwise by the Company, and furthermore the accuracy of individual and consolidated financial statements, as well as that the accounting policies and criteria adopted by the Company lead to a correct assessment of its assets and results.

Following entry into force of Decree-Law no. 185/2009 of 12 August 2009, similarly to the Statutory Auditor, it also became the duty of the Statutory Auditor to verify whether the Company's governance report disclosed each year includes all legally required data as regards, inter alia, qualified shareholdings in the Company capital, identification of shareholders of special rights and description of such rights, any restrictions in respect of voting rights, rules applicable to appointment and replacement of directors, Bylaw amendment and powers and resolutions of the management body, and the main constituents of the internal control and risk management systems implemented in the Company in connection with the financial information disclosure procedure.

## COMMITTEES AND SUPPORTING STRUCTURES

### *FUNCTION*

## 22. OPERATING RULES OF THE BOARD OF DIRECTORS

The full text of the Board of Directors regulation may be consulted on the Company's website, link:

[https://conteudos.pharol.pt/Documents/EN/Regulation/2020/Regulamento%20CA\\_28.02.2020\\_en.pdf](https://conteudos.pharol.pt/Documents/EN/Regulation/2020/Regulamento%20CA_28.02.2020_en.pdf)

Under the terms of article 24 of the Bylaws and the Board's Internal Regulation, the Board of Directors shall meet, at least, every three months of each year, and shall meet in extraordinarily sessions whenever convened by its Chairman, by two Directors or by the Fiscal Council. Detailed minutes are drawn up from these meetings.

The Board of Directors may not work without the presence of the majority of its members in office. The Chairman of the Board of Directors may, when clearly urgent, waive the presence of such majority if the same is ensured through voting by correspondence or through a power of attorney, although a director may not represent more than one other director.

The resolutions of the Board of Directors are passed by a majority of votes cast, and the Chairman has a



casting vote.

23. NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS AND DEGREE OF ATTENDANCE OF EACH MEMBER

During the 2020 financial year, 11 meetings of the Board of Directors took place. The degree of attendance of directors at these meetings of the Board of Directors of PHAROL was 100%

24. INDICATION OF THE CORPORATE BODIES EMPOWERED TO CARRY OUT THE PERFORMANCE EVALUATION OF EXECUTIVE DIRECTORS

The Compensation Committee determines the remunerations of the members with executive functions based on objective criteria as approved by such Committee.

Furthermore, pursuant to the law, the General Meeting of shareholders makes an annual general appraisal of the management (and supervision) of the Company.

25. PRE-DETERMINED CRITERIA FOR THE PERFORMANCE EVALUATION OF EXECUTIVE DIRECTORS

On March 27, 2020, the General Meeting of Shareholders adopted the Declaration of the Compensation Committee on the Remuneration Policy for the members of the management and supervisory bodies, included on Appendix II.

26. AVAILABILITY OF EACH MEMBER OF THE BOARD OF DIRECTORS AND INDICATION OF FUNCTIONS EXERCISED SIMULTANEOUSLY IN OTHER COMPANIES, INSIDE AND OUTSIDE THE GROUP, AND OTHER RELEVANT ACTIVITIES EXERCISED BY THE MEMBERS OF THE BOARD OF DIRECTORS

The functions exercised by the Company' directors in other companies as well as their other relevant activities are shown in Appendix I, there being highlighted the duties performed and the attendance and active participation of the directors in the meetings of the Board of Directors (in respect of all its members) – see item 23 of Part I above – evidence the availability of each member of the Board of Directors to perform duties as director of the Company.

*COMMITTEES WITHIN THE MANAGEMENT OR SUPERVISION BODIES AND DELEGATED DIRECTORS*

27. COMMITTEE CREATED WITHIN THE BOARD OF DIRECTORS AND LOCAL FOR THE CONSULTATION OF ITS OPERATING RULE

The Regulation for the Monitoring Committee may be consulted on the Company's website, link:

[http://conteudos.pharol.pt/Documents/EN/Regulation/2015/06\\_June/RegulamentoComissaoAcompanhamento\\_en.pdf](http://conteudos.pharol.pt/Documents/EN/Regulation/2015/06_June/RegulamentoComissaoAcompanhamento_en.pdf)

28. COMPOSITION OF THE EXECUTIVE COMMITTEE AND/OR IDENTIFICATION OF MANAGING DIRECTORS

According to the Bylaws, the Board of Directors appoints the Managing Director.

As of December 31, 2020, the Managing Director was the Chairman of the Board of Directors, Luís Maria

29. DUTIES OF EACH COMMITTEE CREATED WITHIN THE BOARD OF DIRECTORS AND SUMMARY OF THE ACTIVITIES DEVELOPED IN THE EXERCISE OF SUCH DUTIES

Regarding this matter, please see items 21 and 27 of Part I above.

III. SUPERVISION

COMPOSITION

30. IDENTIFICATION OF THE SUPERVISORY BODY

The supervisory body is the Fiscal Council.

31. COMPOSITION OF THE FISCAL COUNCIL

Pursuant the Company Bylaws, the Fiscal Council is composed of three effective members and one alternate member, appointed by the General Meeting of shareholders.

On December 31, 2020, the Fiscal Council was composed as follows:

José Maria Rego Ribeiro da Cunha	Chairman
Isabel Maria Beja Gonçalves Novo	Member
João Manuel Pisco de Castro	Member
Paulo Ribeiro da Silva	Alternate member

32. IDENTIFICATION OF THE MEMBERS OF THE FISCAL COUNCIL COMMITTEE CONSIDERED INDEPENDENT UNDER ARTICLE 414,5 OF THE PORTUGUESE COMPANIES CODE

The Fiscal Council members meet the requirements on incompatibilities, independence and specialization arising from legal and regulatory requirements to Corporate issuers of securities admitted to trading on a regulated market.

33. PROFESSIONAL QUALIFICATIONS AND OTHER RELEVANT CURRICULUM ELEMENTS OF THE MEMBERS OF THE FISCAL COUNCIL

The *curricula* of the members of PHAROL's Fiscal Council are shown in Appendix I.

34. OPERATING RULES OF THE FISCAL COUNCIL

All powers of the Fiscal Council are described in the Company's Bylaws, in addition to the Fiscal Council having adopted an internal regulation of operation, approved unanimously by all members of the Fiscal Council on October 29, 2015 and reviewed on November 9, 2020, which may be consulted at the following link:

<https://pharol.pt/en-us/governo-sociedade/Pages/Conselho-Fiscal.aspx>

According to such Regulation, the Fiscal Council meets at least once every three months, on the day and at the place established by its Chairman, although extraordinary meetings may be called upon by its Chairman or at the request of a majority of its members.

The Fiscal Council shall not function without the presence of the majority of its members in office. Its Chairman may, when clearly urgent or there is a justified impossibility, waive the presence of that majority if the same is ensured through voting by correspondence or by power of attorney.

The Fiscal Council's resolutions are approved by a majority of the votes cast, and its Chairman has a casting vote.

#### 35. NUMBER OF MEETINGS OF THE FISCAL COUNCIL AND DEGREE OF ATTENDANCE OF EACH MEMBER

During the 2020 financial year, 11 meetings of the Fiscal Council took place. The degree of attendance of each member to these meetings was 100%.

#### 36. AVAILABILITY OF EACH MEMBER OF THE FISCAL COUNCIL AND INDICATION OF FUNCTIONS EXERCISED SIMULTANEOUSLY IN OTHER COMPANIES, INSIDE AND OUTSIDE THE GROUP, AND OTHER RELEVANT ACTIVITIES EXERCISED BY THE MEMBERS OF THE FISCAL COUNCIL

The functions exercised by the members of PHAROL's Fiscal Council in other companies as well as their other relevant activities are shown in Appendix I.

#### *COMPETENCES AND DUTIES*

#### 37. PROCEDURES AND CRITERIA APPLICABLE TO THE INTERVENTION OF THE SUPERVISORY BODY WHEN HIRING ADDITIONAL SERVICES FROM THE EXTERNAL AUDITOR

In the year 2020, PHAROL did not contract to the external auditor or any entity with a group relationship or that incorporate the same network, for any other services than audit services.

#### 38. OTHER DUTIES OF THE SUPERVISORY BODIES

Regarding this matter, please see item 21 of Part I above.

### **IV. STATUTORY AUDITOR (REVISOR OFICIAL DE CONTAS / ROC)**

#### 39. IDENTIFICATION OF THE STATUTORY AUDITOR AND OF ITS REPRESENTING PARTNER

The Statutory Auditor effective for the period from 2018-2020 is BDO & Associados, SROC, Lda., registered in the Statutory Auditor's Professional Association ("OROC") under no. 29 and at CMVM under no. 20161384, represented by its partner and manager Rui Carlos Lourenço Helena, registered at OROC as Statutory Auditor, under no. 923.

40. NUMBER OF YEARS DURING WHICH THE STATUTORY AUDITOR PERFORMS DUTIES CONSECUTIVELY IN THE COMPANY AND/OR GROUP

The firm BDO & Associados, SROC. Lda., performs duties as Statutory Auditor in the Company since 29 May 2015. Pursuant to its duties, PHAROL's Fiscal Council confirmed the independence of the Statutory Auditor and appraised its work during the 2020 financial year.

41. OTHER SERVICES RENDERED TO THE COMPANY BY THE STATUTORY AUDITOR

In 2020, the Statutory Auditor also rendered the external audit service to PHAROL and there are no other services rendered.

**V. EXTERNAL AUDITOR**

42. IDENTIFICATION OF THE EXTERNAL AUDITOR AND OF ITS REPRESENTING PARTNER, AS WELL AS THEIR RESPECTIVE REGISTRY NUMBER BEFORE THE CMVM

PHAROL's current External Auditor, appointed in 2015 for the purposes of article 8 of the Portuguese Securities Code, is BDO & Associados – SROC, Lda., registered at OROC under no. 29 and at CMVM under no. 20161384, and it is represented by its partner and director Rui Carlos Lourenço Helena, registered at OROC as Statutory Auditor under no. 923.

43. NUMBER OF YEARS DURING WHICH THE EXTERNAL AUDITOR AND ITS REPRESENTING PARTNER PERFORM DUTIES CONSECUTIVELY IN THE COMPANY AND/OR GROUP

PHAROL's current External Auditor is BDO & Associados – SROC, Lda., registered at OROC under no. 29 and at CMVM under no. 20161384, began its functions in March 2015.

44. POLICY AND PERIOD FOR THE ROTATION OF THE EXTERNAL AUDITOR AND OF ITS REPRESENTING PARTNER

There is no internal policy for the External Auditor's mandatory rotation, apart from the one legally applicable to public interest entities. The mandatory rotation period applicable to the Statutory Auditor that represents the External Auditor in the performance of its duties results from article 54,2 of the OROC Statutes (7 years).

45. CORPORATE BODY RESPONSIBLE FOR THE EVALUATION OF THE EXTERNAL AUDITOR AND FREQUENCY FOR SUCH EVALUATION

The Fiscal Council annually evaluates the External Auditor's performance and independence, as described in the annual Report of the Fiscal Council's activities.

Pursuant to its duties, the Company's Fiscal Council assessed and confirmed the independence of BDO & Associados, SROC, Lda., and appraised its work relating to the 2020 financial audit of the Company.

46. SERVICES, OTHER THAN AUDITING SERVICES, PROVIDED BY THE EXTERNAL AUDITOR TO THE COMPANY AND/OR ENTITIES IN A CONTROL RELATIONSHIP, AS WELL AS INDICATION OF INTERNAL PROCEDURES FOR THE PURPOSES OF APPROVING THE HIRING OF THOSE SERVICES AND REASONS FOR SUCH HIRING

There were no services other than auditing services provided to the Company or to the companies in a control relationship with PHAROL by the External Auditor beyond the role of the Statutory Auditor.

47. INDICATION OF THE AMOUNT OF ANNUAL REMUNERATION PAID TO THE AUDITOR AND OTHER INDIVIDUALS OR CORPORATIONS IN THE SAME NETWORK SUPPORTED BY THE COMPANY AND OR BY CORPORATIONS IN A CONTROL OR GROUP RELATIONSHIP, AS WELL AS SPECIFICATION OF THE PERCENTAGE OF EACH TYPE OF SERVICE

BDO & Associados, SROC, Lda. for the external audit and Statutory Auditor simultaneously will represent a total cost of 42,000 euros to which VAT is added at the legal rate, referring to 2020.

## C. INTERNAL ORGANIZATION

### I. BYLAWS

48. RULES APPLICABLE TO AMENDMENT TO THE BYLAWS OF THE COMPANY

#### **Constitutive quorum for the General Meeting of Shareholders**

The PHAROL's Bylaws do not establish a constitutive quorum higher than that established by law.

Where an amendment to the Bylaws is at issue, the General Meeting of shareholders may only resolve on a first call, if shareholders owning shares corresponding to at least one-third of the share capital are present or represented. On a second call, no such requirement exists, and the General Meeting may resolve on any matter whatever the number of shareholders present.

#### **Resolution quorum for the General Meeting of Shareholders**

The PHAROL's Bylaws do not establish a resolution quorum higher than that established by law.

Decisions regarding the amendment of the Bylaws must be approved by a minimum of two thirds of the votes cast, whether the General Meeting meets first or second call, unless, in the latter case, shareholders holding at least half of the share capital, and such resolutions may then be taken by a majority of the votes cast (paragraphs 3 and 4 of article 386 of the Portuguese Companies Code).

The Board of Directors may move the Company's headquarters within the national territory and decide to increase the share capital, provided, in this case, previously authorized by the General Meeting and with the favourable opinion of the Fiscal Council, which will determine changes to the bylaws of the Company.

### II. WHISTLEBLOWING

49. WHISTLEBLOWING

In December 2016, PHAROL revised a set of procedures called regarding to the rules and the procedure to adopt in the System for Disclosure of Unethical Practices or Whistleblowing.

Within Whistleblowing, “Unethical Practices e/or irregularities” mean all acts or omissions, wilful or negligent, performed within the activities of the companies pertaining to PHAROL, that may have an impact on the financial statements or information sent to the Portuguese regulatory authority, CMVM, or those that cause damage to PHAROL’s assets and reputation.

Suitable safety measures were implemented for the protection of information and data contained in communications. In particular, restricted access will be guaranteed, from a physical and logical perspective to the System servers, and the means for gathering and filing information must be exclusive to the System.

Both confidentiality of the communication and anonymity of the person reporting will be ensured at all times, unless the person concerned unequivocally intends and declares otherwise.

In no case is any kind of retaliation against those that make the said communications tolerated.

Disclosure of Unethical Practices (Whistleblowing).is available on the Company’s website

<http://pharol.pt/en-us/governo-sociedade/participacao-praticas-indevidas/pages/enquadramento.aspx>

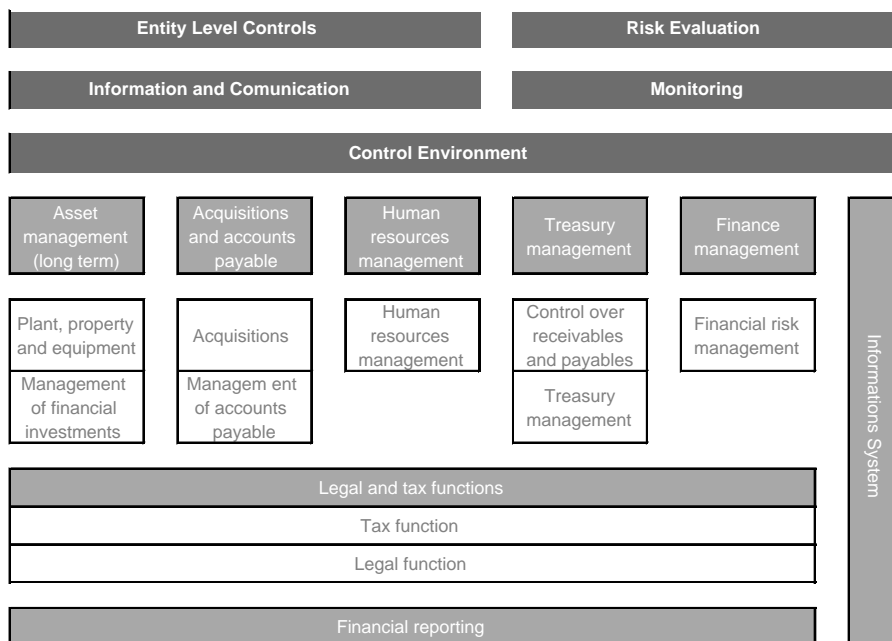
### III. INTERNAL CONTROL AND RISK MANAGEMENT

#### Internal Control System

The Internal Control System implemented at PHAROL was based on an internationally acknowledged model – COSO (Committee of Sponsoring Organisations of the Treadway Commission) – making use of the layers established according to such model, notably: (i) Entity Level Controls; (ii) IT Level Controls; and (iii) Process Level Controls.

PHAROL designed a manual and implemented controls for the most representative business cycles within the Company. As to lesser business cycles, and within the framework of improvement of internal control and risk management environment, PHAROL defined a set of minimum internal control requirements.

PHAROL’s internal control manual and most relevant business cycles may be summarised in the table below:



The identification and design of the controls that are relevant to financial reporting, whether preventive, detective or corrective, are documented in the proper manual according to the layers established by COSO. The manual is revised where changes in the processes occur or periodically, in order to attest their adhesion to the reality of PHAROL's operations.

Currently, PHAROL has already identified around 62 controls, of which 39 are considered as key controls.

The internal control system is checked by the External Auditors and the External Auditors also verify the implementation of remuneration policies and systems in force in the Company.

#### 50. PERSONS, BODIES OR COMMITTEES RESPONSIBLE FOR INTERNAL AUDITING AND/OR IMPLEMENTATION OF INTERNAL CONTROL SYSTEMS

The Fiscal Council monitors PHAROL permanently as follows:

- a) evaluate internal procedures for accounting and auditing matters;
- b) assess the effectiveness of the Risk Management System regarding tax, legal, economic and financial aspects;
- c) evaluate the effectiveness of the internal control system;
- d) review the External Audit function.

The internal control system is monitored by the Board of Directors, which identifies the risks of the company, the results of the risk management process, the materiality level of financial reporting and proposes the implementation of measures.

Given the size of the company, is not implemented an internal audit system and these activities are ensured when necessary by the External Auditor.

#### 51. HIERARCHICAL AND/OR FUNCTIONAL DEPENDENCE RELATIONS VIS-À-VIS OTHER CORPORATE BODIES OR COMMITTEES

The annual plan in respect of the External Audit and Risk Management function, in which the audits to be carried out and their scope are defined, is annually approved by the Managing Director and informed to the Fiscal Council of PHAROL. The objective of these audit procedures is to ensure that internal control mechanisms are in place to ensure the reliability and integrity of financial and operational reports, operational efficiency and compliance with applicable laws and regulations.

The progress of the execution of the annual audit plan as defined, as well as the aggregate results of audits carried out, are reported to the Fiscal Council and to Managing Director for the follow-up of the progress of the internal control and risk management system and definition of action plans for mitigation and resolution of risks detected.

#### 52. OTHER FUNCTIONAL AREAS HAVING RISK CONTROL POWERS ROLE

Risk Management is promoted by the Board of Directors and the Managing Director in such a way as to identify, assess and manage uncertainties, threats and opportunities that might affect the pursuance of the plan and strategic goals, to decide on the level of exposure and overall risk limits to be undertaken by PHAROL in its different activities and to ensure that management risk policies and procedures are followed.

PHAROL risk level results from the degree of the Board's acceptance for risk, which is kept within limits according to criteria as agreed between the Board of Directors, the Managing Director and the Fiscal Council, this latter under legal terms, responsible for evaluating the effectiveness of the Risk Management System under the fiscal, legal, economic and financial viewpoint.

Risk Management is entrusted to the Board of Directors, performed by the Managing Director, although it depends on the supervision of the Fiscal Council.

53. MAIN ECONOMIC, FINANCIAL AND LEGAL RISKS TO WHICH THE COMPANY IS EXPOSED IN THE CONDUCT OF ITS BUSINESS

Among the various risks that may adversely affect the business of PHAROL, the following should be highlighted:

Macro Risk	Sub-Risk	Risk Factors	Mitigation Measures
Economic Risks	Oi's Performance	Now with Oi in day-to-day management (although still formally in Judicial Reorganization) and in the implementation of its Strategic Plan, the main risk that PHAROL is subject to through Oi is Oi's financial and operational performance, namely from its ability to execution of the asset sale plan and to generate results and cash flow and to pay dividends. Consequently, PHAROL's performance through Oi is also subject to and dependent on the performance of the Brazilian economy.	PHAROL continues to monitor the Judicial Recovery process and, whenever necessary, intervene through legal means to guarantee its rights as a shareholder. PHAROL also evaluates and analyzes Oi's investment every six months.
	COVID-19	PHAROL is subject to the potential economic shocks that a pandemic can cause in the economies in which society operates and may have a direct effect on the market value of the assets in which PHAROL has a stake.	PHAROL monitors the evolution of the pandemic crisis on a daily basis.
	Information Security	PHAROL is exposed on a daily basis to security risks, including the availability, integrity and confidentiality of the information.	PHAROL has implemented backup, firewall and antivirus procedures in its systems, as well as building security, in order to mitigate risks related to information security.
Financial Risks	Exchange Rates	Foreign currency exchange rate risks relate mainly to PHAROL's investment in Oi (Brazil). Any exchange rate fluctuations of the Real against the Euro affect the valorization of Oi shares held by PHAROL, and therefore impact PHAROL's results and financial position. The society does not have a policy to cover the value of the financial investment.	The Company, in order to reduce exchange rate risk, can hedge its position using derivatives for which there is a market, however, it currently does not have a policy to cover the value of the financial investment.
	Interest Rate	Interest rate risks basically relate to financial expenses and the floating interest rate debt and cash applications. PHAROL is indirectly exposed to this risk specially in Brazil. It should be noted that PHAROL has no bank debt as of December 31, 2020. Market interest	On December 31, 2020 PHAROL has no debt.



<b>Legal Risks</b>		rates also affect the discount rates used for impairment testing to the various assets of the company.	
	<b>Treasury Applications</b>	PHAROL is mainly subject to credit risks in its treasury applications.	In order to dilute these risks, in July 2014 the Board of Directors defined a policy for treasury applications and this policy has reviewed in 2019.
	<b>Default by Rio Forte as to the reimbursement of the instruments that PHAROL holds following the execution of the Exchange</b>	The Rio Forte Instruments currently held by PHAROL, are not guaranteed by assets. Therefore, even though there may exist amounts available for reimbursement to Rio Forte's creditors the right to reimbursement of PHAROL will be shared pro rata with the other unsecured creditors of Rio Forte and only after the repayment of all debts to any secured creditors, and after confirmation of the validity of the credits.	PHAROL evaluates this instrument every year, with the supervision of the Fiscal Council and External Audit and closely monitors Rio Forte's insolvency process taking place in Luxembourg.
	<b>Court proceedings</b>	PHAROL may incur in liabilities in connection with litigation or other future proceedings and incur in defense costs in such litigation or other proceedings. Any liability incurred could adversely affect PHAROL's financial situation.	The Board of Directors subcontracts the risk analysis as to court proceedings to external lawyers and consultants, to know, for each claim, their assessment as to PHAROL's liability (probable, possible and remote occurrence), the status of the proceedings, the amounts involved, provisioned and paid, and what steps should be taken to defend PHAROL's interests.
	<b>Disputes or investigations triggered under the Rio Forte Instruments or the Business Combination</b>	The Rio Forte Instruments and the Business Combination carried specific risks due to the complexity of Rio Forte's insolvency process and the Business Combination with Oi.	PHAROL has hired a team of Luxembourg lawyers specialized in insolvency proceedings to ensure the closest possible monitoring of the Rio Forte Instruments. It also has other legal advisors in Portugal who follow the Business Combination with Oi from the beginning and, whenever necessary, request legal advice from specialists in Brazilian law.
	<b>Tax contingencies</b>	In accordance with the agreements with Oi, Oi is responsible for the payment of all contingencies until May 5, 2014 and PHAROL remains and severally liable for these contingencies.	Oi has deposited in escrow Eur.34,340,803.32 as a guarantee to PHAROL in the event of tax contingencies that shall be incurred by Oi.

54. RISK IDENTIFICATION, ASSESSMENT, MONITORING, CONTROL AND MANAGEMENT PROCEDURE

**Risk Management Procedure**

The Risk Management procedure implemented in PHAROL is based on an internationally acknowledged methodology – COSO II, developed by the Committee of Sponsorship Organisations of the Treadway Commission. This approach is based on the identification and analysis of key value drivers and uncertainty factors that might affect value generation and compliance with the plan and strategic goals.

PHAROL's priority commitment consists in the implementation of mechanisms for assessment and management of risks that might affect its operations. Such mechanisms are based on an integrated transversal risk management model, which seeks to ensure, implementation of good corporate governance practices and transparency in communication to the market and shareholders.

The whole process is monitored and supervised by the Fiscal Council. Within the functions of this body regarding the supervision of the efficiency of the risk management system, we point out the analysis of the quality, integrity and effectiveness of the risk management system and internal control system, including the annual review of its adequacy and effectiveness, and generally monitoring the execution of the functions performed by the Managing Director.

**Risk Management Methodology**

Considering PHAROL's need for clear assessment and management mechanisms for the risks affecting its businesses, the following components were defined in the implementation of the risk assessment and management procedure:

- **Risk Typology**, which defines the risk factors that might generally affect PHAROL.
- **Economic Risks:** reflect the risks from the macroeconomic environment as well as the impact of entities and assets not controlled by PHAROL;
- **Financial Risks:** associated to the PT SGPS' financial performance and to the transparency in its communication to the market;
- **Legal Risks:** result of past situations, current and future associated with hiring, assumption of rights and responsibilities and relationships with regulators and authorities.
- **Risk Management**, which formalizes the analysis of processes and procedures, the mitigation and reporting of relevant risks.

**Identified risks**

The table below shows the risks currently identified at the level of the Risk Management Model of PHAROL on which all risk management procedures are developed.

<b>Economic Risks</b>	Oi's Performance
	COVID-19
	Information Security
<b>Financial Risks</b>	Exchange rates
	Interest rates
	Credit
	Liquidity
	Default by Rio Forte as to the reimbursement of the instruments that PHAROL holds following the execution of the Exchange

<b>Legal Risks</b>	Agreements with Oi / Business Combination Court proceedings Disputes or investigations triggered under the Rio Forte Instruments or the Business Combination
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### **Risk assessment**

In its risk assessment, the Board of Directors and Managing Director considers the existence of predictable and unpredictable events. While most events are recurrent and have already been dealt with in already prepared management programs and budgets, there are events that are often unpredictable. The Board of Directors and Managing Director assesses the risks that may cause a significant impact on the Company, taking into account both the inherent risk of materialization of the risk and the residual risk (the risk that still exists after measures have been taken by the Board of Directors and the Managing Director).

### **Risk monitoring, control and management**

The Board of Directors allocates responsibilities to the Managing Director in order to formalise procedures that are aligned with the strategy and exposure level/risk tolerance determined for PHAROL, in such a way as to identify:

- Monitoring procedures to mitigate for each risk, according to the risk management strategy adopted by the Board of Directors and supervised by the Fiscal Council;
- Disclosure and reporting procedures for information issued regarding the risk management procedure.

Operational implementation of the risk management methodology is an interactive cyclical process that may be summarised in the following table:

<b>Risk Management Methodology</b>	
<b>Board of Directors</b>	Identifies main risks affecting PHAROL; Decides on action and prioritisation of mitigating actions.
<b>Managing Director</b>	Implement policies and controls in accordance with the strategy set by the Board of Directors. Monitors the implementation of controls.
<b>Fiscal Council</b>	Supervises and evaluates risk management model; Proposes improvements & changes to model; Reviews the main risks.

## **55. MAIN ELEMENTS OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IMPLEMENTED IN THE COMPANY IN CONNECTION WITH THE FINANCIAL INFORMATION DISCLOSURE PROCEDURE**

The wider scope of the internal control system implemented by PHAROL includes existing controls both as to the accuracy and completeness of disclosures and as to compliance thereof with the Company's financial information. At the beginning of the process, the Managing Director, together with the Company services, the External Auditor and the Statutory Auditor, establish a timeline for the process and identify the participants/responsibility aimed at the preparation/disclosure of the financial information.

Before approval by the Board of Directors and by the Managing Director, financial information disclosures are submitted to the Fiscal Council within the context of the Company's governance model. Both the Board's approval and the Fiscal Council's opinion are preceded by a set of validation and accuracy procedures

carried out by the Company services.

#### IV. INVESTOR SUPPORT

##### 56. INVESTOR SUPPORT OFFICE, COMPOSITION, DUTIES, INFORMATION PROVIDED BY THE SAME AND CONTACT DETAILS

It is PHAROL's policy to supply clear and transparent information, on a regular basis, to its shareholders and other members of the financial community.

The purpose of the Investor Relations Office consists in ensuring adequate relations with shareholders, investors, analysts and financial markets in general, in particular with the Markets and Stock Exchanges where PHAROL is listed and the respective regulatory entity: CMVM.

PHAROL regularly prepares communications and press releases on interim and annual results, as well as any inside information affecting the Company. It also provides all sorts of clarifications to the financial community in general – shareholders, investors and analysts.

The financial information that is disclosed is previously audited and validated by the External Auditors and by the Management and Supervisory Bodies.

In addition, material information in relation to its activity or to the securities issued is disclosed immediately and publicly, and shareholders and other stakeholders may access it through the company's website.

Any interested party may have access to the Investor Relations Office through the following contacts:

Luís Sousa de Macedo

Investor Relations Director

Telephone:	+351.212.697.698
Fax:	+351.212.697.949
E-mail:	<a href="mailto:ir@pharol.pt">ir@pharol.pt</a>
Address:	Rua Joshua Benoliel, 1, 2C - Edifício Amoreiras Square 1250-133 Lisboa - Portugal
Company Switchboard:	+351.212.697.690
Website:	<a href="http://www.pharol.pt">www.pharol.pt</a>

In addition to other information, PHAROL keeps the following information updated on its website, in Portuguese and in English:

- Company name, its nature of public company, registered office and other data pursuant to article 171 of the Portuguese Companies Code;
- The Bylaws;
- Operating rules of the corporate bodies and of the committees created within the Board of Directors;
- The identity of the members of the corporate bodies and of the representative for relations with the market;

- Duties of and access means to the Investor Relations Office as described above;
- For a period of five years, the annual and interim financial statements;
- A schedule of corporate events, which includes, among other information, scheduled General Meetings of shareholders and disclosure of annual, interim and quarterly accounts;
- Notices of the General Meetings of shareholders, as well as proposals to be submitted to discussion and voting by the shareholders, at least 21 days in advance of the meeting date;
- Historical collection with the resolutions passed at the Company's General Meetings of shareholders, the share capital therein represented and the voting results, regarding the previous three years;
- In general, information allowing an updated knowledge about the Company's evolution and reality in economic, financial and corporate governance terms.

#### 57. REPRESENTATIVE FOR RELATIONS WITH THE MARKET

Regarding this matter, please see item 56.

#### 58. INFORMATION ON RESPONSE PROPORTION AND PERIOD TO INFORMATION REQUESTS MADE DURING THE YEAR OR PENDING FROM PREVIOUS YEARS

The Investor Relations Office regularly receives calls with various questions, including clarifications on dividends, General Meetings of shareholders and others, typically answered immediately, when the information is public.

Also, receives requests by e-mail or post and depending on the technical complexity of the query it may take longer to answer, but typically it takes less than five business days.

Therefore, PHAROL believes that its Investor Relations Office ensures a permanent contact with investors, analysts and the market in general as well as a treatment of investors' requests.

### V. INTERNET WEBSITE

#### 59. ADDRESS

PHAROL makes available, through its website, [www.pharol.pt](http://www.pharol.pt), all information of a legal nature or on corporate governance, updates on the conduct of the business of the Company, as well as a complete set of Company financial and operational data, in order to facilitate inspection and access to such information by PHAROL's shareholders, financial analysts and other parties concerned.

#### 60. LOCATION OF INFORMATION ON THE COMPANY NAME, ITS NATURE OF PUBLIC COMPANY, REGISTERED OFFICE AND OTHER DATA PURSUANT TO ARTICLE 171 OF THE PORTUGUESE COMPANIES CODE

All information pursuant to article 171 of the Portuguese Companies Code may be found on PHAROL website at:

<http://pharol.pt/en-us/a-empresa/pages/informacao-corporativa.aspx>

**61. LOCATION OF INFORMATION ON THE BYLAWS AND OPERATING RULES OF THE CORPORATE BODIES AND/OR COMMITTEES**

The bylaws and operating rules of the corporate bodies and of the committees created within the Board of Directors may be found on PHAROL' website at:

<http://pharol.pt/en-us/governo-sociedade/pages/estatutos.aspx>

<http://pharol.pt/en-us/governo-sociedade/pages/conselho-fiscal.aspx>

<http://pharol.pt/en-us/governo-sociedade/comissoes-internas/pages/enquadramento.aspx>

**62. LOCATION OF INFORMATION ON THE IDENTITY OF THE MEMBERS OF THE CORPORATE BODIES, THE REPRESENTATIVE FOR RELATIONS WITH THE MARKET, THE INVESTOR RELATIONS OFFICE OR EQUIVALENT, THEIR DUTIES AND ACCESS DETAILS**

The identity of the members of the corporate bodies, the representative for relations with the market, the Investor Relations Office or equivalent, their duties and access details may be found on PHAROL' website at:

<http://pharol.pt/en-us/governo-sociedade/pages/conselho-administracao.aspx>

<http://pharol.pt/en-us/governo-sociedade/pages/conselho-fiscal.aspx>

<http://pharol.pt/en-us/contactos/pages/relacao-investidores.aspx>

**63. LOCATION WHERE THE COMPANY MAKES AVAILABLE THE FINANCIAL STATEMENTS, WHICH MUST BE ACCESSIBLE FOR FIVE YEARS AT LEAST, AS WELL AS A SCHEDULE OF CORPORATE EVENTS, DISCLOSED AT THE BEGINNING OF EACH HALF-YEAR, INCLUDING, AMONG OTHERS, GENERAL MEETINGS OF SHAREHOLDERS, DISCLOSURE OF THE ANNUAL, HALF-YEAR AND, IF APPLICABLE, QUARTERLY FINANCIAL STATEMENTS**

The financial statements, as well as the schedule of corporate events may be found on PHAROL' website at:

<https://pharol.pt/en-us/informacao-financeira/relatorios/pages/2020.aspx>

<http://pharol.pt/en-us/informacao-financeira/calendario-financeiro/Pages/calendario-financeiro.aspx>

**64. LOCATION WHERE THE COMPANY MAKES AVAILABLE NOTICES OF THE GENERAL MEETING OF SHAREHOLDERS AND ALL PREPARATORY AND SUBSEQUENT INFORMATION RELATED TO THE SAME**

Notices of the General Meeting of Shareholders and all preparatory and subsequent information related to the same may be found on PHAROL's website at:

<http://pharol.pt/en-us/governo-sociedade/assembleia-geral-acionistas/Pages/assembleia-geral-acionistas.aspx>

**65. LOCATION WHERE THE COMPANY MAKES AVAILABLE THE HISTORICAL COLLECTION WITH THE RESOLUTIONS PASSED AT THE GENERAL MEETINGS OF SHAREHOLDERS, THE SHARE CAPITAL THEREIN REPRESENTED AND THE VOTING RESULTS, REGARDING THE PREVIOUS THREE YEARS**

The historical collection with the resolutions passed at the Company's General Meetings of

shareholders, the share capital therein represented and the voting results may be found on PHAROL' website at:

<http://pharol.pt/en-us/governo-sociedade/assembleia-geral-acionistas/Pages/assembleia-geral-acionistas.aspx>

## D. REMUNERATION

### I. COMPETENCE FOR DETERMINATION

#### 66. COMPETENCE FOR THE DETERMINATION OF THE REMUNERATION OF CORPORATE BODIES, MEMBERS OF THE EXECUTIVE COMMITTEE OR MANAGING DIRECTOR AND COMPANY OFFICERS

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 and taking into consideration the performance 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.

Within the delegation of powers, the remuneration policy applicable to the PHAROL's officers is determined by the Managing Director.

### II. COMPENSATION COMMITTEE

#### 67. COMPOSITION OF THE COMPENSATION COMMITTEE, INCLUDING THE IDENTIFICATION OF THE PERSONS OR CORPORATIONS HIRED TO SUPPORT IT AND INDEPENDENCE STATEMENT REGARDING EACH OF ITS MEMBERS AND CONSULTANTS

On December 31, 2020, the following members of the Remuneration Committee (also known as the Remuneration Committee) were elected:

- António Sarmento Gomes Mota
- Francisco José Queiróz de Barros Lacerda
- Pedro Miguel Ribeiro de Almeida Fontes Falcão

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.

#### 68. KNOWLEDGE AND EXPERIENCE OF THE MEMBERS OF THE COMPENSATION COMMITTEE IN THE MATTER OF REMUNERATION POLICY

All members of the Compensation Committee have knowledge and experience in the matter of

remuneration policy. Some of them belong or have belonged to compensation committees of other listed companies. Appendix I hereto sets out the most relevant curriculum elements of the members of the Compensation Committee.

### III. REMUNERATION STRUCTURE

#### 69. DESCRIPTION OF THE REMUNERATION POLICY FOR THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES AS REFERRED TO UNDER ARTICLE 2 OF LAW NO. 28/2009 OF 19 JUNE 2009

The remuneration policy for executive and non-executive members of the Board of Directors (such policy including the members of the supervisory body) in force during the 2020 financial year is described on the statement of the Compensation Committee on this matter as approved by the Annual General Meeting of Shareholders on 29 March 2019, pursuant to article 2,1 of Law no. 28/2009, of 19 June 2009 and Decree-Law no. 225/2008, of 20 November.

Such declaration is reproduced in Appendix II hereto.

At the same time, the remuneration policy applicable to non-executive members of the Board of Directors does not include any variable component, i.e., the value of which dependant on the performance of the Company or its value.

#### 70. INFORMATION ON HOW THE REMUNERATION IS STRUCTURED IN ORDER TO PERMIT THE ALIGNMENT OF THE DIRECTORS' INTERESTS WITH LONG TERM INTERESTS OF THE COMPANY, AS WELL AS HOW THE REMUNERATION IS BASED ON PERFORMANCE AND DISINCENTIVES EXCESSIVE RISK TAKING

As result from the remuneration policy approved at the General Meeting of 27 March 2020 and presented in Annex II, the remuneration was based on a fixed and variable component.

#### 71. REFERENCE, IF APPLICABLE, TO THE EXISTENCE OF A VARIABLE COMPONENT OF THE REMUNERATION AND INFORMATION ON THE WAY AS SUCH COMPONENT DEPENDS ON PERFORMANCE EVALUATION

Regarding this matter, please see the statement of the Compensation Committee Appendix II hereto.

#### 72. DEFERMENT OF PAYMENT OF THE VARIABLE COMPONENT OF THE REMUNERATION, MENTIONING THE DEFERMENT PERIOD

Regarding this matter, please see the statement of the Compensation Committee Appendix II hereto.

#### 73. CRITERIA ON WHICH THE ALLOCATION OF A VARIABLE REMUNERATION IN SHARES IS BASED; EXECUTIVE DIRECTORS KEEPING ANY SHARES GRANTED THEM IN THE COMPANY; ANY AGREEMENT EXECUTED AS TO SUCH SHARES, NOTABLY HEDGING OR RISK TRANSFER AGREEMENTS, THE LIMIT THEREOF, AND THEIR RELATIONSHIP TO THE AMOUNT OF THE OVERALL ANNUAL REMUNERATION

Not applicable, since the remuneration policy in force does not include the allocation of a variable remuneration in shares.



74. CRITERIA ON WHICH THE ALLOCATION OF A VARIABLE REMUNERATION IN OPTIONS IS BASED, AND INDICATION OF DEFERMENT PERIOD AND EXERCISE PRICE

Not applicable, since the remuneration policy in force does not include the allocation of a variable remuneration in options.

75. MAIN PARAMETERS OF AND GROUNDS FOR ANY ANNUAL BONUS SYSTEM AND ANY OTHER NON-PECUNIARY BENEFITS

In 2020, there were no bonuses, annual bonuses or non-pecuniary benefit systems of any nature whatsoever in force in PHAROL.

76. MAIN CHARACTERISTICS OF COMPLEMENTARY PENSION OR EARLY RETIREMENT SYSTEMS FOR DIRECTORS, SPECIFYING WHETHER THE SAME WERE SUBJECT TO APPRAISAL, IN INDIVIDUAL TERMS, BY THE GENERAL MEETING OF SHAREHOLDERS

No PHAROL director is covered by complementary pension or early retirement system plan.

**IV. REMUNERATION DISCLOSURE**

77. REMUNERATION INDIVIDUALLY AND GLOBALLY EARNED BY THE MEMBERS OF THE COMPANY'S MANAGEMENT BODY

Pursuant to Law no. 28/2009 of 19 June 2009, individual and global gross remunerations paid to the members of the management body are shown hereinafter:

Board of Directors (year of designation)	Fixed Remuneration 2020	Variable Remuneration 2020
Luís Maria Viana Palha da Silva (2015)	255,500 €	16,513 €
Aristóteles Luiz Menezes Vasconcellos Drummond (2017) (1)	35,000 €	
Avelino Cândido Rodrigues (2019)	35,000 €	
Jorge Augusto Santiago das Neves (2017) (1)	35,000 €	
Jorge Telmo Maria Freire Cardoso (2014) (2)	35,000 €	
Maria do Rosário Amado Pinto Correia (2015)	35,000 €	
Maria Leonor Martins Ribeiro Modesto (2018)	35,000 €	
Nelson Sequeiros Rodriguez Tanure (2017) (1)	3,331 €	
Pedro Zañartu Gubert Morais Leitão (2015)	35,000 €	
<b>Total</b>	<b>503.831 €</b>	<b>16,513 €</b>

(1) Exonerated on 8 January 2020.

(2) Resigned on February 11, effective March 31, 2021.

78. AMOUNTS PAID, FOR ANY REASON WHATSOEVER, BY OTHER COMPANIES IN A CONTROL OR GROUP RELATIONSHIP OR SUBJECT TO COMMON CONTROL

During 2020, no amounts were paid to PHAROL's members of the Board of Directors by companies in a control or group relationship or subject to common control.

79. REMUNERATION PAID IN THE FORM OF PROFIT SHARING AND/OR BONUS PAYMENT, AND THE REASONS WHY SUCH BONUSES AND/OR PROFIT SHARING WERE GRANTED

The remuneration policy of the members of the Board of Directors in 2020, which was presented to the General Meeting of shareholders March 27, 2020, does not predict the provide for the allocation, in general terms, of this type of remuneration.

80. COMPENSATIONS PAID OR DUE TO FORMER EXECUTIVE DIRECTORS IN RESPECT OF TERMINATION OF OFFICE DURING THE FINANCIAL YEAR

During the year 2020, there is no compensation paid for the contract termination of executive directors.

81. REMUNERATION INDIVIDUALLY AND GLOBALLY EARNED BY THE MEMBERS OF THE COMPANY'S SUPERVISORY BODY

The remuneration of the Fiscal Council is composed of a fixed annual amount based on the Company's situation and market practices without the existence of a variable remuneration.

The gross remuneration of the Fiscal Council for the year 2019 was as follows:

Fiscal Council	Remunerations 2020
José Maria Rego Ribeiro da Cunha	49,000 €
Isabel Maria Beja Gonçalves Novo	31,500 €
João Manuel Pisco de Castro	31,500 €
Paulo Ribeiro da Silva (1)	0 €
<b>Total</b>	<b>112,000 €</b>

(1) Alternate member.

82. INDICATION OF THE REMUNERATION OF THE CHAIRMAN OF THE BOARD OF THE GENERAL MEETING OF SHAREHOLDERS

The Chairman of the Board of the General Meeting, Diogo Lacerda Machado, for his functions at General Meetings granting the gross remuneration of Euro, 12,000.

V. AGREEMENTS WITH REMUNERATION IMPLICATIONS

83. CONTRACTUAL LIMITATION AS ESTABLISHED FOR ANY COMPENSATION TO BE PAID UPON REMOVAL WITHOUT JUST CAUSE OF A DIRECTOR, AND ITS RELATIONSHIP WITH THE VARIABLE COMPONENT OF THE REMUNERATION

There are no agreements that establish a right to compensations upon removal without just cause of a director, other than the ones provided by law.

84. AGREEMENTS WITH MEMBERS OF THE BOARD AND OFFICERS PROVIDING FOR COMPENSATION IN THE EVENT OF TERMINATION OF OFFICE FOLLOWING A CHANGE OF CONTROL

There are no agreements between PHAROL and the members of the management body or officers providing for compensation in the event of resignation, removal without just cause or termination of employment

relationship following a change of control in the Company.

## VI. SHARE ALLOTMENT OR STOCK OPTION PLANS

The information set forth in **items 85 to 87** of the form attached to CMVM Regulation no, 4/2013 is not applicable to PHAROL, as during the 2020 financial year, the Company did not adopt any share allotment or share call option plans, nor did any such plans remain in force, in regard to PHAROL directors, employees or any third parties.

### 88. CONTROL MECHANISMS PLANNED FOR ANY EMPLOYEE CAPITAL HOLDING SYSTEM TO THE EXTENT THAT VOTING RIGHTS ARE NOT EXERCISED BY SUCH EMPLOYEES

Not applicable, since there is no system specifically providing for any share capital holding by employees in the Company.

## E. RELATED PARTY TRANSACTIONS

### I. CONTROL MECHANISMS AND PROCEDURES

#### 89. MECHANISMS IMPLEMENTED BY THE COMPANY TO CONTROL RELATED PARTY TRANSACTIONS (IAS 24)

In order to ensure compliance with PHAROL's obligations, internal control procedures are adopted to (i) identify and ensure the transparency of the decision-making process related to transactions with related parties and/or with shareholders with qualified participation, (ii) determine the transactions whose disclosure is mandatory or relevant, and (iii) establish internal responsibilities in relation to the identification of related parties and transactions carried out.

For this purpose, it is mandatory to comply with the following provisions of the internal regulations regarding the transactions of PHAROL, SGPS S.A. (PHAROL) and respective subsidiaries with related parties and shareholders with qualified participation:

#### 1. **General principles regarding transactions with related parties and shareholders holding qualified participation**

- 1.1. Without prejudice to the provisions in the following sections, transactions with PHAROL related parties or with shareholders holding qualified participation must be carried out within the scope of PHAROL's current activity and under market conditions.
- 1.2. In any case, no main corporate member or key collaborator can authorize transactions with himself, with any of his family, with any entity under his control or with an entity under the control of his family.

#### 2. **Transactions with related parties and shareholders holding qualified participation subject to a resolution by the Board of Directors preceded by an opinion by the Fiscal Council**

- 2.1. The following are subject to deliberation by the Board of Directors, preceded by the opinion of the supervisory board:
  - a) transactions by PHAROL or its subsidiaries to be carried out with members of the Board of Directors of PHAROL, regardless of the respective amount, under the terms of article 397/2 of the Portuguese companies code;
  - b) transactions with related parties that do not meet the requirements set out in paragraph 1.1 above.

- c) PHAROL transactions or its subsidiaries to be carried out with shareholders with qualified participation or entities that are in one of the relationships provided for in article 20 of the securities code, or respective renewals, whose aggregate value per entity is greater than euro 1,000 .000 (one million euros) per year;
  - d) transactions of PHAROL or its subsidiaries with related parties, or respective renewals, whose aggregate value per entity is greater than euro 200,000 (two hundred thousand euros) per semester;
  - e) other transactions that, due to their relevance, the Board of Directors intends to submit to this procedure.
- 2.2. The decision of the Board of Directors provided for in the preceding paragraph must include in particular the reasoning as to the fair and reasonable nature of the transaction from the point of view of PHAROL and of the shareholders who are not related parties, including minority shareholders, also making reference to the sense of the Fiscal Council's opinion.
- 2.3. The transaction proposals to be submitted to the Board of Directors must be substantiated, referring to the fair and reasonable nature of the transaction from the point of view of PHAROL and the shareholders who are not related parties, including minority shareholders.
- 2.4. The request for an opinion from the supervisory body must be accompanied by: (i) sufficient information on the characteristics of the transaction, namely from a strategic, financial, legal and fiscal point of view, (ii) information on the nature of the relationship between the PHAROL, or its subsidiaries, and the counterparty in question, (iii) financial procedures and terms agreed within the scope of the transaction, (iv) evaluation procedure adopted and respective assumptions, including prices used as a reference, (v) contracting process and (vi) the impact of the transaction on the financial situation of the PHAROL group.
- 2.5. The information referred to in the previous number must be provided by the transaction proponent.
- 2.6. The approval of the transactions provided for in number 2.1 / c) and d) above, depends on confirmation, in the opinion of the fiscal council, that, given the reasoning presented, the nature of the counterparty does not influence the decision to contract and the terms and conditions agreed.
- 2.7. At meetings of the Board of Directors for approval of half-yearly and annual financial information, the supervisory body informs the Board of Directors of the opinions issued in the immediately preceding period.
- 2.8. When the execution of any of the transactions provided for in paragraph 2.1 implies the successive performance of several operations in which the second and the following are mere acts of execution of the first, the approval procedure will only apply once.

### **3. Other related party transactions**

- 3.1. Considering the provisions of paragraph 1.2 above, in cases not subject to deliberation by the Board of Directors, the approval of the transaction is the responsibility of a member with an equivalent or higher position in the hierarchy of the PHAROL group that ensures the independence of the decision process on the transaction, the provisions of paragraphs 2.2 (regarding the grounds for the decision), 2.3 (regarding the grounds for the proposal) and 2.8 above (regarding mere execution acts) being correspondingly applicable.
- 3.2. Transactions approved or to be approved under the terms of the previous number are subject to internal reporting to PHAROL's Board of Directors if:
- a) The accumulated annual amount of the transaction corresponds to at least euro 100,000 (one hundred thousand euros);
  - b) In the case of a loan, investment or other form of advance of funds (regardless of guarantees).

3.3. Proposals for transactions that do not correspond to normal market conditions for similar transactions cannot be approved, being sent to the Board of Directors for compliance with the provisions of section 2 above.

#### **4. Exemption**

4.1. Transactions with related parties or with holders of qualified participation relating to:

a) purchases of goods or provision of contracted services in compliance with the internal rules regarding purchases, suppliers and service providers that are in force at the time of contracting;

b) banking operations of PHAROL and subsidiaries, such as collection, payment, deposits and other financial investments, short and medium term financing operations, issuance of commercial paper, foreign exchange operations, hedging derivatives and bank guarantees provided they do not exceed the aggregate value of euro 300,000 (three hundred thousand euros) per year;

c) where the consideration is determined based on official quotations (for example, contracts on exchange rates or interest and commodities), if the agreed intervals correspond to normal market practices;

d) where the consideration is determined on the basis of tariffs or fees fixed by the competent regulatory authorities.

4.2. The following transactions are also exempted from the approval procedure provided for in section 2 above:

a) transactions carried out between companies in a controlling or group relationship with PHAROL or between these and PHAROL;

b) the payment by the PHAROL group of the remuneration of the main corporate members and key employees for the exercise of their functions;

c) operations accessible to all employees or shareholders of the PHAROL group under equivalent conditions;

d) the contracting of technical services, namely legal or tax consultancy, whenever the approval procedure provided for in this article may compromise their timely provision, taking into account the specificity of the services to be provided, namely taking into account the qualifications and degree of knowledge required for the provision of the services in question, as well as the deadline for their execution;

e) transactions that constitute the execution of transactions already contracted under general contracts already in force at PHAROL group.

#### **5. Public disclosure of transactions with related parties and / or with shareholders holding qualified participation**

5.1. Transactions with related parties whose value is equal to or greater than 2.5% of PHAROL's consolidated assets and which are not carried out within the scope of its current activity and under market conditions are subject to public disclosure.

5.2. The disclosure referred to in the previous number must be made no later than the moment of the transaction, containing at least: (i) the identification of the related party, (ii) information about the nature of the relationship, (iii) the date and amount of the transaction, (iv) justification as to the fair and reasonable nature of the transaction, from the point of view of PHAROL and of the shareholders who are not related parties, including minority shareholders and (v) the sense of the opinion of the fiscal council, whenever this has been negative.

5.3. Transactions between related parties and any PHAROL subsidiary whose value is equal to or greater than 2.5% of the company's consolidated assets and which are not carried out within the scope of

current activity and in market conditions.

- 5.4. Without prejudice to the case-by-case analysis of the specific transaction in the light of accounting, legal and regulatory rules, the other transactions provided for in paragraph 2.1 above and those subject to internal reporting, are also considered relevant for the purposes of weighting the disclosure to the market. Of paragraph 3.2 above.
- 5.5. The provisions of the preceding paragraphs do not prejudice the fulfillment of the obligations of mandatory disclosure of privileged information, under the legal terms.
- 5.6. Transactions with the same related party entered into during any 12-month period, or during the same year, and which have not been published are aggregated for this purpose.

## **6. Non-submission and exemption from public disclosure**

- 6.1. Without prejudice to the provisions of paragraphs 5.4, 5.5 and 5.6, the transactions provided for in paragraph 4.1 above and those that do not reach the quantitative limit provided for in paragraphs 5.1 and 5.3 are not subject to public disclosure.
- 6.2. The following are exempt from the legal obligation of public disclosure:
  - a) Transactions carried out between PHAROL and its subsidiaries, provided that they are in a controlling relationship with the company and no party related to PHAROL has an interest in that subsidiary;
  - b) Transactions related to directors' remuneration, or to certain elements of that remuneration;
  - c) the transactions proposed to all shareholders under the same terms in which the equal treatment of all shareholders and the protection of the interests of the company are ensured;
  - e) transactions that constitute a mere execution of transactions already disclosed under this provision.

## **Responsibilities for the identification and disclosure of transactions with related parties and / or with qualified participation holders**

For the purposes of internal control of transactions with related parties and / or with holders of qualified participation, a division of powers and responsibilities is established within the PHAROL group.

### **90. TRANSACTIONS SUBJECT TO CONTROL**

In 2020, there were no transactions subject to the rules described in paragraph 89.

### **91. INTERVENTION OF THE SUPERVISORY BODY IN THE PRIOR EVALUATION OF TRANSACTIONS WITH OWNERS OF A QUALIFIED HOLDING**

In this respect, reference is made to point 89 of Part I above.

## II. TRANSACTION DETAILS

### 92. LOCATION, IN THE ANNUAL FINANCIAL STATEMENTS, WHERE INFORMATION ON RELATED PARTY TRANSACTIONS, IN ACCORDANCE WITH IAS 24, IS AVAILABLE

Information on related party transactions is available on Note 20 to the consolidated financial statements for the year 2020. There were no transactions with related parties to disclose in respect of the fiscal year ended on 31 December 2020.

Information on the transactions executed during the fiscal year ended on 31 December 2019 with owners of qualified holdings who are not related parties in accordance with IAS 24 is available in Note 212 to the consolidated financial statements for the year of 2020.

## PART II – CORPORATE GOVERNANCE EVALUATION

### 1. IDENTIFICATION OF THE CORPORATE GOVERNANCE CODE ADOPTED

As previously mentioned, the Company has adopted the Corporate Governance Code of IPCG, ensuring an adequate level of protection of shareholders' interests and transparency of Corporate Governance.

PHAROL is also subject to other internal standards adopted in its corporate governance structure such as various internal rules of conduct and transparency, specifically the Code of Ethics, the Rules on Management Transactions, Related Party Transactions and Transactions with Qualified Holders.

PHAROL, held in 2020 the management model delegating the day-to-day management to Managing-Director.

### 2. STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE ADOPTED

PHAROL complies with the recommendations set out in the IPCG Corporate Governance Code, which entered into force on January 1, 2018, reviewed in 2020.

Within this context, PHAROL's corporate governance model and principles:

- Observe all legal rules of a binding content applicable to the Classic-type corporate governance model as provided for under article 278,1(a) of the Portuguese Companies Code;
- Take in a significant set of recommendations and best practices in this field as established under the IPCG Code, duly substantiating duly its corporate governance options in accordance with the "comply or explain" principle.

PHAROL adopts the IPCG Recommendations published in June 2018, available here:

[https://cgov.pt/images/ficheiros/2020/revis%C3%A3o\\_codigo\\_en\\_2018\\_ebook\\_copy.pdf](https://cgov.pt/images/ficheiros/2020/revis%C3%A3o_codigo_en_2018_ebook_copy.pdf)

The items in Part I of this Corporate Governance Report that contain a description of the measures taken by the Company for compliance with the IPCG Recommendations are identified hereunder.

RECOMMENDATION ACCORDING TO THE MULTIPLE RECOMMENDATIONS TABLE	Compliance	Report
<b>I. GENERAL PROVISIONS</b>		
<b>I.1. Company's relationship with investors and disclosure</b>		
I.1.1. The company must establish mechanisms that ensure, in an appropriate and rigorous form, the timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts and the market in general.	Complied	Items 56, 58 and 59
<b>I.2. Diversity in the composition and functioning of the company's governing bodies</b>		
I.2.1. Companies must establish criteria and requirements related to the profile of new members of corporate bodies appropriate to the function to be performed, and, in addition to individual attributes (such as competence, independence, integrity, availability and experience), these profiles must consider diversity requirements, paying particular attention to gender, which can contribute to the improvement of the organ's performance and to the balance in its composition.	Complied	Items 19, 21 and Appendix I



I.2.2. (1) The management body must have internal regulations - namely on the exercise of the respective attributions, chairmanship, frequency of meetings, operation and duties of its members - fully disclosed on the company's website.	Complied	Items 21, 22, 27, 31, 34 and 61
I.2.2. (2) Idem in relation to the supervisory body.	Complied	
I.2.2. (3) Idem applies to internal commissions.	Not Applicable	
I.2.2. (4) Minutes of the meetings of the management body must be prepared.	Complied	
I.2.2. (5) Idem in relation to the supervisory body.	Complied	
I.2.2. (6) Idem in relation to internal committees.	Not Applicable	
I.2.3. (1) The composition of the management, supervisory bodies and their internal commissions must be disclosed through the company's website.	Complied	Items 17, 22, 23, 27, 31, 34, 35, 59 and 61
I.2.3. (2) The number of annual meetings of the management, supervisory bodies and their internal commissions must be disclosed through the company's website.	Complied	
I.2.4. A whistleblowing policy should be adopted to ensure the appropriate means for communicating and handling them, safeguarding the confidentiality of the information transmitted and the identity of the notifier, whenever requested.	Complied	Items 21 and 49
<b>I.3. Relationship between corporate bodies</b>		
I.3.1. The bylaws or other equivalent measures adopted by the company must establish mechanisms to ensure that, within the limits of the applicable legislation, members of the management and supervisory bodies are permanently guaranteed access to all information and employees of the company for the assessment of performance, the situation and the prospects for the development of the company, including, in particular, the minutes, the documentation to support the decisions taken, the notices and the archive of the meetings of the executive management body, without prejudice to access to any other documents or persons to whom clarifications may be requested.	Complied	Items 22, 34 and 61
I.3.2. Each company body and committee must ensure, in a timely and appropriate manner, the flow of information, from the beginning of the respective notices and minutes, necessary for the exercise of the legal and statutory powers of each of the other bodies and commissions.	Complied	Items 22, 34 and 61
<b>I.4. Conflicts of interest</b>		
I.4.1. By internal regulation or equivalent, the members of the management and supervisory bodies and internal commissions are bound to inform the respective body or commission whenever there are facts that may constitute or cause a conflict between their interests and the social interest.	Complied	Items 22, 34 and 89
I.4.2. Procedures should be adopted to ensure that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and clarifications requested by the body, the committee or the respective members.	Complied	Items 22, 34 and 89
<b>I.5. Related party transactions</b>		
I.5.1. The management body must disclose, in the government report or in another publicly available way, the internal procedure for verifying transactions with related parties.	Complied	Items 21 and 89

I.5.2. The management body must communicate to the supervisory body the results of the internal procedure for verifying transactions with related parties, including the transactions under analysis, at least every six months.	Complied	Items 21, 89 and 90
<b>II. SHAREHOLDERS AND GENERAL MEETING</b>		
II.1. (1) The company should not set an excessively high number of shares necessary to grant the right to one vote, II.1. (2) and must make explicit in the government report their option whenever it implies deviation from the principle that each share corresponds to one vote.	Complied Not Applicable	Item 12
II.2. The company must not adopt mechanisms that make it difficult for shareholders to take decisions, namely by setting a deliberative quorum higher than that provided for by law.	Complied	Item 14
II.3. The company must implement adequate means for the participation of shareholders in the General Meeting at a distance, in terms proportional to its size.	Complied	Item 12
II.4. The company must also implement adequate means for exercising the right to vote at a distance, including by correspondence and electronically.	Complied	Item 12
II.5. The bylaws that provide a limitation of the number of votes that can be held or exercised by a single shareholder, individually or in consultation with other shareholders, should also provide that, at least every five years, it is subject to deliberation. by the general meeting the alteration or maintenance of this statutory provision - without quorum requirements aggravated in relation to the legal one - and that, in this resolution, all votes cast are counted without that limitation working.	Complied	Items 5 and 21
II.6. Measures that determine payments or the assumption of charges by the company should not be adopted in the event of a change of control or a change in the composition of the management body and that appear likely to harm the economic interest in the transfer of shares and free appreciation by shareholders performance of administrators.	Complied	Item 4
<b>III. NON-EXECUTIVE ADMINISTRATION AND SUPERVISION</b>		
III.1. Without prejudice to the legal functions of the chairman of the board of directors, if he is not independent, the independent directors must designate a coordinator among themselves to, inter alia, (i) act, whenever necessary, as an interlocutor with the chairman of the board of directors and with the other administrators, (ii) ensure that they have the set of conditions and means necessary for the performance of their duties; and (iii) coordinating them in the performance evaluation by the management body provided for in recommendation V.1.1.	Explain	Items 15 and 18 The designation of a lead independent director does not bring added value given the reduced structure of the company and the size of the board. Within the scope of their duties, all directors decide together after being previously informed and clarified. As for the board's self-assessment process, this is done through responses on an electronic platform

		and the coordination of it is ensured by the Secretary-General.
<p>III.2. (1) The number of non-executive members of the management body must be adequate to the size of the company and the complexity of the risks inherent in its activity, but sufficient to efficiently ensure the functions entrusted to them and must be included in the government report the formulation of this adequacy judgment.</p> <p>III.2. (2) Idem in relation to the number of members of the supervisory body.</p> <p>III.2. (3) Idem applies to the number of members of the commission for financial matters.</p>	<p>Complied</p> <p>Complied</p> <p>Not Applicable</p>	<p>Items 15, 17, 18, 21 and 31</p>
<p>III.3. In any case, the number of non-executive directors must be greater than that of executive directors.</p>	<p>Complied</p>	<p>Items 17, 18 and 21</p>
<p>III.4. Each company must include a number of not less than one third but always plural, of non-executive directors who fulfil the requirements for independence. For the purposes of this recommendation, a person who is not associated with any specific interest group in the company, nor is under any circumstances likely to affect his/her exemption from analysis or decision, is considered to be independent, namely by virtue of: i) Having exercised for more than twelve years, in a continuous or interspersed manner, functions in any body of the company; ii) Having been a collaborator of the company or company that is in a controlling or group relationship with it in the last three years; iii) Having, in the last three years, provided services or established a significant commercial relationship with the company or with a company that is in a dominant or group relationship, either directly or as a partner, administrator, manager or person manager collective; iv) Be the beneficiary of remuneration paid by the company or by a company that is in a controlling or group relationship with it in addition to the remuneration resulting from the exercise of the functions of director; v) Live in a de facto union or be a spouse, relative or similar in a straight line and up to the 3rd degree, including, in the collateral line, of company directors, managers of a legal person holding a qualified interest in the company or of natural persons directly or indirectly with qualified participation; vi) Be a holder of a qualified shareholding or representative of a shareholder with a qualifying shareholding.</p>	<p>Complied</p>	<p>Items 17 and 18</p>
<p>III.5. The provision in paragraph (i) of recommendation III.4 does not preclude the qualification of a new director as independent if, between the end of his duties in any body of the company and his new appointment, at least three years have elapsed (cooling-off period).</p>	<p>Not Applicable</p>	<p>Item 17</p>

<p>III.6. (1) With respect to the powers conferred on it by law, the supervisory body assesses and pronounces on the strategic lines, prior to its final approval by the management body.</p>	<p>Complied</p>	<p>Item 21 and 34</p>
<p>III.6. (2) Idem in relation to the risk policy.</p>	<p>Complied</p>	
<p>III.7. (1) Companies must have a specialized committee on corporate governance.</p>	<p>Not Applicable</p>	<p>Items 15 and 21</p>
<p>III.7. (2) Idem applies to the matter of appointments.</p>	<p>Not Applicable</p>	<p>Given the nature and objectives of the company and its small size, it is not necessary to set up several internal committees.</p>
<p>III.7. (3) Idem applies to the matter of performance evaluation.</p>	<p>Explain</p>	<p>Considering, in particular, the close and frequent monitoring that the Board of Directors does of all matters that could be the responsibility of these committees. And it is in this line of reasoning, despite the fact that the Board of Directors approved, on June 30, 2015, a Monitoring Committee and the respective competences, led to the fact that filling the posts of that Committee was not considered a priority. Also, in this option, the costs associated with it continued to weigh given the decision taken by the Compensation Committee that fixed certain amounts of remuneration for the performance of those posts. The Board of Directors keeps this matter under review.</p>
<p><b>IV. EXECUTIVE MANAGEMENT</b></p>		

IV.1. The management body must approve, by means of internal regulation or by equivalent means, the performance regime of the executive directors applicable to the exercise by them of executive functions in entities outside the group.	Complied	Items 21 and 22 PHAROL complies with the provisions of Art. 398 of the Portuguese Companies Code. In addition, the sole executive director has full-time duties.
IV.2. (1) The management body must ensure that the company acts in accordance with its objectives and should not delegate powers, namely, with regard to: i) definition of the company's strategy and main policies; IV.2. (2) ii) organization and coordination of the business structure; IV.2. (3) iii) matters that should be considered strategic due to their amount, risk or special characteristics.	Complied Complied Complied	Items 21 and 22
IV.3. In the annual report, the management body explains in what terms the strategy and the main policies defined seek to ensure the long-term success of society and what are the main resulting contributions to the community in general.	Complied	Annual Report, Item 6.
<b>V. PERFORMANCE ASSESSMENT, REMUNERATION AND APPOINTMENTS</b>		
<b>V.1. Annual Performance Assessment</b>		
V.1.1. (1) The management body should assess its performance annually, taking into account the fulfilment of the company's strategic plan and budget, risk management, its internal functioning and the contribution of each member to the effect, and the relationship between society's bodies and commissions. V.1.1. (2) Idem in relation to the performance of the committees of the management body. V.1.1. (3) Idem in relation to the performance of executive directors.	Complied Not Applicable Complied	Item 21
<b>V.2. Remuneration</b>		
V.2.1. The company must set up a remuneration committee, the composition of which ensures its independence from management, which may be the remuneration committee designated under the terms of article 399 of the Portuguese Companies Code.	Complied	Items 67 and 68
V.2.2. The setting of remunerations should be the responsibility of the remuneration committee or the general meeting, on the proposal of that committee.	Complied	Items 67 and 68 and Appendix II
V.2.3. For each mandate, the remuneration committee or the general meeting, on a proposal from that committee, must also approve the maximum amount of all compensation to be paid to the member of any body or committee of the company due to the respective termination of functions, proceeding the disclosure of said situation and amounts in the government report or in the remuneration report.	Complied	Items 80, 83 and 84
V.2.4. In order to provide information or clarifications to the shareholders, the chairman or, when unable to do so, another member of the remuneration committee must be present at the annual general meeting and at any other meetings if the respective agenda includes a matter related to the remuneration of the members of corporate bodies	Complied	Part I, Item B I. – General Meeting

and commissions or if such presence has been required by shareholders.		
V.2.5. Within the company's budgetary limitations, the remuneration committee must be able to freely decide whether to hire, by the company, the necessary or convenient consultancy services for the exercise of its functions.	Complied	Appendix II
V.2.6. The remuneration committee must ensure that those services are provided independently and that the respective providers are not contracted to provide any other services to the company itself or to others that are in a controlling or group relationship without the express authorization of the committee.	Not Applicable	Appendix II
V.2.7. In view of the alignment of interests between the company and the executive directors, part of their remuneration must be of a variable nature that reflects the sustained performance of the company and does not encourage the taking of excessive risks.	Complied	Appendix II
V.2.8. A significant part of the variable component must be partially deferred over time, for a period of not less than three years, associating it, necessarily, to the confirmation of the sustainability of performance, under the terms defined in the company's internal regulations.	Complied	Appendix II
V.2.9. When the variable remuneration comprises options or other instruments directly or indirectly dependent on the value of the shares, the beginning of the exercise period must be deferred for a period of not less than three years.	Not Applicable	Appendix II
V.2.10. The remuneration of non-executive directors must not include any component whose value depends on the performance of the company or its value.	Complied	Appendix II
<b>V.3. Appointments</b>		
V.3.1. The company must, under the terms it deems appropriate, but in a manner susceptible of demonstration, promote that the proposals for the election of the members of the governing bodies are accompanied by reasons regarding the adequacy of the profile, knowledge and curriculum to the function to be performed by each candidate.	Not Applicable	There was no elective general meeting in 2020. However, with an elective general meeting scheduled for 2021, recommendations regarding proposals for the election of members of governing bodies will be complied.
V.3.2. Unless the size of the company does not justify it, the function of monitoring and supporting the appointments of senior managers should be assigned to an appointments committee.	Explain	Item 15
V.3.3. This commission includes a majority of independent non-executive members.	Not Applicable	
V.3.4. The appointments committee must make available its terms of reference and must, as far as its competences, induce transparent selection processes that include effective mechanisms for identifying potential candidates, and that the ones with the greatest merit are chosen for the proposal, best suited the requirements of the function and promote, within the organization, an adequate diversity including gender.	Not Applicable	

<b>VI. RISK MANAGEMENT</b>		
VI.1. (1) The management body must discuss and approve the strategic plan.	Complied	Items 21 and 54
VI.1. (2) The management body must discuss and approve the company's risk policy, which includes the setting of limits in terms of risk-taking.	Complied	
VI.2. The supervisory body must organize itself internally, implementing periodic control mechanisms and procedures in order to ensure that the risks effectively incurred by the company are consistent with the objectives set by the management body.	Complied	Items 21, 34 and 54
VI.3. The internal control system, comprising the functions of risk management, compliance and internal audit, must be structured in terms appropriate to the size of the company and the complexity of the risks inherent in its activity, with the supervisory body evaluating it and, in within the scope of its competence to monitor the effectiveness of this system, propose any necessary adjustments.	Complied	Items 21, 34 and 54
VI.4. The supervisory body must give its opinion on the work plans and resources allocated to the services of the internal control system, including the risk management, compliance and internal audit functions, and may propose any necessary adjustments.	Complied	Items 21, 34 and 54
VI.5. The supervisory body should be the recipient of the reports made by the internal control services, including the functions of risk management, compliance and internal audit, at least when matters related to the rendering of accounts, identification or resolution of conflicts of interests and the detection of potential irregularities	Complied	Items 21 and 34
VI.6. (1) Based on its risk policy, the company should establish a risk management function, identifying (i) the main risks to which it is subject in the development of its activity, VI.6. (2) (ii) the probability of their occurrence and their impact, VI.6. (3) (iii) the instruments and measures to be adopted in view of the respective mitigation and VI.6. (4) (iv) the monitoring procedures, aiming at their monitoring.	Complied Complied Complied Complied	Items 53, 54 and 55
VI.7. The company must establish procedures for inspection, periodic assessment and adjustment of the internal control system, including an annual assessment of the degree of internal compliance and the performance of that system, as well as the prospect of changing the risk framework previously defined.	Complied	Items 21 and 51
<b>VII. FINANCIAL INFORMATION</b>		
<b>VII.1. Financial Information</b>		
VII.1.1. The internal regulation of the supervisory body should require that it supervise the adequacy of the process of preparation and disclosure of financial information by the management body, including the adequacy of accounting policies, estimates, judgments, relevant disclosures and their consistent application among exercises, in a duly documented and communicated manner.	Complied	Items 21 and 34
<b>VII.2. Statutory audit and inspection</b>		

VII.2.1. Through internal regulations, the supervisory body must define, under the terms of the applicable legal regime, the inspection procedures aimed at ensuring the independence of the statutory auditor.	Complied	Items 21 and 34
VII.2.2. (1) The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, VII.2.2. (2) it is incumbent upon him, namely, to propose the respective remuneration and to ensure that, within the company, the appropriate conditions for the provision of services are ensured.	Complied  Complied	Items 21 and 34
VII.2.3. The supervisory body must annually assess the work carried out by the statutory auditor, its independence and suitability for the exercise of functions and propose to the competent body its dismissal or the termination of the contract for the provision of its services whenever there is just cause for that purpose.	Complied	Items 21 and 45



## APPENDIX I

### Functions performed by members of the management body in other companies

The functions performed by each director in companies other than PHAROL are as follows:

#### ***Luís Maria Viana Palha da Silva (Chairman of the Board of Directors and Managing Director)***

Director of Bratel B.V.

Director of Bratel S.à.r.l.

Chairman of the Board of the General Meeting and Member of the General and Supervisory Council of EDP – Energias de Portugal, S.A.

Non-executive Director of Nutrinveste

#### ***Avelino Cândido Rodrigues (Director)***

In 2007 entered, as a founding partner, in the constitution of the “ACR & Associados – Sociedade de Advogados R.L.”

Founding Partner and Managing Partner of “ACR & Associados – Sociedade de Advogados R.L.” – registered with the Portuguese Bar Association

Member of the Portuguese Bar Association

Member of the Brazilian Bar Association

- Legal Services Main Areas:
- Corporate Law;
- Contract Law;
- Administrative Law;
- I.T. Law;
- Copyright and Industrial Property Law;
- Criminal Law;
- Labour Law;
- Bankruptcy and Business Recovery Law;
- Procedural Law;
- Investments

#### ***Jorge Telmo Maria Freire Cardoso (Director)***

Non-Executive Member of the Board of Directors of Enternext, S.A.

#### ***Maria do Rosário Amado Pinto-Correia (Director)***

Board Member of Sixty Degrees – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.

Board Member and CEO of Experienced Management S.A.

Member of the Advisory Board of Fundiestamo - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.

Lecturer of undergraduate and Executive Education programs at Catolica Lisbon School of Economics

Coordinator of Executive Education programs at Catolica Lisbon School of Business and Economics

***Maria Leonor Martins Ribeiro Modesto (Director)***

Full Professor, Católica Lisbon School of Business and Economics, June 2008 to present  
Managing Partner of Modelling Mind, Lda. since June 2010

***Pedro Zañartu Gubert Morais Leitão (Director)***

Vice-Chairman of the Board of Directors of Prio SGPS  
Managing Partner of MoteDALma Lda.  
Managing Partner of Fikonline-Internet e Energia Lda.

**Professional qualifications and professional activities performed during the last 5 years**

***Luís Maria Viana Palha da Silva (Chairman of the Board of Directors and Managing Director)***

***Portuguese, 65 years old***

Member of the Board Director of Oi, S.A since 2015 to 2018 | Vice Chairman of the Board of Directors da Galp Energia, SGPS, S.A. | Member of the Board of Directors of Petróleos de Portugal – Petrogal, S.A. | Member of the Board of Directors of Galp Exploração e Produção Petrolífera, S.A. | Member of the Board of Directors of GDP – Gás de Portugal, SGPS, S.A. (redenominated Galp Gas & Power, SGPS, S.A. in February 12, 2015) | Member of the Board of Directors of Galp Gás Natural Distribuição, S.A. | Member of the Board of Directors of Galp Energia, S.A. | Member of the Board of Directors of Galp Energia España, S.A. | Member of the Board of Directors of Galp Energia E&P B.V. | Member of the Board of Directors of Galp Exploração e Produção (Timor-Leste), S.A. | Chairman of the Board of Directors of Galp Marketing International, S.A. | Chairman of the Management Board of Petrogal Angola, Lda. | Chairman of the Management Board of Petrogal Guiné-Bissau, Lda. | Chairman of the Management Board of Petrogal Moçambique, Lda. | Chairman of the Executive Board of Galp Moçambique, Lda. | Chairman of the Board of Directors of Galp Gambia, Limited | Chairman of the Board of Directors of Galp Swaziland, Limited | Chairman of the Board of Directors of CLC – Companhia Logística de Combustíveis, S.A. | Director of Galp Sinopec Brazil Services B.V. | Member of the Board of Directors of Petrogal Brasil, S.A. | Member of the Board of Directors of Galp Energia Brasil, S.A. | Member of the Technologic and Scientific Committee of ISPG – Instituto de Petróleo e Gás, Associação para a Investigação e Formação Avançada | Chairman of APETRO – Associação Portuguesa de Empresas Petrolíferas | Non-Executive Director of Kasmunaygas | Chairman of the Board of AEM – Associação dos Emitentes Portugueses | Member of the Board of Directors (non executive) of NYSE Euronext and Member of Audit Committee of NYSE Euronext | Chairman of the Audit Committee of the Companies Tranquilidade Vida, Logo, Açoreana and Seguradoras Unidas, S.A. | Chairman of the Audit Committee of Fórum para a Competitividade | Chairman of the Board of EPIS - Empresários pela Inclusão Social | Degree in Business Management from Universidade Católica Portuguesa | AMP – University of Pennsylvania – Wharton School of Economics.

**Curriculum notes**

Degree in Economics from Instituto Superior de Economia | Degree in Business Management from Universidade Católica Portuguesa | AMP - University of Pennsylvania - Wharton School of Economics

***Avelino Cândido Rodrigues***

***Portuguese, 61 years old***

Degree in Law  
Post-graduation course in Capital Markets, Financial Institutions and Products  
Course in the Contracting of goods and Services with the Government's Public Administration and I.T. Agreements

### **Curriculum notes**

Law Degree at the Faculty of Law of the University of Lisbon | Post-Graduation in Markets, Institutions and Financial Instruments - Faculty of Economics, Universidade Nova de Lisboa, Faculty of Law, Universidade Nova de Lisboa and Porto Derivatives Exchange, Portugal | Course on Procurement of Goods and Services in Public Administration and Computer Contracting

### ***Jorge Telmo Maria Freire Cardoso (Director)*** ***Portuguese, 49 years old***

Member of the Executive Board of Directors of Novo Banco, S.A. from September 2014 to November 2020 | Chairman of the Board of Directors of E.S. Tech Ventures, SGPS, S.A. from July 2016 to December 2020 | Member of the Board of Directors of NB Finance, Ltd. from April 2015 to November 2020 | Non-Executive Chairman of the Board of Directors of BESV, S.A. from April 2017 to December 2018 | Non-Executive Member of the Board of Directors of BESV, S.A. from April 2016 to April 2017 | Member of the Board of Directors and Member of the Executive Committee of Caixa Geral de Depósitos, S.A. from July 2013 to September 2014 | Non-Executive Vice Chairman of the Board of Directors of Banco Caixa Totta Angola, S.A. from April 2014 to September 2014 | Non-Executive Chairman of the Board of Directors of Caixa Capital – Sociedade de Capital de Risco, S.A. from March 2014 to September 2014 | Non-Executive Chairman of the Board of Directors of Caixa Desenvolvimento, SGPS, S.A. from March 2014 to September 2014 | Non-Executive Vice Chairman of the Board of Directors of Banco Caixa Geral Brasil, S.A. from September 2013 to September 2014 | Non-Executive Chairman of the Board of Directors of Caixa – Banco de Investimento, S.A. from August 2013 to September 2014 | Non-Executive Member of the Board of Directors of Caixa Seguros e Saúde, SGPS, S.A. from August 2013 to September 2014 | Non-Executive Member of the Board of Directors of Gerbanca, SGPS, S.A. from August 2013 to September 2014 | Non-Executive Member of the Board of Directors of Partang, SGPS, S.A. from September 2013 to September 2014 | Non-Executive Chairman of the Board of Directors da Wolfpart, SGPS, S.A. from November 2013 to September 2014 | Non-Executive Member of the Board of Directors of Grupo Visabeira, SGPS, S.A. from April 2014 to September 2014.

### **Curriculum notes**

Graduate in Economics by Universidade Nova de Lisboa | MBA by Insead

### ***Maria do Rosário Amado Pinto-Correia (Director)*** ***Portuguese, 62 years old***

Managing Director of Rocotota, Lda. | Managing Director at Rolling Power, Lda. | Alternate Board Member and Member of the Remuneration Committee at Oi S.A. from 2016 to 2018 | Executive Consultant at CEA – Católica from 2016 to 2018 | Chairman of Ferreira Marques & Irmão / Topázio from 2012 to 2016 | Senior Advisor at Bewith and CEA/CLSB from 2008 to 2012 | Director of Gestão do Conhecimento of PT Comunicações, Director of Qualidade e Satisfação do Cliente in Grupo Portugal Telecom, Board Member of PT Asia, Chairman da CTTC – Archway (Pequim) and CEO da Macau Cable TV from 2003 to 2008 | Head of Office da OgilvyOne from 1994 to 2002 | Publisher of the Marie Claire magazine from 1992 to 1994 | Director of Client Service at McCann – Erickson from 1987 to 1992 | Financial Products Manager, Director of the Direct Mail in CTT – Correios de Portugal from 1981 to 1987

### **Curriculum notes**

Master of Business by Universidade Nova de Lisboa | MBA by Wharton School | Degree in Economics by Universidade Católica de Lisboa.

### ***Maria Leonor Martins Ribeiro Modesto (Director)*** ***Portuguese, 63 years old***

President of the Scientific Council of Católica Lisbon School of Business and Economics, October 2015-January 2019 | Director of CEA (Centre for Applied Studies) of Universidade Católica Portuguesa, December 2008 to January 2017

**Curriculum notes**

Agregação, Universidade Católica Portuguesa, July 2004 | Docteur en Sciences Economiques, Université Catholique de Louvain and European Doctoral Program, Belgium September 1987 | Licenciatura in Economics, Universidade Católica Portuguesa, 1980.

***Pedro Zañartu Gubert Morais Leitão (Director)***  
***Portuguese, 55 years old***

Non-Executive Director of Villas Boas ACE, S.A. | Member of the Board of Directors of Oi, S.A. from 2015 to 2017

**Curriculum notes**

Graduated in Business Management from Universidade Católica Portuguesa de Lisboa | Masters in Business Management from Kellogg Graduate School of Management at Northwestern University in Chicago, EUA.

**CV data of the members of the Compensation Committee**

***António Sarmento Gomes Mota (Member of the Compensation Committee)***

Member of the Compensation Committee since 2013.

Graduate in Business Organisation and Management, ISCTE - Instituto Universitário de Lisboa (1981), MBA, Universidade Nova de Lisboa (1984), Doctor in Management, ISCTE (2001).

He has a corporate career of over 20 years in management positions in the banking, consulting and financial services fields. He was Director of ISCTE Business School from 2003 to 2012 and President of INDEG/ISCTE from 2005 to 2012. He is a Professor at ISCTE Business School since 2005. He has a large experience as consultant in the areas of strategy, corporate assessment and risk management for Portuguese and international corporations. He is the author of various reference works in the financial field. He has held leadership positions in various Boards of Directors and Supervisory Boards in Portuguese listed corporations.

Chairman of the Audit Board of Mysticinvest Holding S.A. since 2019 | Chairman of the Board of Directors (non-executive) of SDC Investimentos, SGPS, S.A. from 2013 to 2016 | Chairman of the Instituto Português de Corporate Governance since 2016 | Member of the General and Supervisory Council from 2009 to 2018; Member of the Audit Committee (2009/2015) and Performance and Competition (2012/2015) and Chairman of the Audit Committee of EDP - Energias de Portugal, S.A. from 2015 to 2019.

***Francisco de Lacerda (Member of the Compensation Committee)***

Member of the Compensation Committee of PHAROL, SGPS S.A. (ex- Portugal Telecom, SGPS S.A.) since 2009 (suspended from August 2012 to March 2014).

Graduated in Management & Business Administration, Universidade Católica Portuguesa (1982). Certified in the International Directors Program, INSEAD, France (2019/2020). Several other training programs in INSEAD.

Non-Executive Independent Director of Endesa Energia, the largest electricity production, distribution and commercialization company in Spain, since 2015, also Chairman of the Audit and Compliance Committee from 2020 (member of the Audit and Compliance Committee and the Nomination and Remuneration

Committee from 2015 to 2020). Member of the Board of Cotec Portugal since 2015 (Chairman from 2015 to 2018).

During 25 years up to 2008, he held various positions in investment, corporate and retail banking, including CEO of Banco Mello and Executive Member of the Board of Directors of Millennium BCP, (the # 1 private sector bank in Portugal) then from 2010 to 2012, was CEO of Cimpor – Cimentos de Portugal SGPS, S.A., at that time an international cement group operating in 12 countries, from 2008 to 2012. Non-Executive Independent Director of EDP Renováveis (also member of the Audit Committee and later of the Remuneration Committee), Chief Executive Officer (CEO) of CTT – Portugal Post from 2012 to 2019, where he led its privatization and Chairman of Banco CTT since inception in 2015 to 2019.

Non-Executive Independent Director of Endesa Energia, Spain, from 2015, also member of the Audit and Compliance Committee and the Nomination and Remuneration Committee from 2015 to 2020 and Chairman of the Audit and Compliance Committee since 2020 | Chief Executive Officer (CEO) of CTT – Correios de Portugal, S.A. from 2012 to 2019, also Chairman of the Board of Directors from 2012 to 2017 and Vice Chairman from 2017 to 2019 and member of the Corporate Governance, Evaluation and Nominations Commission from 2014 to 2016 | Chairman of the Board of Directors of Banco CTT from 2015 to 2019, also Chairman of the Board's Remuneration Commission and member of the Selection Commission from 2015 to 2019 and Chairman of the Shareholders Remuneration Commission from 2016 to 2019 | Chairman of CTT Expresso – Serviços Postais e Logística, S.A. from 2014 to 2019 | Chairman of Tourline Express Mensajeria, S.L.U from 2014 to 2019 | Member of the Board of Directors of Fundação Portuguesa de Comunicações from 2012 to 2019 | Chairman of the General Meeting of Shareholders of Correio Expresso de Moçambique, S.A. since 2013 | Member of the Board of Directors of International Post Corporation from 2014 to 2017 | Chairman of the Board of Cotec Portugal from 2015 to 2018, Member of the Board from 2018 | Member of the Board of AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado from 2014 to 2017 | Member of the General Council of Clube Naval de Cascais from 2006 to 2020, Vice-Commodore from 2016 to 2020.

### ***Pedro Miguel Ribeiro de Almeida Fontes Falcão (Member of the Compensation Committee)***

Educational background and professional training

Graduated in Business Management (Universidade Católica Portuguesa, Lisbon)

MBA (Harvard Business School)

PhD in Management (Iscte-IUL)

Professional activity in the past five years

Current Positions:

Chairman of the "Audit Committee" ("Conselho Fiscal") of Montepio Holding, Banco BEM, Montepio Crédito and Montepio Valor since 2018 | Member of the "Audit Committee" ("Conselho Fiscal") of BMO-GAM Portugal since 2017 | Member of the Board of the "Ordem dos Economistas" since 2018 | Visiting Assistant Professor in Iscte-IUL since 2005 | Director of the Executive MBA of Iscte Executive Education since 2004 | Management Consultant.

Past Positions:

Non-executive Member of the Board of Directors of Caixa Geral de Depósitos from July 2013 to August 2016 | Member of the Audit Committee of Caixa Geral de Depósitos from July 2013 to August 2016 | Member of the Remuneration Committee of Caixa Geral de Depósitos from 2015 to August 2016 | Associate Dean of Iscte Business School from 2014 to 2017.

## **CV data of the members of the Fiscal Council**

### ***José Maria Rego Ribeiro da Cunha (Chairman of the Fiscal Council)***

Degree in Finance from Instituto Superior de Ciências Económicas e Financeiras (ISCEF – 1972)

Between 1975 and 1977 worked as auditor at the international company Arthur Andersen & Co.

In 1981 he passed a Statutory Auditor examination. He is the member 497 of the Certified Auditor's Association.

Between 1977 and 1981 worked as auditor manager at the chartered accountant company "António Almeida e Augusto Martins Moreira, SROC".

In 1981 he joined and has become partner of "Amável Calhau, Ribeiro da Cunha & Associados", having been since managing partner in the company until 2018, performing several professional works within the following areas: auditing, evaluation of companies and consulting, among others.

In 2018, as part of a restructuring, he constituted JM Ribeiro da Cunha & Associados, SROC, Lda., a company of which is also a managing partner.

JM Ribeiro da Cunha & Associados, SROC is:

- Member of the Bar Association of Statutory Auditors, registered under n° 325; and
- Registered at the (CMVM) Portuguese Securities Market Commission under n, ° 20180024

Since 1981, also, he has been working as Chartered Accountant in representation of the above-mentioned company, either as Statutory Auditor or integrating Supervisory Boards, in a great deal of companies covering several business activity sectors, such as: Financial Institutions and Insurance, Industry and Construction, Public Entities, Services, Tourism, Commerce, etc.

On a personal basis he worked as supervisory board in:

- PHAROL, SGPS S.A. - Chairman of the Supervisory Board
- Haitong Capital SCR, S.A. – Chairman of the Supervisory Board
- Mellogere, SGPS, S.A. – Chairman of the Supervisory Board
- GNB Gestão de Activos, SGPS, S.A. - Chairman of the Supervisory Board

He works as Chairman or Member of the Supervisory Board of the following non-profits institutions:

- Associação de Ajuda ao Recém-Nascido (Banco do Bebê)
- Bens de Utilidade Social (BUS)
- Plataforma para o Crescimento Sustentável (PCS)
- Associação de Tratamento de Toxicodependentes / FAROL (ATT)

### ***Isabel Maria Beja Gonçalves Novo (Member of the Fiscal Council)***

Educational background and professional training

International Management Programme – INSEAD, Fontainebleau

Post graduation in Finance (European Business Certificate) – South Bank University, London

Graduated in Business Management and Organisation – Instituto Superior de Ciências do Trabalho e da Empresa (ISCTE)

Managing for Success – BNP Paribas, Brussels  
Leadership for Growth – Fortis Bank, Mello  
Certificate of Proficiency in English – Universidade de Cambridge, Lisbon  
Diplôme Supérieur d'Études Françaises Modernes – Alliance Française, Lisbon  
Pedagogical Skills Certificate – F607896/2013, Lisbon

Professional activity in the past five years

Current Positions:

Member of the Supervisory Board of Best – Banco Eletrónico de Serviço Total, S.A. (since December 2016)  
Member of the Supervisory Board of PHAROL, SGPS S.A. (since May 2015)  
Financial and Business Advisory (since April 2013)

Past Positions:

Head of the Credit Analysis Department, BNP Paribas Fortis – Portuguese Branch (September 2010 – October 2012)  
Head of Credits, Fortis Bank – Portuguese Branch (October 1995 – September 2010)  
Vice-Chairman of Federação de Triatlo de Portugal (December 2012 - January 2017),

### ***João Manuel Pisco de Castro (Member of the Fiscal Council)***

Director of Grupo Visabeira, SGPS S.A.  
Director of Visabeira Constructel, S.A.  
Director of Real Life – Tecnologias de Informação, S.A.  
Chairman of Vista Alegre USA  
Director da Constructel (Rússia)  
Director of Birla – Visabeira LTD

### **Professional qualifications and professional activities performed during the last 5 years**

President of MOB – Indústria de Mobiliário, S.A. to 2017 | President of Faianças da Capoa – Indústria de Cerâmica, S.A. to 2017 | President of Pinewells, S.A. to 2017 | President of Visagreen, S.A. to 2017 | Director of Visacasa, S.A. to 2017 | Director of Constructel (Belgium) to 2017 | Director of Constructel Sweden AB to 2017 | Director of Constructel (UK) até 2017 | Director of Constructel GmbH to 2017 | Director of Constructel (France) to 2017 | President of Instituto de Gestão Financeira e de Infra-Estruturas da Justiça, I.P. from 2007 to 2009 | Member of the Board of Directors of Grupo Visabeira SGPS S.A. from 2002 to 2007 | Member of the Board of Director of Visabeira Telecomunicações e Construção, SGPS S.A. from 2002 to 2006 | Director of Visabeira Serviços SGPS, S.A. from 2003 to 2005

### **Curriculum notes**

Graduated in Electrotechnical Engineering, Telecommunications and Electronics track from Instituto Superior Técnico (1983) | MBA from Faculdade de Economia, Universidade de Lisboa (1990).

### ***Paulo Ribeiro da Silva (Alternate Member of the Fiscal Council)***

Educational background and professional training

Graduated in Financial Audit – ISCAL – Instituto Superior de Contabilidade e Administração de Lisboa

Post-graduated in Corporate Finance – INDEG/ISCTE  
Post-graduated in Security and Computer Auditing – ISTECS – Instituto Superior de Tecnologias Avançadas

Professional activity in the past five years

Partner of JM Ribeiro da Cunha & Associados, SROC, Lda. since 2018  
Partner Manager of BRAVI – Fiscalidade e Consultoria, Lda., since November 2017



## **Complementary information to the curricula of the Governing Bodies**

In line with recommendations I.2.1 of the Corporate Governance Code of the Portuguese Institute of Corporate Governance 2018 ("IPCG Code"), revised in 2020, PHAROL provides this complementary information to the curricula of the governing bodies on the individual attributes and diversity requirements of them, which can contribute to their effective performance.

This document, focusing on the curricula presented by the members of the Board of Directors, Fiscal Council and Compensation Committee, is intended to contribute to a more detailed and objective analysis of the members of these bodies, materializing the specification of the criteria and requirements relating to individual attributes as set out in the IPCG Company Government Code.

## **Composition of the Board of Directors, Fiscal Council and Compensation Committee**

- Board of Directors composed of six members
- Fiscal Council composed of three full members and one alternate
- Compensation Committee of Salaries composed by three members

The composition of these bodies is appropriate to the size of the company and its activity. It allows the promotion of an effective functioning and performance of the Board of Directors, considering aspects such as (i) the legal framework (composition of 3 to 7 members, in accordance with the statutes of PHAROL, and Recommendations III.2 to III.4 of IPCG code regarding the appropriate number of executives, non-executive and independent directors), (ii) the necessary skills, experience and knowledge and (iii) the appropriate level of diversity.

### **1. Individual Attributes**

#### **1.1. Academic Training, Competence and Experience**

In the field of academic training and in accordance with the respective curricula, the members of the Board have complementary training at the international level, which includes Masters, MBA's and PhDs. We point out that the administrators Dr. Luis Palha da Silva, Dr. Maria do Rosário Pinto Correia, Dr. Pedro Morais Leitão, Dr. Jorge Freire Cardoso and Dr. Maria Leonor Ribeiro Modesto, all have training in economics and management.

The members of the FC have the qualifications required and adequate to carry out these functions with qualifications, training and solid knowledge in auditing or accounting.

The curricula presented by all members of the FC show a vast experience in the exercise of functions in supervisory bodies in multiple sectors. The President of the FC, Dr. José Maria Ribeiro da Cunha, with a wide accumulated experience of more than 30 years of professional life, is also a ROC, has performed the duties of an audit officer, was a member of the supervisory bodies of large companies in various sectors. activities such as Financial Institutions and Insurance, Industry, public entities, services. He also has extensive experience in company valuation and consultancy.

Dr. João Manuel Pisco de Castro, member of the FC, has extensive experience in executive management of companies, in executive and non-executive positions, both national and international.

Dr. Isabel Maria Gonçalves Novo also presents a curriculum with a solid background and extensive experience in the area of supervision, of which we highlight Financial and Management Consulting and her

role in the management of the Risk and Credit Analysis department at a Financial Institution.

The alternate member of the FC, Dr. Paulo Ribeiro da Silva, also has experience in the areas of accounting and taxation.

The members of the FC have experience in the financial and risk management areas and, on the whole, training and experience in listed companies.

Regarding the competence and experience of the members of the Board, the following stand out:

#### **a) Leadership, Strategy and Management**

The six members that make up the Board have extensive management experience and have held positions of direction and administration, which gives them capabilities and strategic vision, promoting strong competence in the area of leadership of the Company.

The Chairman of the Board of Directors, Dr. Luis Palha da Silva, has skills, knowledge and extensive experience in executive management in management functions in listed and large companies. The top management positions that he held, contribute very positively to his performance as Chief Executive Officer, namely in the context of the company's future planning.

#### **b) International Area**

Almost all the members of the Board of Directors have extensive experience in the international domain, having performed management functions in international companies or in Portuguese companies with international expansion. This experience was decisive for the acquisition of cultural background, a transversal element to all of them. Can be seen from the respective curricula, the administrators are Dr Luis Palha da Silva, Dr Maria do Rosário Pinto Correia, Dr Pedro Morais Leitão and Dr Jorge Freire Cardoso. Also, at the international level, and in the area of Law and top academic area, the administrator, Dr Avelino Cândido Rodrigues and the administrator, Dr Maria Leonor Ribeiro Modesto, stand out, respectively.

#### **c) Financial Area and Risk**

Board members have developed their training and / or professional career in consulting activities or in management functions that have allowed them to acquire solid skills in the areas of finance, investment and risk management.

#### **d) Legal and Regulation**

In this context, the expertise of the member of the Board of Directors, Dr. Avelino Cândido Rodrigues, stands out for his training in Law and extensive professional experience in the various legal fields, both in Portugal and in Brazil.

#### **e) Corporate Governance, Social Responsibility and Ethics**

The skills in this area are highlighted by the Chairman of the Board of Directors and Chief Executive Officer, Dr. Luis Palha da Silva, who has several years of professional experience in executive and non-executive positions in companies with strong corporate governance components, responsibility and ethics, such as Jerónimo Martins and Galp Energia. He also currently serves on the EDP Supervisory Board.

### **1.2. Independence and Integrity**

The members of the Board of Directors and CF meet the necessary conditions to exercise their functions and fulfill their duties of diligent action and in the interest of the Company, with impartiality and impartiality, since the rules regarding conflicts of interest are still in force at PHAROL, in particular:

(a) within the scope of the deliberations of the Board of Directors (when the administrators in conflict are prevented from participating and voting);

(b) with respect to transactions with related parties, which are subject to principles and procedures

approved by the Board of Directors and by the FC aimed at promoting the pursuit of the social interest.

The Board and FC have demonstrated the ability to maintain compliance with legal and conduct duties in relation to the activity they have been developing and have the conditions for the performance of functions in the interest of the Company and in accordance with standards of loyalty and integrity.

It is PHAROL's practice to have in the list of its management elements indicated by shareholders with qualified holdings and with a long-term investment perspective for closer monitoring of the Company's management.

As for the strategic definition and assessment of the risks inherent to the company, the supervisory functions of non-executive and independent directors are guaranteed.

FC members declare that they comply with the independence requirements defined by law (according to the national criteria laid down in Article 414 of the Commercial Companies Code and on the basis of the information provided by them).

### **1.3. Availability**

The members of the Board of Directors and CF have shown their full willingness to carry out their duties, closely monitoring the company's activity, either through meetings or through regular reports by the Chief Executive Officer.

## **2. Diversity Level**

### **2.1. Gender Diversity**

PHAROL complies with Law No. 62/2017 and promotes gender diversity in all its governing bodies.

### **2.2. Renewal and retention of knowledge and seniority**

The curricula referred to in this document show a balance between, on the one hand, renewal/rotation and, on the other hand, retention of knowledge given the permanence of functions in the Company of Board and FC since 2018, including the President of the Board (who simultaneously serves as Delegated Director of the Company), as well as the Chairman of the Fiscal Council.

The composition of the Board and FC present diversification at the age level allowing an adjusted balance between the need for extensive experience suitable for the performance of the required functions and the necessary openness to new challenges.

## **3. Individual profile of members and composition of the Compensation Committee**

The three members of the Compensation Committee, Dr. António Sarmento Gomes Mota, Dr. Francisco Lacerda and Dr. Pedro Miguel Ribeiro de Almeida Fontes Falcão as a whole, for their academic background, extensive experience in administration and consulting, demonstrate skills, experience and knowledge in the areas of remuneration policy, human resources, international area, financial and risk area, leadership and legal and regulatory area.

## **Conclusions**

Following a more detailed deepening of the curricula presented by the members of the Board of Directors, members of the Fiscal Council and members of the Compensations Committee, bodies elected by PHAROL shareholders in 2018, it is concluded that, in addition to the components of diversity and individual characteristics (such as seniority, cultural background and gender), they have skills, knowledge, skills and experience that are crucial for them to , as a whole, meet the necessary conditions to pursue the best interests of the Company and its Shareholders.

## APPENDIX II

### **“Declaration on the remuneration policy applicable to members of the management and supervisory bodies**

Pursuant to Law no. 28/2009, of 19 June, and Decree-Law no. 225/2008, of 20 November, the Remuneration Committee hereby submits to the company's General Meeting the following declaration on its remuneration policy applicable to the members of the management and supervisory bodies.

#### 1. Introduction

The year of 2019 represented the second year of the current mandate of the governing bodies. The Remuneration Committee understood that there was no reason to introduce any changes to the policy defined at the beginning of this term, which received the approval of the shareholders and which is summarized in the following points.

#### 2. Remuneration Policy for Non-Executive Directors and members of the Fiscal Council:

The remuneration of the non-executive members of the Board of Directors and of the members of the Fiscal Council consists of a fixed annual remuneration (divided into 14 times per year), without attendance fees.

There was no change in the fixed wages in force that reflect a level of remuneration appropriate to the responsibility of the functions performed and promoting their good performance.

No form of variable remuneration is provided for non-executive members of the management body and the supervisory body.

#### 3 -Executive Directors' Remuneration Policy

The remuneration of Executive Directors, which has been implemented since March 27, 2017 in the remuneration of the Chief Executive Officer, comprises a fixed component and a variable component and a variable component.

In the definition of the variable remuneration, it was sought to ensure a reasonable balance between the disincentive to excessive risk taking and the effective alignment of management interests with the interests of Shareholders and the Company.

##### A) Fixed remuneration

The fixed remuneration component did not change in relation to 2018 and takes into account (i) the fact that executive management is concentrated in a single person (Chief Executive Officer) and (ii) that the Chief Executive Officer accumulates the functions of Chairman of the Company's Board of Directors.

##### B) Variable Remuneration

The variable remuneration is associated with the performance of the Chief Executive Officer. The allocation of variable remuneration takes into account the different degrees of achievement in relation to the specific

objectives previously approved, associated with objective, simple, transparent and measurable performance indicators. The Remuneration Committee kept the two criteria defined for this mandate unchanged, namely: the Total Shareholder Return (TSR) of the Company's shares (80% weight) and the Operational Efficiency of the Company, measured by the relationship between budgeted recurring costs and real (20% weight).

The variable remuneration has a maximum value corresponding to 100% of the value of the annual fixed remuneration (and consequently 50% of the total annual remuneration), a limit that drops to 50% in the 2nd and following years of the mandate, if the accumulated TSR is not positive.

The variable remuneration will be paid in cash, 50% in the month following the date of approval of accounts by the General Shareholders' Meeting and 50% with a deferral of 3 years and subject to verification of the positive performance of the Company in the period considered, to be carried out by the Remuneration Committee, which will take into account the financial sustainability and economic situation of the Company as well as the sector in which it operates, in addition to exceptional factors that are not under management control and that may affect the performance of the Company.

These principles and indicators for determining the variable component of remuneration aim to ensure a clear alignment between the interests of the executive director and the interests of the Company, through an incentive and compensation policy that allows the attraction, motivation and maintenance of the best professionals.

The Remuneration Committee further understands that, due to the nature and objectives of the Company, in the event of any extraordinary event that represents an undeniable and measurable creation of value for shareholders, it can be considered, during the year in which the event becomes final, the attribution of an equally extraordinary prize to the Chief Executive Officer, under the terms to be defined in time and in view of the specific characterization of such event, and if it is proposed in a reasoned manner by the Company's Board of Directors.

In 2019 and according to the calculation of the values of the indicators mentioned above, there was no place for the attribution of the annual variable remuneration.

However, the Remuneration Committee received a proposal approved by the Board of Directors of the Company to allocate an extraordinary premium to the Managing Director in an amount equivalent to an interval between 0.25% and 0.75% of the benefit obtained for the Company resulting from the agreement entered into with the OI and that the Board of Directors found, in a documented way, to be between 34.8 and 36.8 million euros, depending on the dates and respective quotations (of exchange rate and OI share) that may be considered in the quantification of the referred benefit.

The Remuneration Committee, having considered that it values in a very positive way all the intense, consistent and very demanding work carried out by the Managing-Director in the search, first, and the realization, at the end, of an understanding with OI that appears to be objectively and adequately quantified the financial advantage of the agreement (receipt of money and shares), he understood that he should comply with the proposal presented by the Board of Directors of the Company in order to approve an extraordinary premium for the Managing Director. Regarding the amount, the Commission believes that it should also take into account the Company's performance in 2018, particularly with regard to the creation of value for shareholders in which, unfortunately, a negative value (measured by TSR) was obtained. Thus, it decided to attribute an extraordinary premium to the Managing Director of 147,000 euros, which corresponds to 50% of his fixed annual remuneration. This premium respects the 50% limit that the Commission defined in its remuneration policy statement whenever TSR is negative. The prize awarded complies with the proposed range (0.25 to 0.75%) by the Company's Board of Directors in relation to the percentage of the premium amount on the benefit that the Board determined resulting from the agreement with OI. Using the lowest value of the benefit valuation, 34.8 million euros, the premium of 147,000 euros represents 0.42%.

#### 4 Allocation of shares and options

Currently, there are no plans for the attribution of shares or stock options in force in the Company for the current mandate.

## 5. Termination of duties of executive directors

In the event that an Executive Director ceases to function, for any reason other than dismissal for cause, the payment of the variable remuneration amounts determined and which are deferred can only be made at the time of the termination of the management relationship if, until that date, there are sufficient and sustained indications that the performance of the Company will be predictably positive in the remaining period in terms that would, in all probability, allow the payment of the deferred component.

## 6. Variable remuneration reversal clause ("claw back")

The reversal through the retention and / or return of the variable remuneration whose payment already constitutes an acquired right may be required, by resolution of the Remuneration Committee, if (i) there is a judicial condemnation of a Director for unlawful performance that determines changes adverse effects on the company's equity situation; (ii) there is a serious or fraudulent non-compliance with the code of conduct or internal rules with significant impact, or situations that justify a just cause for dismissal; (iii) and/or false statements and/or errors and omissions that are materially relevant in the financial statements to which the Director's conduct has contributed decisively.

## 7. Alignment of the interests of the Directors with the interest of the Company

The variable remuneration of the Company's Executive Directors is dependent on their performance, as well as on sustainability and the ability to achieve certain strategic objectives of the Company.

The current remuneration policy also allows a globally reasonable balance between the fixed and variable components and the deferral of a significant part of the variable remuneration, with its payment conditional on the non-affectation of the positive performance of the Company over that period as described above. In this way, it seeks to contribute to the maximization of long-term performance and the disincentive of excessive risk taking.

Still with a view to reinforcing the component of evaluating the performance of the Directors, unless agreed or resolved by the Remuneration Committee to the contrary, the Company and its Directors must act in accordance with the following principles:

- i) The Directors must not enter into contracts, either with the Company or with third parties, which have the effect of mitigating the risk inherent to the variability of the remuneration fixed by the Company;
- ii) In the event of dismissal or termination by agreement of the management relationship, when due to its inadequate performance, no compensation will be paid to the Directors.

## 8. Remuneration of the board of the General Meeting

In 2019, the values approved in 2018 for the President and Secretary of the General Meeting board were maintained.

## 9. Statutory Auditor remuneration policy

The Company's Statutory Auditor is remunerated in accordance with normal remuneration practices and conditions for similar services, following the conclusion of a service provision contract with the company, following a proposal by the Fiscal Council.

#### 10. Support from external consultants

The Board of Directors has always assured the Remuneration Committee, within the economic possibilities of the company, the possibility of using external consultants to support the activities carried out. In 2019, as in 2018, the Remuneration Committee understood that it was not necessary to resort to that type of support.

Lisbon, 2 March 2020

On behalf of the Remuneration Committee

António Gomes Mota

Presidente"

## APPENDIX III

### **Code of Ethics**

PHAROL's Code of Ethics, approved in 2016, applies to all employees of the Company in order to guarantee a set of common ethical standards. Its implementation is permanently monitored by the management bodies.

The full text of the PHAROL's Code of Ethics is available for consultation on the Company's official website ([www.PHAROL.pt](http://www.PHAROL.pt)) and may also be made available through the Investor Relations Office.



## **Contacts**

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Shareholders, investors, analysts and other interested parties should send their requests for information and clarifications (annual, half year, and quarter reports, press releases, etc.).

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### **Website**

All publications and communications, as well as information regarding the businesses performed by the Company, are available on PHAROL's Internet page, at the following address: [www.pharol.pt](http://www.pharol.pt)

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