

**CORPORATE GOVERNANCE REPORT**  
**2019**



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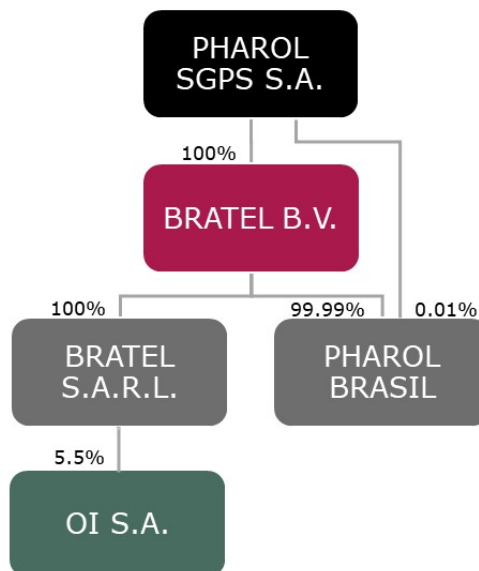
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## INTRODUCTION

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 and continues to prepare the Report in accordance with the annex to Regulation of CMVM n° 4/2013 of January 1, 2014 and with the circular issued by the same Commission on January 11, 2019. 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, 2019 are as follows:





## 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.

PHAROL keeps ADRs program, traded Over the Counter, allowing the trade to American investors.

#### 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 2019, the Company held 50,071,714 own shares, corresponding to 5.585% 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.]

## 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.

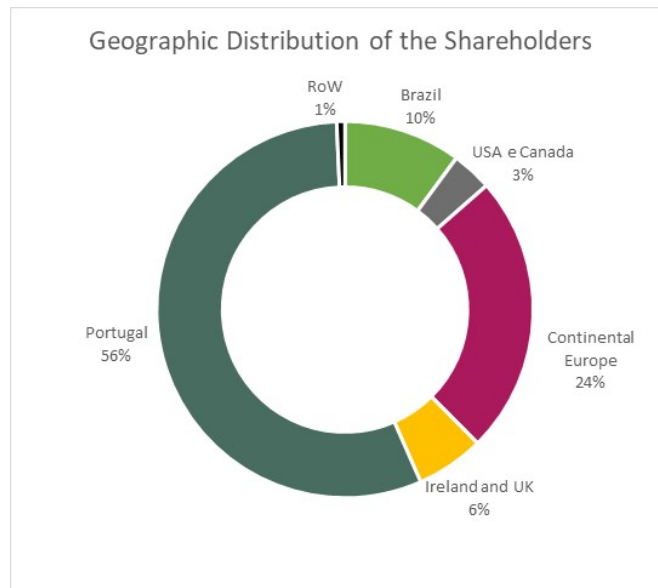
## II. SHAREHOLDINGS AND BONDS

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

As at 31 December 2019, qualified holdings represented about 25.9% 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%
<b>09/10/2019</b>	<b>Real Vida Seguros S.A.</b>	<b>38,875,874</b>	<b>4.34%</b>	<b>4.34%</b>
	Patris Investimentos SGPS SA	38,875,874	4.34%	
	Gonçalo Pereira Coutinho	Holds 54,518% Patris Investimentos SGPS SA		
	Total attributable	38,875,874	4.34%	4.34%
<b>26/02/2020</b>	<b>Abante Asesores, S.A.</b>	<b>18,200,000</b>	<b>2.03%</b>	<b>2.03%</b>
	Abante Asesores, S.A. holds 99.99% of Abante Asesores Gestión SGIIC, S.A. (management company of Abante Pangea Fund) and 99.99% of Abante Pensiones EGFP, S.A. (management company of Tempus 30-75 Pensiones F.P.)			
	Total attributable	18,200,000	2.03%	2.03%

PHAROL has a diversified shareholder structure, with around 44% of its share capital held by foreign shareholders, essentially divided between Brazil, North America (US and Canada) and Europe, representing 10%, 11% and 30% respectively of the shareholder basis. The Portuguese market represents around 56% of the shareholder basis.



*Source: Interbolsa (December 2019)*

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 favorable 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 25,614,830.88 common shares and 51,229,661.76 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.

Relevant transactions executed during 2019 with other owners of qualified holdings, who are not related parties, are described in Note 22 the consolidated financial statements included in the Report and Consolidated Accounts 2019. 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 there are discussions involving companies from both Groups and was signed an agreement to that effect on 9 January 2019.

## **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  
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#### **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*

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Diogo Lacerda Machado	Chairman
Maria de Lourdes Cunha Trigo	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 are deemed to be the shareholders, while the entity in whose name the shares are registered is deemed a simple representative of the shareholders, provided however that such shareholders comply with the conditions set forth in the Bylaws for the exercise of such right. These conditions are communicated to the holders of the right to vote in each notice for the General Meeting of shareholders.

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

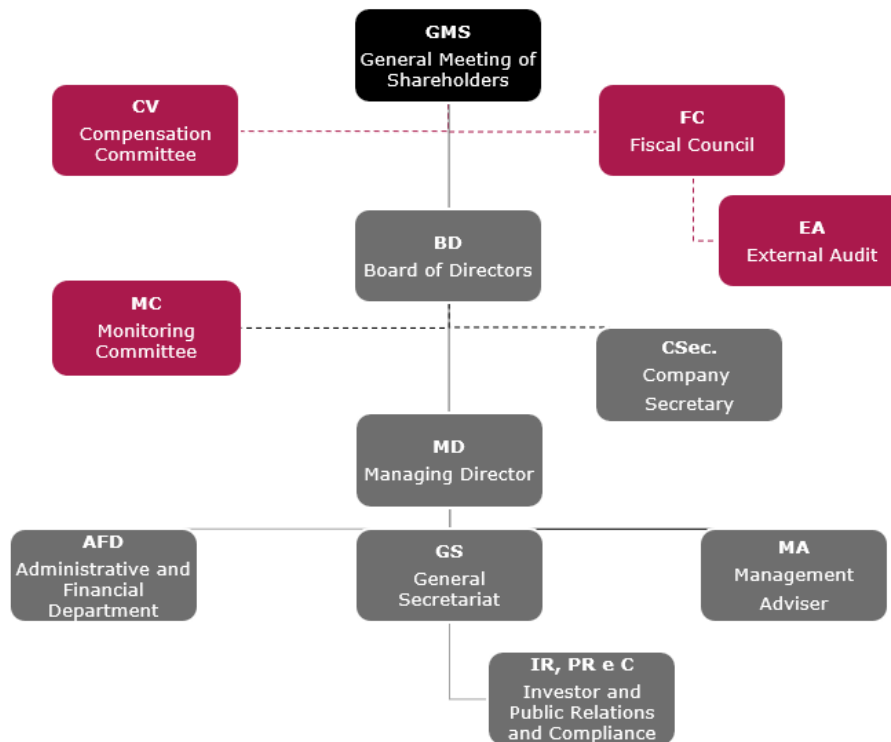
#### 15. IDENTIFICATION OF THE CORPORATE GOVERNANCE MODEL

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 a Monitoring Committee, which, however, was not fulfilled considering the size of the company and the high frequency of meetings of the Board of Directors.

PHAROL' 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.

On 31 December 2019, PHAROL' governance model could be schematised as follows:



The Fiscal Council, together with the Statutory Auditor, perform the supervision functions set forth in the applicable laws and regulations.

#### 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 December 31, 2019, under the statutory terms, the Board of Directors of PHAROL was composed of a minimum of 9 and a maximum of 11 members, elected by the shareholders at a General Meeting by a majority of the votes cast.

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.

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, 2019, 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
Aristóteles Luiz Menezes Vasconcellos Drummond (2017) (*)	Member	Yes	
Avelino Cândido Rodrigues (2019)	Member	Yes	
Jorge Augusto Santiago das Neves (2017) (*)	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	
Nelson Sequeiros Rodriguez Tanure (2017) (**)	Member	No	10,000
Pedro Zañartu Gubert Morais Leitão (2015)	Member	Yes	

(1) Evaluation of independence made in accordance with internal regulation, article 414-5 of the Portuguese Companies Code and item 18 of the form attached to CMVM Regulation no. 4/2013, as the case may be.

(\*) Termination of office on January 8, 2020.

(\*\*) Resigned on December 6, 2019 with termination of office on January 8, 2020.

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 2019 the Company distinguishes executive and non-executive directors. In the same item, those directors that are considered independent are identified.

As at 31 December 2019, the Board of Directors of PHAROL has 6 independent directors, from among 9 members of the Board. On January 8, 2020, date of the General Meeting to deliberate the reduction of the minimum and maximum number of members of the Board of Directors, the number of independent directors decreased to 4 from among 6.

All directors deemed independent by PHAROL, as of 31 December 2019, 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.

The *curricula* of PHAROL's directors, in Appendix I, fit all legal 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 2019, 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: he is director for the financial area of Novo Banco, S.A., an entity having a qualified holding more than 2%

#### 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 November 19, 2019, the shareholder with a qualified holding in PHAROL, Real Vida Seguros, requested that a General Meeting be convened to amend paragraph 1 of Article 18 of the Company's Bylaws, with the Board of Directors now being composed of a minimum of three and a maximum of seven members. The said Meeting took place on December 18, 2019, however, due to the lack of a deliberative quorum on that date, this proposal was approved by the General Meeting held on the second date, on January 8, 2020.

Due to this fact at the end of 2019, the new regulations of the Board of Directors and Chief Executive Officer, duly autonomous and which were under analysis and approval by the Board of Directors in December 2019, were only approved at the beginning of 2020. Despite this, PHAROL understands that they should be taken into account in this report regarding the principles of performance, composition and qualifications of the Board of Directors, which, in this way, is 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:

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;

Approving the general policies and the strategy for the Company and its subsidiary(ies), considering the objectives and principles approved by the General meeting;

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;

Deciding on important extensions or reductions in the Company's business activities or in those of its subsidiary(ies);

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;

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;

Ensuring that the Company has efficient internal control, risk management and internal audit systems;

Replacing directors who are definitively absent, through co-optation;

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;

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;

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.

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 2019 met with high frequency, having held 12 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.

Do 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.

### **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:

- Convening and directing the meetings of the Board of Directors;
- Representing the Board of Directors in legal and non-legal matters
- Co-ordinating the activity of the Board of Directors and apportioning tasks among members when recommended based on management expediency;
- Ensuring that the resolutions of the Board of Directors are properly complied with.

### **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.

As mentioned above, and for the reasons set out in relation to the delay in formalizing the approval of the new autonomous regulations for the Board of Directors and Chief Executive Officer, the latter has in its regulation a description of its powers and delegation of powers.

PHAROL considers that, in this matter, and similarly to what happens with the Regulations of the Board of Directors, also the Regulations of the Managing-Director approved at the beginning of 2020, should be considered in this report.

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 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, propose any changes that are deemed necessary, and serve as the recipient of the corresponding reports, in order to guarantee that the risks effectively faced by the Company are consistent with the objectives established by the board;
- m) 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;
- n) contract services provided by experts to assist the Fiscal Council members in carrying out their duties, such 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;

- o) 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;
  - p) 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;
  - q) 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;
  - r) 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;
  - 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.
2. The methodology of communication between the Company and the statutory auditor or the firm of statutory auditors shall conform to the good practices of corporate governance.
3. Any member of the Fiscal Council shall carry out, jointly or individually and at any time throughout the year, all acts of supervision and inspection deemed convenient for the fulfilment of his supervisory obligations.
4. 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 accounting 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:

[http://conteudos.pharol.pt/Documents/EN/Regulation/2018/Regulamento\\_CA\\_en.pdf](http://conteudos.pharol.pt/Documents/EN/Regulation/2018/Regulamento_CA_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 2019 financial year, 12 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 29, 2019, 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, 2019, the Managing Director was the Chairman of the Board of Directors, Luís Maria Viana Palha da Silva

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, 2019, 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.

#### OPERATION

### 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 18, 2019, which may be consulted at the following link:

[http://conteudos.pharol.pt/Documents/EN/Regulation/2015/10\\_October/Regulamento\\_Conselho\\_Fiscal\\_en.pdf](http://conteudos.pharol.pt/Documents/EN/Regulation/2015/10_October/Regulamento_Conselho_Fiscal_en.pdf)

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 2019 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 2019, 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 2019 financial year.

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

In 2019, the Statutory Auditor also rendered the external audit service to PHAROL and there is 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 2019 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 80,000 euros to which VAT is added at the legal rate, referring to 2019.

### 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 favorable 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 procediment to adopte in the System for Disisclosure of Unethical Practices or Whistleblowing.

Within Whistleblowing, "Unethical Practices e/ou 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>

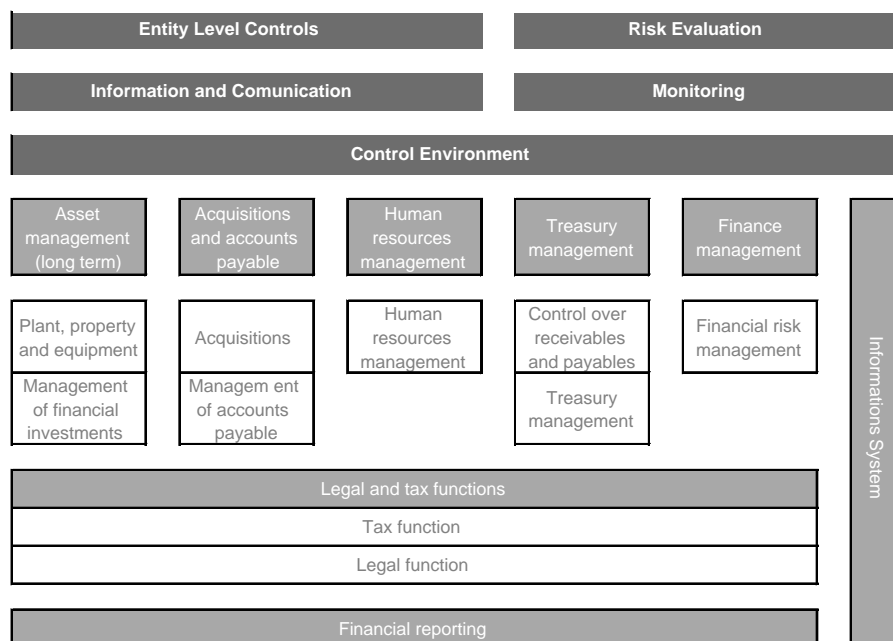
## III. INTERNAL CONTROL AND RISK MANAGEMENT

### 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:

- evaluate internal procedures for accounting and auditing matters;
- assess the effectiveness of the Risk Management System regarding tax, legal, economic and financial aspects;
- evaluate the effectiveness of the internal control system;
- 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	With the Judicial Recovery measures already in their final phase of implementation and consequently PHAROL had suffered a dilution in its participation, PHAROL will again be subject in Brazil to the operational performance of the company Oi.	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.
	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 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. Market interest rates also affect the discount rates used for impairment testing to the various assets of the company.	On December 31, 2019 PHAROL has no debt.
	Treasury Applications	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.
	Default by Rio Forte as to the reimbursement of the instruments that PHAROL holds following the execution of the Exchange	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.
Legal Risks	Court proceedings	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.
	Disputes or investigations triggered under the Rio Forte Instruments or the Business Combination	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.
	Tax contingencies	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.

Economic Risks	Oi's Performance
	Information Security
Financial Risks	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
Legal Risks	Agreements with Oi / Business Combination
	Court proceedings



### **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

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

<http://pharol.pt/en-us/informacao-financeira/relatorios/pages/2019.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, 2019, 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 2019 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. 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 29 March 2019 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 2019, 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 2019	Variable Remuneration 2019
Luís Maria Viana Palha da Silva (2015)	294,000	163,513 (*)
Aristóteles Luiz Menezes Vasconcellos Drummond (2017) (1)	35,000	
Avelino Cândido Rodrigues (2019)	31,436	
Bryan Schapira (2018) (2)	27,131	
Isabel Maria Ferreira Possantes Rodrigues Cascão (2019) (3)	27,385	
João Manuel Pisco de Castro (2015) (4)	2,917	
Jorge Augusto Santiago das Neves (2017) (1)	35,000	
Jorge Telmo Maria Freire Cardoso (2014)	35,000	
Maria do Rosário Amado Pinto Correia (2015)	35,000	
Maria Leonor Martins Ribeiro Modesto (2018) (4)	35,000	
Nelson Sequeiros Rodriguez Tanure (2017) (1)	35,000	
Pedro Zañartu Gubert Morais Leitão (2015)	35,000	
<b>Total</b>	<b>627,869</b>	<b>163,513</b>

(1) Termination of office on January 8, 2020.

(2) Resigned on October 31, effective November 30, 2019.

(3) Resigned on September 9, effective October 31, 2019.

(4) Was in office in the Board of Directors until February 8, 2019.

(\*) Pursuant to the Declaration on the Remuneration Policy, approved at the General Meeting, annex II of this report, the Remuneration Committee understood that, due to the nature and objectives of the Company, the Agreement with Oi constituted an extraordinary event that represented a undeniable and measurable creation of value for shareholders, having thus attributed an equally extraordinary premium to the Managing-Director.

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

During 2019, 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 2019, which was presented to the General Meeting of shareholders March 29, 2019, 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 2019, 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 2019
José Maria Rego Ribeiro da Cunha		49,000
Isabel Maria Beja Gonçalves Novo		31,500
João Manuel Pisco de Castro	(1)	28,944
Paulo Ribeiro da Silva	(2)	N/A
<b>Total</b>		<b>109,444</b>

(1) Elected on February,8, 2019.

(2) 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 2018 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)**

To ensure full compliance with PHAROL's obligations to disclose Related Party Transactions, the Company has implemented the procedures and internal control mechanisms designed to identify and ensure transparency of the decision-making processes for Transactions with Related Parties, and, secondly, determine the Transactions whose disclosure is relevant in accordance with the legal, regulatory and accounting rules to which it is bound.

For these purposes, the following transparency rules in the processes of deciding Related Party Transactions are fully complied by all stakeholders:

1. To preserve the transparency of PHAROL's decision-making processes when dealing with Related Party Transactions, such processes are subject to a general principle that no major corporate member and key contributor has formal authority within the PHAROL Group to authorize Transactions with himself, with any family member or entity under his control.
2. In such situations, approval of Related Party Transactions shall be held by an equivalent or superior member in the PHAROL Group hierarchy to ensure the independence of the decision-making process on the concerned Transaction.
3. Whenever Transactions of PHAROL or its Subsidiaries with Related Parties, or their renewals, whose aggregate value per entity exceeds Euro 200,000 (two hundred thousand euros) per semester, the realization thereof may only be approved once obtained prior favorable opinion of the supervisory body confirming that, in view of the reasoning given, the nature of the Related Party of the counterparty did not influence the decision to contract and the terms and conditions agreed.
4. The Transactions of PHAROL or its Subsidiaries held with shareholders holding a qualifying holding pursuant to article 16 of the Portuguese Securities Code or entities that with the latter are in one of the relations provided for in article 20 of the Code or its renewals, whose aggregate value per entity exceeds Euro 1,000,000 (one million euros) per year, are subject to approval by the Board of Directors, after obtaining a prior favourable opinion from the supervisory body, confirming that, given the reasons given, nature of a shareholder holding a qualifying holding or entity that is in one of the relationships provided for in article 20 of the CMVM of the counterparty did not influence the decision to contract or the terms and conditions agreed.
5. The transactions of PHAROL or its Subsidiaries made with members of the Board of Directors of PHAROL shall be subject to approval by the Board of Directors, regardless of the respective amount, pursuant to paragraph 2 of article 397 of the Commercial Companies Code.
6. Proposals for Transactions submitted by the above-mentioned bodies must be substantiated and should specifically mention the advantages inherent to the Transactions in question.
7. For the purposes set out in points 3 and 4 above, the Board of Directors shall be instructed to provide the following information regarding the Transaction on which it is called upon: (i) sufficient information on the characteristics of the transaction in question, in particular from a strategic, financial, legal and fiscal point of view; (ii) information on the nature of the relationship between PHAROL, or its Subsidiaries, and the counterparty concerned; (iii) the procedures and financial terms agreed in the scope of the operation; (iv) the evaluation procedure adopted and the respective assumptions, including

prices used as a reference; (v) the hiring process; and (vi) the impact of the transaction on the financial position of the PHAROL Group.

8. The information referred to in item 7. above shall be prepared by the proposer of the Transaction.
9. The supervisory board shall inform the Board of Directors of opinions issued on Transactions not subject to approval by the Board of Directors of PHAROL at the meetings of the Board of Directors to approve the semiannual and annual financial information immediately following the issuance of said opinions.
10. Where the execution of any of the operations referred to in points 3 or 4 entails the successive completion of several transactions where the second and subsequent transactions are mere acts of execution of the first, as provided for in points 3 to 9. the first transaction.
11. The following transactions with related parties are therefore excluded from the scope of application of the said internal regulations:
  - a) Purchases of goods or services contracted with compliance with internal rules regarding purchases, suppliers and service providers that are in force at the time of hiring;
  - b) Banking operations of PHAROL and Subsidiaries, including collection, payment, deposits and other financial investments, short- and medium-term financing operations, commercial paper issuance, foreign exchange operations, hedging derivatives and guarantees provided that they do not exceed the aggregate value of Euro 300,000 (three hundred thousand euros) per year;
  - c) Between companies in a control or group relationship with PHAROL or between PHAROL and PHAROL;
  - d) where the consideration is determined based on official quotations (e.g. exchange or interest rate and commodity contracts) if the agreed ranges correspond to normal market practices;
  - e) where the consideration is determined based on tariffs or charges fixed by the competent regulatory authorities to which it competes;
  - f) The payment by the PHAROL Group of the remuneration of the main corporate members and key employees for the performance of their duties;
  - g) The operations accessible to all employees or shareholders of the PHAROL Group under equivalent conditions;
  - h) The acquisition of technical services, such as legal or tax consultancy, where the approval procedure provided for in this article may jeopardize the timely provision of such services, taking into account the specific nature of the services to be rendered, namely, taking into account the qualifications and degree of knowledge required for the provision of the services in question, as well as the time limit for their implementation;
  - i) Transactions that constitute the execution of transactions already contracted under general contracts already in force in the PHAROL Group.

## 90. TRANSACTIONS SUBJECT TO CONTROL

In 2019, 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.

## I. 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 21 to the consolidated financial statements for the year 2019. There were no transactions with related parties' to disclose in respect of the fiscal year ended on 31 December 2019.

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 22 to the consolidated financial statements for the year of 2019.

## 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 2019 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 in January 1, 2018.

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/2018/codigo-en-2018-ebook.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.

RECOMENDAÇÃO DO IPCG		COMPLIANCE	REPORT
<b>Chapter I · GENERAL PROVISIONS</b>			
I.1. Company's relationship with investors and disclosure			
I.1.1	The Company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the markets in general.	Complied	Items 56, 58 and 59
I.2. Diversity in the composition and functioning of the company's governing bodies			
I.2.1.	Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.	Complied	Items 19, 21 and Appendix I
I.2.2.	The company's managing and supervisory boards, as well as their committees, should have internal regulations —	Complied	Items 21, 22, 27, 31 and 34

	namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members —, and detailed minutes of the meetings of each of these bodies should be carried out.		
1.2.3.	The internal regulations of the governing bodies — the managing body, the supervisory body and their respective committee — should be disclosed, in full, on the company's website.	Complied	Items 22, 27, 34 and 61
1.2.4.	The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.	Complied	Items 17, 23, 31, 35, 59
1.2.5.	The company's internal regulations should provide for the existence and ensure the functioning of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for the communication of irregularities (whistleblowing) that guarantees the suitable means of communication and treatment of those irregularities, but safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality requested.	Complied	Items 21 and 49
<b>I.3. Relationships between the company bodies</b>			
1.3.1.	The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.	Complied	Items 22, 34 and 61
1.3.2.	Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.	Complied	Items 22, 34 and 61
<b>I.4. Conflicts of interest</b>			
1.4.1.	The duty should be imposed, to the members of the company's boards and committees, of promptly informing the respective board or committee of facts that could constitute or give rise to a conflict between their interests and the company's interest.	Complied	Items 34 and 89
1.4.2.	Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.	Complied	Items 34 and 89
<b>I.5. Related party transactions</b>			
1.5.1.	The managing body should define, in accordance with a previous favorable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorization of the managing board, and (ii) due to their increased value require an additional favorable report of the supervisory body.	Explain	Items 17, 21 and 89  In 2019 PHAROL did not carry out transactions with related parties. In

			addition, the service order relating to this matter is under review on this date in order to fully comply with all legal requirements and respective recommendations.
1.5.2.	The managing body should report all the transactions contained in Recommendation 1.5.1. to the supervisory body, at least every six months.	Complied	Items 21 and 89
<b>Chapter II · SHAREHOLDERS AND GENERAL MEETINGS</b>			
II.1.	The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.	Complied	Item 12
II.2.	The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.	Complied	Item 14
II.3.	The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.	Complied	Item 12
II.4.	The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.	Explain	<ul style="list-style-type: none"> <li>• Bylaws, article 16 n°4.</li> <li>• The Company understands that, given the relevance of the General Shareholders' Meeting, the participation in by telematic ways can jeopardize the integrity of the information and entails risks of dissemination of information that the Company, out of respect for its shareholders, does not want to put in question.</li> </ul>
II.5.	The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution — without increased quorum in comparison to the legally established — and in that resolution, all votes cast will be counted without observation of the imposed limits.	Complied	Items 5 and 21
II.6.	The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer	Complied	Item 4

	of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.		
<b>Chapter III - NON – EXECUTIVE MANAGEMENT, MONITORING AND SUPERVISION</b>			
III.1.	Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.	Explain	Item 21 Due to the size of the Board of Directors, all directors make an informed decision on the matters submitted to them.
III.2.	The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.	Complied	Items 17, 18, 21 and 31
III.3.	In any case, the number of non-executive directors should be higher than the number of executive directors.	Complied	Items 17, 18 and 21
III.4.	Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to: i. having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis; ii. having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years; iii. having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person; iv. having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; v. having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or vi. having been a qualified holder or representative of a shareholder of qualifying holding.	Complied	Items 17 and 18
III.5.	The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).	Not Applicable	Item 17

III.6.	Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	Complied	Item 21
III.7.	The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	Not Applicable	
III.8.	The supervisory body, in observance of the powers conferred to it by law, should, in particular, monitor, evaluate, and pronounce itself on the strategic lines and the risk policy defined by the managing body.	Complied	Item 21 and 34
III.9.	Companies should create specialized internal committees that are adequate to their dimension and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.	Explain	<p>Item 15</p> <p>Given the nature and objectives of the company and its small size, it is not necessary to set up several internal commissions. Considering, in particular, the close and frequent monitoring that the board of directors does of all matters that could be the responsibility of the referred commissions. And it is in this line, despite the fact that the Board of Directors approved, on June 30, 2015, a Monitoring Committee and the respective powers, led to the fact that filling the posts of that Committee had not been considered a priority. Also, in this option, the costs associated with it continued to weigh given the decision taken by the Remuneration Committee that fixed certain amounts of remuneration for the performance</p>



			of those posts. The Board of Directors keeps this matter under review.
III.10.	Risk management systems, internal control and internal audit systems should be structured in terms adequate to the dimension of the company and the complexity of the inherent risks of the company's activity.	Complied	Items between 50 to 55
III.11.	The supervisory body and the committee for financial affairs should supervise the effectiveness of the systems of risk management, internal control and internal audit, and propose adjustments where they are deemed to be necessary	Complied	Item 34
III.12.	The supervisory body should provide its view on the work plans and resources of the internal auditing service, including the control of compliance with the rules applied to the company (compliance services) and of internal audit, and should be the recipient of the reports prepared by these services, at least regarding matters related with approval of accounts, the identification and resolution of conflicts of interest, and the detection of potential irregularities.	Complied	Items 21, 34 and 51
<b>Chapter IV EXECUTIVE MANAGEMENT</b>			
IV.1.	The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.	Not Applicable	PHAROL complies with the provisions of Article 398 of the CSC. Also, the only executive director has full-time duties.
IV.2.	The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: i. the definition of the strategy and main policies of the company; ii. the organization and coordination of the business structure; iii. matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.	Complied	Item 21
IV.3.	In matters of risk assumption, the managing body should set objectives and look after their accomplishment.	Complied	Item 52
IV.4.	The supervisory board should be internally organized, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body	Complied	Items 21 and 51
<b>Chapter V · EVALUATION OF PERFORMANCE, REMUNERATION AND APPOINTMENT</b>			
<b>V.1. Annual evaluation of performance</b>			
V.1.1.	The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	Complied	Item 21

V.1.2.	The supervisory body should supervise the company's management, especially, by annually assessing the accomplishment of the company's strategic plans and of the budget, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	Complied	Item 21 e 34
<b>V.2. Remuneration</b>			
V.2.1.	The remuneration should be set by a committee, the composition of which should ensure its independence from management.	Complied	Items 67 and 68
V.2.2.	The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.	Complied	Appendix II
V.2.3.	The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, 19th June, should additionally contain the following: i. the total remuneration amount itemized by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied; ii. remunerations from companies that belong to the same group as the company; iii. the number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date; iv. information on the possibility to request the reimbursement of variable remuneration; v. information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation; vi. information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.	Complied	Appendix II
V.2.4.	For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.	Not Applicable	Appendix II
V.2.5.	In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.	Complied	Item I. General Meeting

V.2.6.	Within the company's budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee.	Explain	Appendix II There was never any request to contract these kinds of services. If so, the company will proceed, taking into account budget limits and rules of independence.
<b>V.3. Director remuneration</b>			
V.3.1.	Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.	Complied	Item 69 and Appendix II
V.3.2.	A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.	Complied	Items 25, 72 and Appendix II
V.3.4.	When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.	Not Applicable	Appendix II
V.3.5.	The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.	Complied	Items 69, 77 and Appendix II
V.3.6.	The company should be provided with suitable legal instruments so that the termination of a director's time in office before its term does not result, directly or indirectly, in the payment to such director of any amounts beyond those foreseen by law, and the company should explain the legal mechanisms adopted for such purpose in its governance report.	Not Complied	Items 83 and Appendix II
<b>V.4. Appointments</b>			
V.4.1.	The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.	Not Applicable	There was no elective general meeting in 2019, however, we refer to point 21 that establishes the criteria and requirements of technical competence, independence, integrity, loyalty, availability, experience and gender diversity, they will develop their respective qualifications, knowledge and experience for the exercise of their duties and competences and

			the fulfillment of the respective duties and functions.
V.4.2.	The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.	Explain	The size of the Society does not justify it.
V.4.3.	This nomination committee includes a majority of nonexecutive, independent members.	Not Applicable	
V.4.4.	The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organization, a suitable diversity, including gender diversity.	Not Applicable	
<b>Chapter VI · RISK MANAGEMENT</b>			
VI.1.	The managing body should debate and approve the company's strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.	Complied	Item 21 and 54
VI.2.	Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; (iv) the monitoring procedures, aiming at their accompaniment; and (v) the procedure for control, periodic evaluation and adjustment of the system.	Complied	Items 53, 54 and 55
VI.3.	The company should annually evaluate the level of internal compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.	Complied	Items 21 and 51
<b>Chapter VII · FINANCIAL STATEMENTS AND ACCOUNTING</b>			
<b>VII.1. Financial information</b>			
VII.1.1.	The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.	Complied	Items 21 and 34
<b>VII.2. Statutory audit of accounts and supervision</b>			
VII.2.1.	Through the use of internal regulations, the supervisory body should define: i. the criteria and the process of selection of the statutory auditor; ii. the methodology of communication between the company and the statutory auditor; iii. the monitoring procedures destined to ensure the independence of the statutory auditor; iv. the services, besides those of accounting, which may not be provided by the statutory auditor.	Complied	Items 21 and 34
VII.2.2.	The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that	Complied	Item 21

	adequate conditions for the provision of services are ensured within the company.		
VII.2.3.	The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.	Complied	Items 21 and 45
VII.2.4.	The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control, and report any irregularities to the supervisory body.	Complied	Items 21 and 51
VII.2.5.	The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any difficulties encountered whilst carrying out their duties.	Complied	Items 21 and 51

## 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 Kasmunaygas  
Chairman of the Fiscal Council of Seguradoras Unidas, S.A.  
Non-executive Director of Sovena

#### ***Aristóteles Luiz Menezes Vasconcellos Drummond (Director)***

Member of the Board of Directors of SEBRAE/RJ  
Director and Vice-President of Associação Comercial do Rio de Janeiro since 1968  
Member of the Advisory Committee – Associação Cultural da Arquidiocese do Rio de Janeiro  
Director of Fundação Luso-Brasileira since 2000  
Alternate Member of the Board of Directors of Light Energia S.A. (03,09,2018)  
Alternate Member of the Board of Directors of Light Serviços de Eletricidade S.A. (03.09.2018)  
Alternate Member of the Board of Directors of Light S.A. (03.09.2018)

#### ***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 Augusto Santiago das Neves (Director)***

Lawyer at BAS Advogados, Lisbon

#### ***Jorge Telmo Maria Freire Cardoso (Director)***

Member of the Executive Board of Directors of Novo Banco, S.A.  
Member of the Board of Directors of NB Finance, Ltd.  
Chairman of the Board of Directors of E.S. Teach Ventures, SGPS S.A.  
Non-Executive Member of the Board of Directors of Enternext, S.A.

***Maria do Rosário Amado Pinto-Correia (Director)***

Chairman of the Board 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 licentiate programs and Executive Education 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 of Economics, Universidade Católica Portuguesa, June 2008 to present  
Managing Partner of Modelling Mind, Lda. since June 2010

***Nelson Sequeiros Rodriguez Tanure (Director)***

Doesn't perform any function in another Companies.

***Pedro Zañartu Gubert Morais Leitão (Director)***

Chairman of the Board of Directors of Prio Energy 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, 64 years old*

Member of Board of Directors of Oi S.A. from 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 Board of Directors of Fima – Produtos Alimentares, S.A. | Member of the Board of Directors of Victor Guedes Indústria e Comércio, S.A. | Member of the Board of Directors of Indústrias Lever Portuguesa, S.A. | Member of the Board of Directors of Olá – Produção de Gelados e Outros Produtos Alimentares, S.A. | Manager of Unilever Jerónimo Martins, Lda. | Manager of Gallo Worldwide, Lda. | 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

| 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 Fiscal Council of Fórum para a Competitividade | Chairman of the Board of EPIS - Empresários pela Inclusão Social | Chairman of the Fiscal Council of Companhia de Seguros Tranquilidade, S.A. Logo e Açoreana and Açoreana de Seguros since 2017 Seguradoras Unidas, S.A. | Degree in Economics from Instituto Superior de Economia | Degree in Business Management from Universidade Católica Portuguesa | AMP – University of Pennsylvania – Wharton School of Economics.

*Aristóteles Luiz Menezes Vasconcellos Drummond (Director)*  
*Brazilian, 75 years old*

Fiscal Council Member of CEMIG from 1999 to 2015 | Fiscal Council Member of Light from 2006 to 2015, Elected Chairman of the Board | Contributor to the Jornal do Brasil, Diário do Comércio – SP, Hoje em Dia – BH, Correio da Serra – Barbacena, Diário de Petrópolis - RJ, Destak, Edição Nacional, jornal O Dia – RJ, and others | Journalist registered as redator at DRT/RJ | Professional in Public Relations registered at Conselho Regional de Profissionais de Relações Públicas | Director registered at Conselho Regional de Administração.

*Avelino Cândido Rodrigues*  
*Portuguese, 60 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

*Jorge Augusto Santiago das Neves (Director)*  
*Portuguese, 59 years old*

Chairman of the Fiscal Council of Hiperclima, S.A. from 1995 to 2017 | Counsel, Gomez Acebo & Pombo (2012-2014) | Partner, Gomez Acebo & Pombo (2010-2012) | Law Degree, Universidade Lusíada of Lisbon, 1986 | Master's Degree (LL.M.), Corporate and Commercial Law, University College of London, Reino Unido, 1987.

*Jorge Telmo Maria Freire Cardoso (Director)*  
*Portuguese, 48 years old*

Chairman of the Board of Directors of Banque Espírito Santo et de la Vénétie, S.A. from April 2017 to December 2018 | Non-Executive Member of the Board of Directors of Banque Espírito Santo et de la Vénétie, S.A. from April 2016 to April 2017 | Non-Executive Member of the Board of Directors of Visabeira from April 2014 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 | 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 Chairman of the Board of Directors of CGD Investimentos Corretora de Valores e Câmbio, S.A. from May 2012 to April 2014 | Graduate in Economics by Universidade Nova de Lisboa | MBA by Instead.



*Maria do Rosário Amado Pinto-Correia (Director)*  
*Portuguese, 61 years old*

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/CLSBE 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 | 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, 62 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), December 2008 to January 2017 | Associate Dean for Research of CLSBE, 2012 – May 2014 | Director of CUBE – Unidade de Investigação da CLSBE, 2007 – May 2014 | 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,

*Nelson Sequeiros Rodriguez Tanure*  
*Brazilian, 68 years old*

Qualified shareholder of Petrório S.A. since 2013 | Incorporates Intelig with TIM Brasil em 2010, from 2010 to 2015, Brazilian major shareholder of TIM Brasil | Chairman of CBM – Companhia Brasileira de Multimídia from 2000 to 2006 | Degree in Business Administration, Universidade Federal of Bahia, 1975 | Graduated from Institut des Hautes Etudes of Developpment Economique et Social – Université Paris I – 1976 | Graduated from Harvard Business School, Owner/President Management III Cambridge – Boston.

*Pedro Zañartu Gubert Morais Leitão (Director)*  
*Portuguese, 54 years old*

Non-Executive Director of Villas Boas ACE, S.A. from 2012 to 2018 | Chairman of the Board of Directors of ONI, SGPS from 2012 to 2013 | Director of Unyleya Brasil and Unyleya Portugal from 2010 to 2011 | 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 Business Management, ISCTE (2000).

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 Board of Directors of CTT, S.A., since 2017 and Vice Chairman from 2014 to 2017 | Chairman of the Audit Board of Mystic Invest S.A. since 2019 | Chairman of the Audit Board of Mystic Invest SGPS S.A. (2018/2019) | Vice Chairman of the Board of Directors (non-executive) of Soares da Costa Construção SGPS, S.A. from 2014 to 2015 | 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. (2015/2018) | Non-Executive Member of the Board of Directors and Chairman of the Appointments and Remunerations Committee of CIMPOR – Cimentos de Portugal SGPS, S.A. from 2009 to 2012.

*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 this role between August 2012 and March 2014).

Graduated in Management & Business Administration, Universidade Católica Portuguesa (1982). Training programs in INSEAD, France.

Non-Executive Independent Director of Endesa Energia (also member of the Audit Committee and the Nomination and Remuneration Committee) from 2015 and Director of Cotec Portugal from 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, then from 2010 to 2012 ,was CEO of Cimpor – Cimentos de Portugal SGPS, S.A., 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 and Chairman of Banco CTT from 2015 to 2019.

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 Mansajeria, S.L.U from 2014 to 2019 | Member of the Board of Directors of Portuguese Foundation of Communications 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 | Member of the Board of Cotec Portugal since 2015, Chairman from 2015 to 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 since 2006, Vice-Commodore since 2016.

*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 F&C Portugal since 2017 | Member of the Board of the "Ordem dos Economistas" since 2018 | Visiting Assistant Professor in ISCTE since 2005 | Visiting Lecturer in INDEG–ISCTE since 2005 | Director of the Executive MBA of INDEG–ISCTE 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 Commission 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 since 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 Bebé)
- Bens de Utilidade Social (BUS)
- Plataforma para o Crescimento Sustentável (PCS)
- Associação de Tratamento de Toxicodependentes / FAROL (ATT)

Fluent in English, French and Spanish.

*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)*

President of Visabeira Global, SGPS S.A.  
President of Empreendimentos Turísticos Montebelo, SGPS, S.A.  
Director of Grupo Visabeira, SGPS S.A.  
Director of Vista Alegre Atlantis, SGPS S.A.  
Director of Visabeira Indústria, SGPS, S.A.  
Chairman of Vista Alegre USA  
Director of Real Life – Tecnologias de Informação, S.A.  
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 | 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 – ISTEC – 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

## **“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 governing bodies began their new mandate in 2018. The Remuneration Committee analysed the remuneration policy for the previous mandate and concluded that, essentially, it guaranteed the main objectives and emphasised management performance and alignment with the company's interests. Within this context, the committee decided to maintain the basic principles of the policy applicable to the previous mandate, which was approved by the shareholders every year, although some adjustments and enhancements deemed appropriate were made.

### 2. Remuneration Policy for non-executive directors and members of the Supervisory Board:

Remuneration of non-executive members of the Board of Directors and members of the Supervisory Board consists of a fixed annual remuneration (divided into 14 payments per year), without including attendance fees.

In defining the fixed remunerations, an effort was made to ensure a remuneration level that recognises the responsibility inherent to the respective duties and that fosters adequate performance of the said duties.

We decided to maintain the values applied in the previous mandate which had been determined in line with values paid by companies with a similar market capitalisation listed in Euronext Lisbon.

No type of variable remuneration is foreseen for non-executive members of the Board of Directors and members of the Supervisory Board.

Therefore, the annual remunerations stipulated for this mandate are of 35,000 euros for non-executive directors and 42,000 and 31,500 euros for the president and members of the supervisory board, respectively.

### 3. Remuneration Policy for Executive Directors

The remuneration for Executive Directors, which since 27 March 2017 has been applied to the Managing Director's remuneration, consists of a fixed component and a variable component.

In defining the variable remuneration, we endeavoured to maintain a reasonable balance between dissuading excessive risk-taking and an effective alignment of management interests with the interests of the company's shareholders.

#### A) Fixed remuneration

The fixed remuneration component takes into account: (i) that the executive board consists of a single person (managing director); (ii) that the managing director is also the chairman of the company's board of directors; (iii) that it is expected to remain competitive by endeavouring to maintain it aligned with average remunerations of executive directors at companies with a similar market capitalisation listed on Euronext Lisbon; and (iv) that the position is complex and requires expertise. Therefore, it was decided to maintain an annual payment of 294,000 euros for this mandate, as applied in the previous year, for the managing director's fixed remuneration, paid through a monthly salary 14 times per year. A benefit of life insurance and personal accident insurance is added to the said remuneration.

#### B) Variable Remuneration

The variable remuneration is associated to the managing director's performance. The variable remuneration will be determined according to the different levels of achieving the specific objectives approved in advance, associated to performance objectives that are objective, simple, transparent and measurable. The Remuneration Committee assessed the evolving scenario in the stock market, economy and company's operation and concluded that it should maintain the two criteria that were applied in the previous mandate, although with a slight alteration of the respective weights, as follows: the Total Shareholder Return (TSR) of

the Company's shares (80%) and the company's Operational Efficiency, measured by the ratio between budgeted and real recurring expenses (20%).

The variable remuneration has a maximum value of 100% of the fixed annual remuneration, a limit that decreases to 50%, in the 2nd and following years of the mandate if the accumulated TSR is not positive.

Therefore, the variable remuneration will represent a maximum of 50% of the total annual remuneration.

The variable remuneration will be paid in currency, 50% in the month subsequent to the date when the accounts are approved by the General Shareholders Meeting and 50% with a 3-year deferment and subject to confirmation of the company's positive performance in the period in question, to be determined by the Remuneration Committee, which will take into account the financial sustainability and economic situation of the company and of its business sector, in addition to exceptional factors not subject to control by the management and that may affect the company's performance.

These principles and indicators for determining the variable component of the remuneration aim to ensure a clear alignment between the interests of the executive director and of the company, thereby fostering the pursuit and achievement of objectives through quality, work capacity, dedication and business know-how and an incentive and compensation policy to attract, motivate and retain the best professionals.

The Remuneration Committee also believes that, due to the company's nature and objectives, should an extraordinary event occur representing an undeniable and measurable creation of value for shareholders during the year in which the event becomes definitive, the granting of a reward equally extraordinary to the Managing Director will be taken into consideration, within the terms to be specified in time and according to the concrete characterisation of the said event and if the said reward is justifiably proposed by the company's Board of Directors.

#### 4. Awarding shares or share options

The company does not have or advocate a policy of awarding shares or share options for the mandate in progress.

#### 5. Termination of duties by executive directors

If the Executive Director terminates his duties, for any reason other than dismissal by just cause, any determined and deferred variable remuneration amounts may be paid at the time of the said termination of the management relations only if, until that date, there is sufficient and sustained evidence that the company's performance will be foreseeably positive in the remaining period to the extent that, in all probability, such would allow payment of the said deferred component.

#### 6. Clause for reversal of the variable remuneration ("clawback")

Reversal through withholding and/or returning the variable remuneration whose payment is already an acquired right may be demanded by decision of the Remuneration Committee if: (i) a director comes to be judicially sentenced for an illicit act that results in adverse alterations to the company's asset situation; (ii) in the event of serious or fraudulent breach of the code of conduct or of the internal regulations with a significant impact, or situations that justify dismissal by just cause; (iii) and/or false declarations and/or materially relevant errors and omissions in the financial statement to which the director's conduct consisted of a decisive contribution.

#### 7. Alignment of the directors' interests with the company's interests

The variable remuneration of the company's executive directors depends on their performance and on the sustainability and capacity of reaching specific company objectives.

The current remuneration policy also makes it feasible to reach a reasonable overall balance between the fixed and variable components and a deferral of a significant part of the variable remuneration, whereby its payment will be restricted when a positive performance is not achieved during that period according to the previously described terms, This approach is designed to contribute to maximising long-term performance and to dissuade excessive risk-taking.

Also, to reinforce the component of evaluating the performance of directors, save for agreement or deliberation by the Remunerations Committee to the contrary, the company and its directors must act in accordance with the following principles:

- i) Directors must not sign contracts, either with the company or with third parties, for the purpose of diminishing the risk inherent to the variability of the remuneration stipulated by the company;

ii) In case of dismissal or of termination of duties by decision of the management, when such is proven to have been caused by inappropriate performance, no compensation will be paid to directors.

8. Remuneration of the general meeting board

The general meeting board chairman and secretary will be paid a presence fee of 4,000 and 2,000 euros per meeting, respectively.

9. Remuneration policy for the Statutory Auditor

The company's Statutory Auditor is paid according to normal remuneration practices and conditions for similar services, after the signing of a service contract with the company, through a proposal by the Supervisory Board.

Lisbon, 1 March 2019

The Remuneration Committee

António Gomes Mota  
President"



## 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.