

CORPORATE GOVERNANCE REPORT
2018



CONTENTS

INTRODUCTION	8
PART I – INFORMATION ON SHAREHOLDER STRUCTURE, ORGANIZATION AND CORPORATE GOVERNANCE	9
A. SHAREHOLDER STRUCTURE	9
I. CAPITAL STRUCTURE.....	9
1. CAPITAL STRUCTURE	9
2. RESTRICTIONS TO SHARE TRANSFERABILITY, SUCH AS CONSENT CLAUSES FOR DISPOSAL, OR LIMITATIONS TO SHARE OWNERSHIP.....	9
3. NUMBER OF OWN SHARES, CORRESPONDING CAPITAL PERCENTAGE AND CORRESPONDING VOTING RIGHTS PERCENTAGE.....	9
4. SIGNIFICANT AGREEMENTS INCLUDING CHANGE OF CONTROL CLAUSES	9
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.....	9
6. SHAREHOLDERS' AGREEMENTS OF WHICH THE COMPANY IS AWARE AND MIGHT LEAD TO RESTRICTIONS IN THE TRANSFER OF SECURITIES OR VOTING RIGHTS.....	10
II. SHAREHOLDINGS AND BONDS	10
7. OWNERS OF QUALIFIED HOLDINGS, PERCENTAGE OF CAPITAL AND VOTES ATTRIBUTABLE, SOURCE AND CAUSES FOR ATTRIBUTION	10
8. NUMBER OF SHARES AND BONDS HELD BY THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES.....	11
9. SPECIAL POWERS OF THE MANAGEMENT BODY, NOTABLY AS REGARDS CAPITAL INCREASE RESOLUTIONS	12
10. SIGNIFICANT COMMERCIAL RELATIONSHIPS BETWEEN OWNERS OF QUALIFIED HOLDINGS AND THE COMPANY	12
B. CORPORATE BODIES AND COMMITTEES	12
I. GENERAL MEETING OF SHAREHOLDERS	12
11. IDENTIFICATION OF THE MEMBERS OF THE BOARD OF THE GENERAL MEETING OF SHAREHOLDERS, COMMENCEMENT AND EXPIRATION OF TERM OF OFFICE	13
12. POSSIBLE LIMITATIONS ON VOTING RIGHTS	13
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	15
14. SHAREHOLDER RESOLUTIONS WHICH, ACCORDING TO THE BYLAWS, CAN ONLY BE ADOPTED WITH QUALIFIED MAJORITY, APART FROM THOSE LEGALLY PROVIDED FOR.....	15
II. MANAGEMENT AND SUPERVISION.....	15
15. IDENTIFICATION OF THE CORPORATE GOVERNANCE MODEL.....	15
16. BYLAW RULES ON THE PROCEDURAL AND MATERIAL REQUIREMENTS FOR THE APPOINTMENT AND REPLACEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS	16
17. COMPOSITION OF THE BOARD OF DIRECTORS	16
18. EXECUTIVE AND NON-EXECUTIVE BOARD MEMBERS AND INDEPENDENCE CRITERIA.....	18
19. PROFESSIONAL QUALIFICATIONS AND OTHER RELEVANT CURRICULUM ELEMENTS OF THE MEMBERS OF THE BOARD OF DIRECTORS	18
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	19
21. DISTRIBUTION OF POWERS AMONG THE VARIOUS CORPORATE BODIES, COMMITTEES AND/OR DEPARTMENTS OF THE COMPANY	19
MANAGEMENT BODY	19
Board of Directors	19
Powers of the Chairman of the Board of Directors	21
Managing-Director	21
Powers of the Managing Director	21
SUPERVISORY BODIES	21
Fiscal Council	21
Statutory Auditor	23
COMMITTEES AND SUPPORTING STRUCTURES	23
22. OPERATING RULES OF THE BOARD OF DIRECTORS	23
23. NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS AND DEGREE OF ATTENDANCE OF EACH MEMBER	23
24. INDICATION OF THE CORPORATE BODIES EMPOWERED TO CARRY OUT THE PERFORMANCE EVALUATION OF EXECUTIVE DIRECTORS	23
25. PRE-DETERMINED CRITERIA FOR THE PERFORMANCE EVALUATION OF EXECUTIVE DIRECTORS	24
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	24
27. COMMITTEE CREATED WITHIN THE BOARD OF DIRECTORS AND LOCAL FOR THE CONSULTATION OF ITS OPERATING RULE	24
28. COMPOSITION OF THE EXECUTIVE COMMITTEE AND/OR IDENTIFICATION OF MANAGING DIRECTORS	24
29. DUTIES OF EACH COMMITTEE CREATED WITHIN THE BOARD OF DIRECTORS AND SUMMARY OF THE ACTIVITIES DEVELOPED IN THE EXERCISE OF SUCH DUTIES	24
III. SUPERVISION.....	24
30. IDENTIFICATION OF THE SUPERVISORY BODY	24
31. COMPOSITION OF THE FISCAL COUNCIL.....	24
32. IDENTIFICATION OF THE MEMBERS OF THE FISCAL COUNCIL COMMITTEE CONSIDERED INDEPENDENT UNDER ARTICLE 414,5 OF THE PORTUGUESE COMPANIES CODE	25
33. PROFESSIONAL QUALIFICATIONS AND OTHER RELEVANT CURRICULUM ELEMENTS OF THE MEMBERS OF THE FISCAL COUNCIL.....	25
34. OPERATING RULES OF THE FISCAL COUNCIL.....	25
35. NUMBER OF MEETINGS OF THE FISCAL COUNCIL AND DEGREE OF ATTENDANCE OF EACH MEMBER.....	26
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	26
37. PROCEDURES AND CRITERIA APPLICABLE TO THE INTERVENTION OF THE SUPERVISORY BODY WHEN HIRING ADDITIONAL SERVICES FROM THE EXTERNAL AUDITOR	26
38. OTHER DUTIES OF THE SUPERVISORY BODIES.....	26

IV. STATUTORY AUDITOR (REVISOR OFICIAL DE CONTAS / ROC)	26
39. IDENTIFICATION OF THE STATUTORY AUDITOR AND OF ITS REPRESENTING PARTNER....	26
40. NUMBER OF YEARS DURING WHICH THE STATUTORY AUDITOR PERFORMS DUTIES CONSECUTIVELY IN THE COMPANY AND/OR GROUP	26
41. OTHER SERVICES RENDERED TO THE COMPANY BY THE STATUTORY AUDITOR	27
V. EXTERNAL AUDITOR	27
42. IDENTIFICATION OF THE EXTERNAL AUDITOR AND OF ITS REPRESENTING PARTNER, AS WELL AS THEIR RESPECTIVE REGISTRY NUMBER BEFORE THE CMVM	27
43. NUMBER OF YEARS DURING WHICH THE EXTERNAL AUDITOR AND ITS REPRESENTING PARTNER PERFORM DUTIES CONSECUTIVELY IN THE COMPANY AND/OR GROUP.....	27
44. POLICY AND PERIOD FOR THE ROTATION OF THE EXTERNAL AUDITOR AND OF ITS REPRESENTING PARTNER.....	27
45. CORPORATE BODY RESPONSIBLE FOR THE EVALUATION OF THE EXTERNAL AUDITOR AND FREQUENCY FOR SUCH EVALUATION	27
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	27
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.....	28
C. INTERNAL ORGANIZATION	28
I. BYLAWS	28
48. RULES APPLICABLE TO AMENDMENT TO THE BYLAWS OF THE COMPANY	28
Constitutive quorum for the General Meeting of Shareholders	28
Resolution quorum for the General Meeting of Shareholders	28
II. WHISTLEBLOWING	28
49. WHISTLEBLOWING	28
III. INTERNAL CONTROL AND RISK MANAGEMENT	29
Internal Control System	29
50. PERSONS, BODIES OR COMMITTEES RESPONSIBLE FOR INTERNAL AUDITING AND/OR IMPLEMENTATION OF INTERNAL CONTROL SYSTEMS.....	30
51. HIERARCHICAL AND/OR FUNCTIONAL DEPENDENCE RELATIONS VIS-À-VIS OTHER CORPORATE BODIES OR COMMITTEES.....	30
52. OTHER FUNCTIONAL AREAS HAVING RISK CONTROL POWERS ROLE	30
53. MAIN ECONOMIC, FINANCIAL AND LEGAL RISKS TO WHICH THE COMPANY IS EXPOSED IN THE CONDUCT OF ITS BUSINESS	30
54. RISK IDENTIFICATION, ASSESSMENT, MONITORING, CONTROL AND MANAGEMENT PROCEDURE	32
Risk Management Procedure	32
Risk monitoring, control and management.....	33
55. MAIN ELEMENTS OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IMPLEMENTED IN THE COMPANY IN CONNECTION WITH THE FINANCIAL INFORMATION DISCLOSURE PROCEDURE	33
33	
IV. INVESTOR SUPPORT	34
56. INVESTOR SUPPORT OFFICE, COMPOSITION, DUTIES, INFORMATION PROVIDED BY THE	

SAME AND CONTACT DETAILS	34
57. REPRESENTATIVE FOR RELATIONS WITH THE MARKET	35
58. INFORMATION ON RESPONSE PROPORTION AND PERIOD TO INFORMATION REQUESTS MADE DURING THE YEAR OR PENDING FROM PREVIOUS YEARS.....	35
V. INTERNET WEBSITE	35
59. ADDRESS	35
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.....	35
61. LOCATION OF INFORMATION ON THE BYLAWS AND OPERATING RULES OF THE CORPORATE BODIES AND/OR COMMITTEES	35
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	36
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.....	36
64. LOCATION WHERE THE COMPANY MAKES AVAILABLE NOTICES OF THE GENERAL MEETING OF SHAREHOLDERS AND ALL PREPARATORY AND SUBSEQUENT INFORMATION RELATED TO THE SAME	36
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	36
D. REMUNERATION	37
I. COMPETENCE FOR DETERMINATION.....	37
66. COMPETENCE FOR THE DETERMINATION OF THE REMUNERATION OF CORPORATE BODIES, MEMBERS OF THE EXECUTIVE COMMITTEE OR MANAGING DIRECTOR AND COMPANY OFFICERS	37
II. COMPENSATION COMMITTEE.....	37
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	37
68. KNOWLEDGE AND EXPERIENCE OF THE MEMBERS OF THE COMPENSATION COMMITTEE IN THE MATTER OF REMUNERATION POLICY	38
III. REMUNERATION STRUCTURE.....	38
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	38
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	38
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	38
72. DEFERMENT OF PAYMENT OF THE VARIABLE COMPONENT OF THE REMUNERATION, MENTIONING THE DEFERMENT PERIOD.....	38
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	39
74. CRITERIA ON WHICH THE ALLOCATION OF A VARIABLE REMUNERATION IN OPTIONS IS BASED, AND INDICATION OF DEFERMENT PERIOD AND EXERCISE PRICE	39
75. MAIN PARAMETERS OF AND GROUNDS FOR ANY ANNUAL BONUS SYSTEM AND ANY OTHER NON-PECUNIARY BENEFITS	39
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	39
IV. REMUNERATION DISCLOSURE	39
77. REMUNERATION INDIVIDUALLY AND GLOBALLY EARNED BY THE MEMBERS OF THE COMPANY'S MANAGEMENT BODY	39
78. AMOUNTS PAID, FOR ANY REASON WHATSOEVER, BY OTHER COMPANIES IN A CONTROL OR GROUP RELATIONSHIP OR SUBJECT TO COMMON CONTROL	40
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	40
80. COMPENSATIONS PAID OR DUE TO FORMER EXECUTIVE DIRECTORS IN RESPECT OF TERMINATION OF OFFICE DURING THE FINANCIAL YEAR	40
81. REMUNERATION INDIVIDUALLY AND GLOBALLY EARNED BY THE MEMBERS OF THE COMPANY'S SUPERVISORY BODY	40
82. INDICATION OF THE REMUNERATION OF THE CHAIRMAN OF THE BOARD OF THE GENERAL MEETING OF SHAREHOLDERS	41
V. AGREEMENTS WITH REMUNERATION IMPLICATIONS	41
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	41
84. AGREEMENTS WITH MEMBERS OF THE BOARD AND OFFICERS PROVIDING FOR COMPENSATION IN THE EVENT OF TERMINATION OF OFFICE FOLLOWING A CHANGE OF CONTROL	41
VI. SHARE ALLOTMENT OR STOCK OPTION PLANS	41
88. CONTROL MECHANISMS PLANNED FOR ANY EMPLOYEE CAPITAL HOLDING SYSTEM TO THE EXTENT THAT VOTING RIGHTS ARE NOT EXERCISED BY SUCH EMPLOYEES	41
E. RELATED PARTY TRANSACTIONS	42
VII. CONTROL MECHANISMS AND PROCEDURES	42
89. MECHANISMS IMPLEMENTED BY THE COMPANY TO CONTROL RELATED PARTY TRANSACTIONS (IAS 24)	42
90. TRANSACTIONS SUBJECT TO CONTROL	43
91. INTERVENTION OF THE SUPERVISORY BODY IN THE PRIOR EVALUATION OF TRANSACTIONS WITH OWNERS OF A QUALIFIED HOLDING	43
VIII. TRANSACTION DETAILS	43
92. LOCATION, IN THE ANNUAL FINANCIAL STATEMENTS, WHERE INFORMATION ON RELATED PARTY TRANSACTIONS, IN ACCORDANCE WITH IAS 24, IS AVAILABLE	43
PART II – CORPORATE GOVERNANCE EVALUATION	45
1. IDENTIFICATION OF THE CORPORATE GOVERNANCE CODE ADOPTED	45
2. STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE ADOPTED	45
APPENDIX I	53
Functions performed by members of the management body in other companies	53

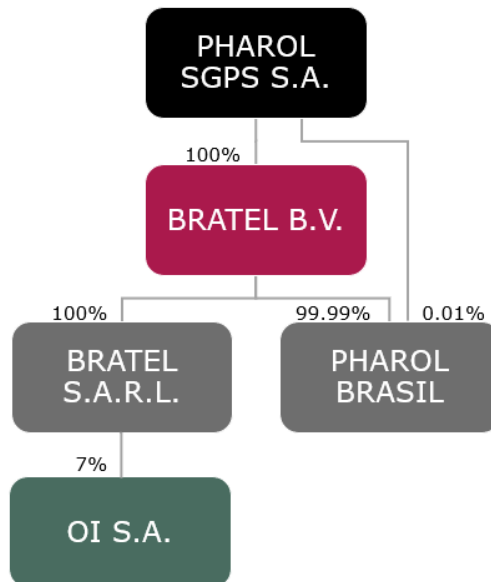
Professional qualifications and professional activities performed during the last 5 years.....	54
CV data of the members of the Compensation Committee.....	56
CV data of the members of the Fiscal Council	57
APPENDIX II	60
Declaration by the Wages Committee about the Remuneration Policy applicable to members of the management and audit bodies of PHAROL, SGPS S.A.....	60
APPENDIX III	63
Code of Ethics	63

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, 2018 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 in 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 2018, the Company held 30,865,000 own shares.

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.

Nevertheless, as announced to the market on January 9, 2019, Oi and its shareholder PHAROL/BRATEL, after negotiations, reached a consensus to close and extinguish judicial and extrajudicial litigation in Brazil, Portugal and all countries where there are discussions involving companies of the two Groups, which is pending approval.

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.

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

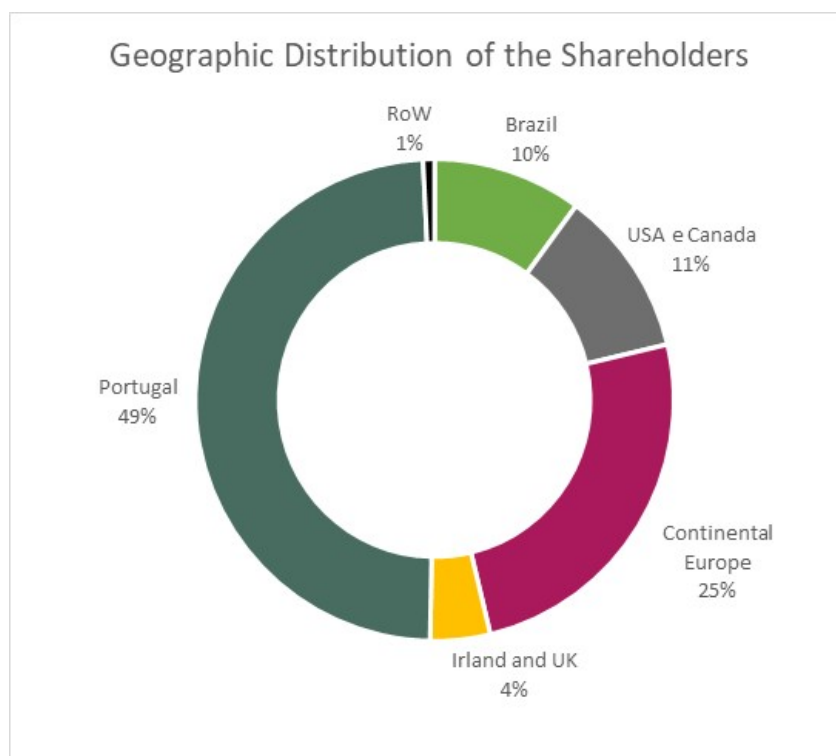
As at 31 December 2018, qualified holdings represented about 41.21% of PHAROL share capital, as follows:

DATE OF INFORMATION	ENTITIES	NO. OF SHARES	% OF CAPITAL	% OF VOTING RIGHTS
02/05/2018	Adar Macro Fund LTD	92,202,302	10.28%	10.00%
	Adar Capital Partners Ltd.	92,202,302	10.28%	10.00%
	Adar Macro Fund Ltd.	92,202,302	10.28%	10.00%
	Total attributable	92,202,302	10.28%	10.00%
31/05/2012	Telemar Norte Leste S.A.	89,651,205	10.00%	10.00%
	Telemar's sole shareholder is OI S.A..			
Total attributable	89,651,205	10.00%	10.00%	
02/04/2018	Novo Banco S.A.	85,665,125	9.56%	9.56%
	Directly	85,665,125	9.56%	
	Shares held by companies in a controlling or group relationship with Novo Banco, S.A.	916	0.00%	
	Shares held by directors and members of the Corporate Bodies	595	0.00%	
	Total attributable	85,666,636	9.56%	0.00%
24/05/2017	High Bridge Unipessoal, Lda.	55,304,969	6.17%	6.17%
	Full chain of controlled undertakings through which the voting rights and/or the financial instruments are effectively held starting with the ultimate controlling natural person or legal entity is formed Atlantis Global Investments, LLC.			
Total attributable	55,304,969	6.17%	6.17%	
05/12/2016	High Seas Investments LLC	46,657,016	5.20%	5.20%
	Full chain of controlled undertakings through which the voting rights and/or the financial instruments are effectively held starting with the ultimate controlling natural person or legal entity is formed Angra Capital Management LTD.			
Total attributable	46,657,016	5.20%	5.20%	

After December 31, 2018, there were changes in qualifying holdings as follows:

- **Jan 3, 2019** | Blackhill Holding Limited, LLC. holds a qualifying holding of 43,311,406 shares, representing 4.83% of PHAROL's share capital and voting rights.
- **Jan 3, 2019** | High Seas Investments, LLC has decreased its stake to 2.41% of PHAROL's share capital and voting rights.
- **Jan 10, 2019** | Blackhill Holding Limited, LLC reported that are attributable to Nelson Tanure 43,311,406 shares representing 4.83% of the capital and voting rights of PHAROL acquired by Blackhill Holding Limited LLC, of which he is a beneficial owner, and further informed that Nelson Tanure holds a personal title of 10,000 shares representing 0.00111%. In total, 43,321,406 shares are attributable to Nelson Tanure, corresponding to 4.83% of PHAROL's share capital and voting rights.

PHAROL has a diversified shareholder structure, with around 51% of its share capital held by foreign shareholders, essentially divided between Europe, North America (US and Canada) and Brazil, representing 29%, 11% and 10% respectively of the shareholder basis. The Portuguese market represents around 49% of the shareholder basis.



Source: Interbolsa (12/31/2018)

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 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 2018 with other owners of qualified holdings, who are not related parties, are described in Note 21 the consolidated financial statements included in the Report and Consolidated Accounts 2018. There are no other relevant commercial relations between owners of qualified holdings and the Company.

B. CORPORATE BODIES AND COMMITTEES

I. GENERAL MEETING OF SHAREHOLDERS

COMPOSITION OF THE BOARD OF THE GENERAL MEETING OF SHAREHOLDERS

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

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

The Compensation Committee is represented in all General Meetings.

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

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

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

Board of the General Meeting of Shareholders

Diogo Lacerda Machado	Chairman
Maria de Lourdes Cunha Trigos	Secretary

The members of the Board of the General Meeting of Shareholders were elected on 25 May 2017 to complete the 2015-2017 three-year term of office and re-elected at the Annual General Meeting of May 25, 2018 for the three-year period 2018-2020.

This last resolution was suspended by a court decision of October 23, 2018, resulting from a protective order to suspend of social deliberation requested by Telemar Norte Leste, S.A. - in Judicial Recovery ("Telemar").

As released on January 9, 2019, between Oi and PHAROL / BRATEL, an agreement was concluded to close all judicial and extrajudicial disputes, which is pending homologation in Brazil. Following this agreement, the suspension of proceedings pending in Portugal was requested and granted, which, however, does not affect the suspension ordered.

At the extraordinary general meeting of February 8, 2019, the Social Bodies were elected, thus rendering such suspension null and void.

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 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 **Error! Hyperlink reference not valid.** 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

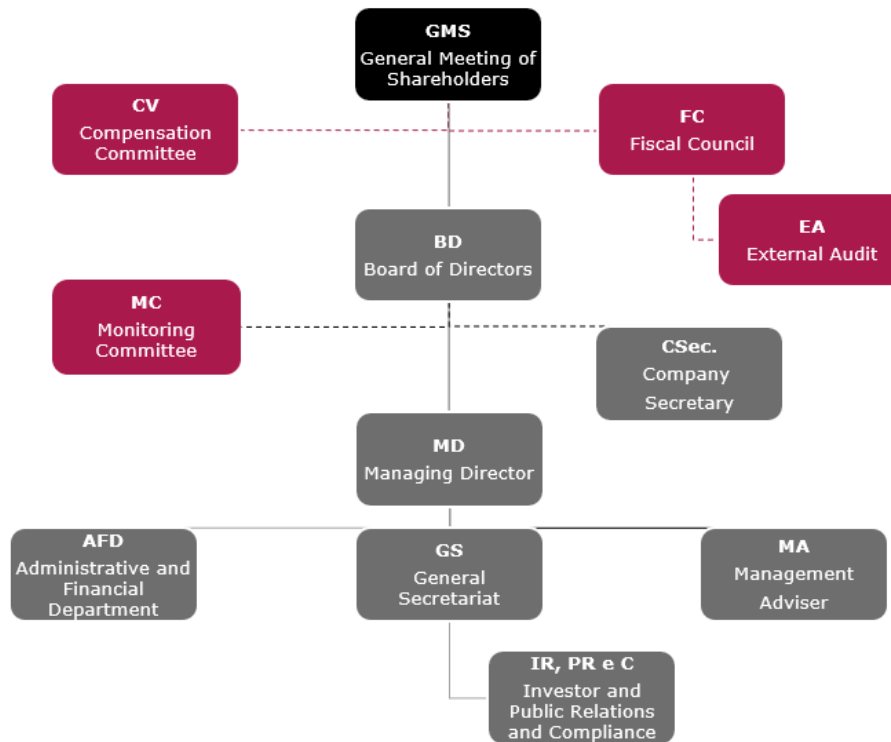
15. IDENTIFICATION OF THE CORPORATE GOVERNANCE MODEL

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's organisation structure further includes a Compensation Committee elected by the General Meeting of shareholders, which is responsible for determining the remunerations of the members of corporate bodies.

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

On 31 December 2018, PHAROL's 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

Under the statutory terms, the Board of Directors of PHAROL is composed of a minimum of 9 and a maximum of 11 members, who are elected by the shareholders at a General Meeting by a majority of the votes cast.

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 May 25, 2018, PHAROL's General Assembly was held, among other matters, to elect the members of the Governing Bodies and the Remuneration Committee for the three-year period 2018-2020.

In this general meeting the following administrators were elected, indicating the year of their first appointment:

- Aristotles Luiz Menezes Vasconcellos Drummond (2017)
- Bryan Schapira (2018)
- João Manuel Pisco de Castro (2015)
- Jorge Augusto Santiago das Neves (2017)
- Jorge Telmo Maria Freire Cardoso (2014)
- Luís Maria Viana Palha da Silva (2015)
- Maria do Rosário Amado Pinto Correia (2015)
- Nelson Sequeiros Rodriguez Tanure (2017)
- Pedro Zañartu Gubert Morais Leitão (2015)

At the Shareholders' Meeting held on September 7, 2018, Maria Leonor Ribeiro Martins Modesto was elected, in order to comply with the provisions of Law 62/2017 of 1 August.

Telemar Norte Leste, SA - in judicial reorganization ("Telemar") filed a precautionary measure against PHAROL for the suspension of corporate resolutions, aiming at the deliberations of appointment of the corporate bodies taken at said general meetings of May 25, 2018 and December 7, 2018. September 2018.

On 23 October 2018, a decision was passed suspending the resolution of the election of the members of the corporate bodies held at PHAROL's General Meeting on May 25, 2018. Telemar has, however, withdrawn from the second precautionary measure.

In compliance with the decision of the court, on the one hand, and in view of the need to ensure the functioning of the Company, on the other hand, only former directors whose term has not been terminated by virtue of a new designation or incompatibility those who were in office until the end of the 2015-2017 term and had been re-elected in May 2018, but not those who in the meanwhile have definitively abandoned any functions in the Company or have been held incompatible with the function of administrator). by virtue of the decree of the injunction, the board of directors effectively in office was as follows:

Members (date of first appointment)	Board of Directors	Independence ⁽¹⁾	No. of shares
Luís Maria Viana Palha da Silva (2015)	President		200.000
Aristóteles Luiz Menezes Vasconcellos Drummond (2017)	Member	Yes	
João Manuel Pisco de Castro (2015)	Member	Yes	
Jorge Augusto Santiago das Neves (2017)	Member	Yes	
Jorge Telmo Maria Freire Cardoso (2014)	Member		
Maria do Rosário Amado Pinto Correia (2015)	Member	Yes	
Nelson Sequeiros Rodriguez Tanure (2017)	Member	Yes ⁽²⁾	
Pedro Zañartu Gubert Morais Leitão (2015)	Member	Yes	
Maria Leonor Martins Ribeiro Modesto (setembro 2018)	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.

(2) Changed on January 2019.

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.

At the extraordinary general meeting of February 8, 2019, the Social Bodies were elected, thus rendering such suspension null and void.

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

As referred to in item 17 above, as at 31 December 2018 the Company distinguishes executive and non-executive directors. In the same item, those directors that are considered independent are identified.

As at 31 December 2018, the Board of Directors of PHAROL has 7 independent directors, from among 9 members of the Board. On January 2019, the number of independent directors decreased to 6 (from among 9).

All directors deemed independent by PHAROL, as of 31 December 2018, 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

PHAROL complies with the provisions of Article 245-A of the CVM, namely in the following points:

"1 - Issuers of shares admitted to trading on a regulated market located or operating in Portugal shall disclose, in a chapter of the annual management report specially prepared for this purpose or in an annex thereto, a detailed report on the structure and practices of government company, containing at least the following elements: (...)

(r) a description of the diversity policy applied by the company to its management and supervisory bodies, in particular in terms of age, sex, qualifications and professional background, the objectives of that diversity policy, the way it was applied and the results in the reference period.

2 - If the policy referred to in point r) of the previous number is not applied, the detailed report on the structure and practices of corporate governance should contain an explanation for this fact.

3 - The obligation set forth in sub-paragraph r) of paragraph 1 shall not apply to issuers that are small and

medium-sized enterprises, pursuant to paragraphs 2 and 3 of article 9 of Decree-Law no. 158/2009, of July 13, with the wording given by Decree-Law No. 98/2015, of June 2.

4 - Issuers of shares admitted to trading on a regulated market subject to Portuguese personal law disclose information on corporate governance structure and practices under the terms defined in a CMVM regulation, where the information required in the previous paragraph is included.

5 - The management body of issuers of shares admitted to trading on a regulated market subject to Portuguese personal law shall submit annually to the shareholders' meeting an explanatory report on the matters referred to in paragraph 1. "

The *curricula* of PHAROL's directors are shown in Appendix I.

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 2018:

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%

In 2019, the following changes occurred:

- Nelson Sequeiros Rodriguez Tanure: on January 3, 2019, 43,321,406 shares, corresponding to 4.83% of PHAROL's capital and voting rights, were attributed to him through 43,311,406 shares representing 4.83% acquired by Blackhill Holding Limited LLC, of which it is an effective beneficiary and still of 10,000 shares representing 0.00111% held in a personal capacity of the share capital and voting rights in PHAROL.

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.

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, considering that the current report to the Board of Directors is sufficient to ensure the objectives of the recommendation of the IPCG III.1.

The Board of Directors during 2018 met with high frequency, having held 16 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.

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:

- a) Inspect the Company's management;

- b) Monitor compliance with the law and the Company's Bylaws;
- c) Confirm that the books, accounting records and their supporting documents are in due order;
- d) 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;
- e) 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;
- f) Check whether the accounting policies and the valuation criteria applied by the Company result in a correct valuation of its assets and results;
- g) Prepare an annual report on its inspection activities and issue an opinion on the report, accounts and proposals presented by the board;
- h) Convene the General Meeting, when such is not performed by the respective Chairman of the Board of the General Meeting of Shareholders;
- i) Inspect the quality, integrity and effectiveness of the risk management system, internal control system and internal audit system, including the annual review of its adequacy and effectiveness, and generally supervise the performance of any duties carried out within the scope of the Company's internal audit and internal control system;
- j) Receive notifications of deficiencies, claims and/or complaints submitted by shareholders, Company employees or others, and implement procedures to receive, record and process those notifications when related with aspects of accounting, auditing and internal control procedures in these matters;
- k) Contract services provided by experts to assist the members of the Fiscal Council members in carrying out their duties, whereby contracting and remuneration of said experts shall take into account the importance of the issues for which they are responsible and the Company's economic situation;
- l) Inspect the process for preparing and disclosing financial information;
- m) Propose to the General Meeting the appointment of the Statutory Auditor;
- n) Inspect the review of the Company's accounts and the auditing of its accounting statements, and also supervise and evaluate internal procedures regarding accounting and auditing matters;
- o) Inspect the independence of the Statutory Auditor, in particular any provisioning of additional services by the said auditor;

Fiscal Council has also the following duties:

- To analyze and issue its opinion on relevant issues related with accounting and auditing aspects and the impact on the financial statements caused by alterations to account standards applicable to the Company and to its accounting policies;
- Direct and exclusive responsibility to appoint, contract, confirm or terminate duties and to stipulate the remuneration of the Company's independent auditors, as well as to inspect their qualifications and independence, and to approve the auditing services and/or other services to be rendered by the said independent auditors or by persons who are their associates;
- To 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;
- To issue a statement and a prior opinion within the scope of its legal and statutory rules and, whenever it deems such necessary or convenient, about any reports, documentation or information to be disclosed or submitted by the Company to the competent authorities.

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

On 30 June 2015, the Board of Directors adopted its internal operation regulation. 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

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 2018 financial year, 16 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 May 25, 2018, 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

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, 2018, 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.

As mentioned above, on May 25, 2018 PHAROL's General Meeting took place, in which the following members of the Fiscal Council were appointed:

José Maria Rego Ribeiro da Cunha	Chairman
Isabel Maria Beja Gonçalves Novo	Member
Thomas Cornelius Azevedo Reichenheim	Member
Paulo Ribeiro da Silva	Alternate member

As a result of the injunction ordered by Telemar against PHAROL, only those members of the Audit Committee who had previously been elected and whose term of office had not been terminated could continue to exercise their functions.

Thus, as at December 31, 2018, the Fiscal Council was composed as follows:

José Maria Rego Ribeiro da Cunha	Chairman
Isabel Maria Beja Gonçalves Novo	Member
Paulo Ribeiro da Silva	Alternate member

As announced to the market, on January 9, 2019, between Oi and PHAROL / BRATEL, an agreement was concluded to close all judicial and extrajudicial disputes, which is pending homologation in Brazil. Following this agreement, the suspension of proceedings in Portugal was requested and granted. Such suspension of proceedings, however, does not affect the suspension of the social deliberation that had been enacted on October 23, 2018.

At the extraordinary general meeting of February 8, 2019, the Social Bodies were elected, thus rendering such suspension null and void.

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, which may be consulted at the following link:

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.

In addition, the Fiscal Council regularly monitors the company's plans and budget.

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 2018 financial year, 9 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 2018, 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 2018 financial year.

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

In 2018, 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 2018 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 2018.

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>

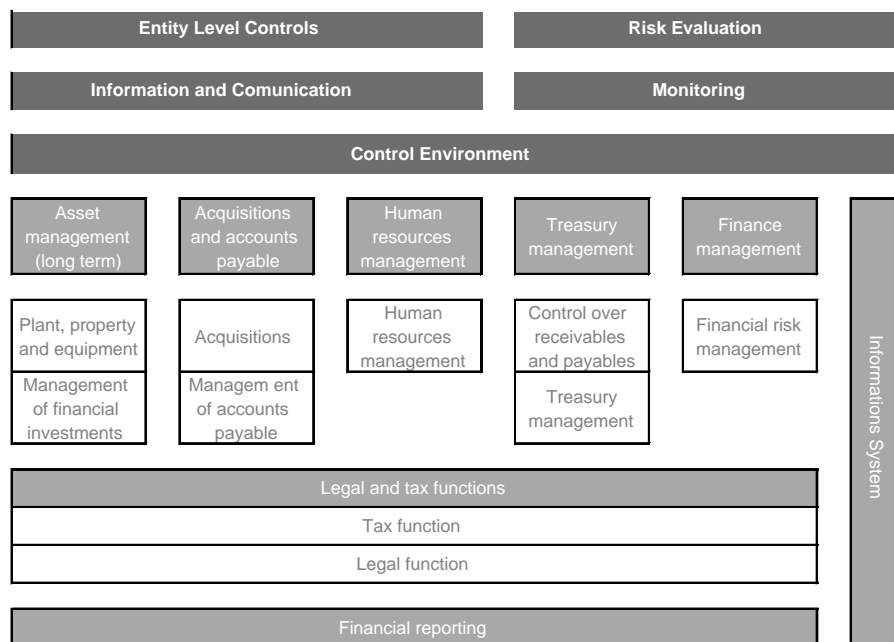
III. INTERNAL CONTROL AND RISK MANAGEMENT

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:

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

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

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:

Relevant Risks		
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.
	Information Security	PHAROL is exposed on a daily basis to security risks, including the availability, integrity and confidentiality of the information.
Financial Risks	Exchange Rates	<p>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.</p> <p>The Company does not have a hedging policy regarding the value of these investments.</p>
	Interest Rate	<p>Interest rate risks basically relate to financial expenses and the floating interest rate debt and cash applications. PHAROL is indirectly exposed to this risk specially in Brazil. It is important to point out that, at December 31, 2018 PHAROL has no debt.</p> <p>Market interest rates also affect the discount rates used for impairment testing to the various assets of the company.</p>
	Treasury Applications	<p>PHAROL is mainly subject to credit risks in its treasury applications.</p> <p>In order to dilute these risks, in July 2014 the Board of Directors defined a policy for treasury applications and this policy is annually rewied.</p>
	Default by Rio Forte as to the reimbursement of the instruments that PHAROL holds following the execution of the Exchange	<p>The Rio Forte Instruments currently held by PHAROL, are not guaranteed by assets. Therefore, even though there may exist amounts available for reimbursement to Rio Forte's creditors the right to reimbursement of PHAROL will be shared pro rata with the other unsecured creditors of Rio Forte and only after the repayment of all debts to any secured creditors, and after confirmation of the validity of the credits.</p> <p>PHAROL evaluates this instrument every year, with the supervision of the Fiscal Council and External Audit.</p>
	Exercise of the call option on Oi's shares	<p>The value of the Call Option on Oi's shares will depend primarily on the market price for Oi's ordinary and preferred shares, the price of which will depend, in its turn, on Oi's performance, including its operations, financial position, business outlook and its judicial reorganization develop.</p> <p>The Board of Directors of PHAROL closely monitors Oi's business on regular basis and is further engaged in periodically following up the Call Option for purposes of financial statement recording, as well as the price of Oi's shares.</p>
	Legal Risks	Court proceedings
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.

<p>Disputes or investigations triggered under the Rio Forte Instruments or the Business Combination</p>	<p>PHAROL may incur in liability under disputes and other future proceedings and incur in legal costs in such disputes or other proceedings. Any liability incurred may adversely affect PHAROL's financial position.</p>
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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 formalises 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 Exercise of the call option on Oi's shares
Legal Risks	Agreements with Oi / Business Combination Court proceedings Disputes or investigations triggered under the Rio Forte Instruments or the Business Combination

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:

Risk Management Methodology	
Board of Directors	Identifies main risks affecting PHAROL; Decides on action and prioritisation of mitigating actions.
Managing Director	Implement policies and controls in accordance with the strategy set by the Board of Directors. Monitors the implementation of controls.
Fiscal Council	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.

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

Luís Sousa de Macedo

Investor Relations Director

Telephone: +351.212.697.698

Fax: +351.212.697.949

E-mail: ir@pharol.pt

Address: Rua Joshua Benoliel, 1, 2C - Edifício Amoreiras Square
1250-133 Lisboa - Portugal

Company Switchboard: +351.212.697.690

Website: www.pharol.pt

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, interim and quarterly 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 ,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/2017.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

At the General Meeting of May 25, 2018, 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

As previously mentioned, the resolution of appointment of the Corporate Bodies and the Remuneration Committee is suspended by a court decision of October 23, 2018, resulting from a precautionary measure to suspend the social resolution required by Telemar. On January 9, 2019, between Oi and PHAROL / BRATEL, an agreement was signed to close all judicial and extrajudicial disputes, which is pending ratification in Brazil. Following this agreement, the suspension of proceedings in Portugal was requested and granted.

This procedural suspension, however, does not affect the suspension of the social resolution of appointment, reason why only the members of the previous Remuneration Committee that in the meantime has not abandoned this exercise can only be in office.

Thus, the members of the Remuneration Committee in effective exercise of functions as of December 31, 2018 were as follows:

- António Sarmento Gomes Mota
- Francisco José Queiróz de Barros Lacerda

At the extraordinary general meeting of February 8, 2019, the Social Bodies were elected, thus rendering such suspension null and void.

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 2018 financial year is described on the statement of the Compensation Committee on this matter as approved by the Annual General Meeting of Shareholders on 25 May 2018, 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 a result from the remuneration policy approved at the General Meeting of 25 May 2018 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 2018, 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 2018	Variable Remuneration 2018
Aristóteles Luiz Menezes Vasconcellos Drummond (2017)	35,000	
Bryan Schapira (2018) (1)	12,962	
João Manuel Pisco de Castro (2015)	35,000	
Jorge Augusto Santiago das Neves (2017)	35,000	
Jorge Telmo Maria Freire Cardoso (2014)	35,000	
José Manuel Melo da Silva (2016) (2)	20,133	
José Mauro Mettrau Carneiro da Cunha (2015) (3)	8,137	
Luis Maria Viana Palha da Silva (2015)	294,000	49,539
Maria do Rosário Amado Pinto Correia (2015)	35,000	
Maria Leonor Martins Ribeiro Modesto (2018) (4)	11,015	
Nelson Sequeiros Rodriguez Tanure (2017)	35,000	
Pedro Zañartu Gubert Morais Leitão (2015)	35,000	
Thomas Cornelius Azevedo Reichenheim (2017) (2)	14,237	
Total	605,484	49,539

(1) Was in office from May 25 to October 23, 2018, date of the suspension of the social deliberation for the appointment of the elected corporate bodies for the 2018-2020 triennium.

(2) Was in office until May 25, 2018.

(3) Resigned on December 28, 2017, effective January 28, 2018.

(4) Elected on September 7, 2018.

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

During 2018, 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 2018, which was presented to the General Meeting of shareholders May 2015, 2018, does not 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 2018, 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 2018 was as follows:

Fiscal Council		Remunerations 2018
José Maria Rego Ribeiro da Cunha		49.000,00
Isabel Maria Beja Gonçalves Novo		31.500,00
Paulo Ribeiro da Silva	(1)	N/A
Pedro Miguel Ribeiro de Almeida Fontes Falcão	(2)	12.813,48
Thomas Cornelius Azevedo Reichenheim (2017)	(3)	13.471
Total		106.785

(1) Alternate member.

(2) Was in office until May 25, 2018.

(3) Was in office from May 25 to October 23, 2018, date of the suspension of the social deliberation for the appointment of the elected corporate bodies for the 2018-2020 triennium.

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 favorable 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 (eg 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 2018, there were no transactions subject to the rules described in paragraph 89.

91. INTERVENTION OF THE SUPERVISORY BODY IN THE PRIOR EVALUATION OF TRANSACTIONS WITH OWNERS OF A QUALIFIED HOLDING

In this respect, reference is made to point 89 of Part I above.

II. TRANSACTION DETAILS

92. LOCATION, IN THE ANNUAL FINANCIAL STATEMENTS, WHERE INFORMATION ON RELATED PARTY TRANSACTIONS, IN ACCORDANCE WITH IAS 24, IS AVAILABLE

Information on related party transactions is available on Note 21 to the consolidated financial statements for the year 2018. There were no transactions with related parties' to disclose in respect of the fiscal year

ended on 31 December 2018.

Information on the transactions executed during the fiscal year ended on 31 December 2018 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 2018.

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 2018 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
Chapter I · GENERAL PROVISIONS			
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	Itens 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	Item 19 and Appendix I
I.2.2.	The company's managing and supervisory boards, as well as their committees, should have internal regulations —	Complied	Itens 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.		
I.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	Itens 22, 27, 34 and 61
I.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	Itens 17, 23, 31, 35, 59
I.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	Itens 21 and 49
I.3. Relationships between the company bodies			
I.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	Itens 22, 34 and 61
I.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	Itens 22, 34 and 61
I.4. Conflicts of interest			
I.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	Itens 17 and 89
I.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	Itens 17 and 89
I.5. Related party transactions			
I.5.1.	The managing body should define, in accordance with a previous favourable 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 favourable report of the supervisory body.	Complied	Itens 17 and 89

I.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	Itens 17 and 89
Chapter II · SHAREHOLDERS AND GENERAL MEETINGS			
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.	Complied	Item 12
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 (a)	Item 5
II.6.	The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer 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.	Complied	Item 4
Chapter III · NON - EXECUTIVEMANAGEMENT, MONITORING AND SUPERVISION			
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.	Complied	Item 21
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 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	Itens 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	Itens 17, 18 and 21

III.4.	<p>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:</p> <p>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;</p> <p>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;</p> <p>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;</p> <p>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;</p> <p>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</p> <p>vi. having been a qualified holder or representative of a shareholder of qualifying holding.</p>	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).	Complied	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 specialised internal committees that are adequate to their dimension and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.	Complied	Item 15
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	Itens 21, 34 and 51
Chapter IV . EXECUTIVE MANAGEMENT			
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	
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 organisation 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 organised, 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	Itens 21 and 51
Chapter V · EVALUATION OF PERFORMANCE, REMUNERATION AND APPOINTMENT			
V.1. Annual evaluation of performance			
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 34
V.2. Remuneration			
V.2.1.	The remuneration should be set by a committee, the composition of which should ensure its independence from management.	Complied	Itens 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	Complied	Appendix II

	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.		
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 itemised 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.	Complied	Appendix II
V.3. Director remuneration			
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	Complied	Item 69 and Appendix II

	sustained performance of the company, and not stimulating the assumption of excessive risks.		
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	Itens 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.	Complied	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	Itens 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.	Complied	Itens 83 and Appendix II
V.4. Appointments			
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.	Complied	Item 19 and Appendix I
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.	Not Applicable	
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 organisation, a suitable diversity, including gender diversity.	Not Applicable	
Chapter VI · RISK MANAGEMENT			
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 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	Itens 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	Item 51

Chapter VII · FINANCIAL STATEMENTS AND ACCOUNTING

VII.1. Financial information

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
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VII.2. Statutory audit of accounts and supervision

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 adequate conditions for the provision of services are ensured within the company.	Complied	Item 21
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

a) As the Company's Bylaws considers a limitation on the counting of votes, this issue was taken to the shareholder's consideration in General Meeting on 24 May 2016. Was decided to keep this limitation.

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 Fiscal Council of Seguradoras Unidas, S.A.
Non-executive Director of Sovena
Chairman of the Board of the General Meeting of Gesbanha – Gestão e Contabilidade, S.A.

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)

João Manuel Pisco de Castro (Director)

President of Visabeira Global, 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 Empreendimentos Turísticos Montebelo, SGPS, S.A.
Director of Real Life – Tecnologias de Informação, S.A.
Director of Gevisar, SGPS S.A.
Director da Constructel (Rússia)
Director of Birla – Visabeira LTD
Director of MJQueen Holdings LTD

Jorge Augusto Santiago das Neves (Director)

Lawyer at BAS Advogados, Lisbon

Jorge Telmo Maria Freire Cardoso (Director)

Member of the Board of Directors and CFO 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)

Board Member and CEO of Experienced Management S.A.
Member of the Advisory Board of Fundiestamo, S.A.
General Manager of Rocotota, Lda. and Rolling Power Lda.
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

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
Non-Executive Director of Villas Boas ACE, S.A.
Managing Partner of MoteDALma Lda.
Managing Partner of Fikonline-Internet e Energia Lda

Maria Leonor Martins Ribeiro Modesto (Director)

Full Professor of Economics, Universidade Católica Portuguesa, June 2008 to present
President of the Scientific Council of Católica Lisbon School of Business and Economics since October 2015
Managing Partner of Modelling Mind Lda. since June 2010

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, 63 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 the Companies Tranquilidade Vida, Logo e Açoreana | Chairman of the Fiscal Council of

Fórum para a Competitividade | Chairman of the Fiscal Council of Fundação Francisco Manuel dos Santos | Chairman of the Board of EPIS - Empresários pela Inclusão Social | Chairman of the Fiscal Council of Companhia de Seguros Tranquilidade, S.A. 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, 74 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.

João Manuel Pisco de Castro (Director)
Portuguese, 64 years old

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).

Jorge Augusto Santiago das Neves (Director)
Portuguese, 58 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, 47 years old

Non-Executive 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 Insead.

Maria do Rosário Amado Pinto-Correia (Director)
Portuguese, 60 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.

Nelson Sequeiros Rodriguez Tanure
Brazilian, 67 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 de 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, 53 years old

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.

Maria Leonor Martins Ribeiro Modesto (Director)
Portuguese, 60 years old

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.

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 | 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 (2015/2018) of EDP - Energias de Portugal, S.A. | 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).

Graduate in Management & Business Administration, Universidade Católica Portuguesa (1982).

Chief Executive Officer (CEO) of CTT – Correios de Portugal since 2012, Chairman of Banco CTT, S.A. since 2015, Non-Executive Independent Director of Endesa Energia (also member of the Audit Committee and the Nomination and Remuneration Committee) and Chairman of Cotec Portugal 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, from 2010 to 2012 CEO of Cimpor – Cimentos de Portugal SGPS, S.A., then an international cement group operating in 12 countries, and from 2008 to 2012 Non-Executive Independent Director of EDP Renováveis (also Member of the Audit Committee and then the Remuneration Committee).

Member of the Board of Cotec Portugal since 2015, Chairman from 2015 to 2018 | Chairman of CTT Expresso – Serviços Postais e Logística, S.A. since 2014 | Chairman of Tourline Express Mensajería, S.L.U. since 2014 | Non-Executive Director of Norfin – Portuguese Property Group, S.A. from May to October 2014 | Chief Executive Officer (CEO) of CTT - Correios de Portugal, S.A. since 2012 and also Chairman of the Board of Directors from 2012 to 2017 and Vice Chairman since 2017 | Director of the Board of Directors of International Post Corporation from 2014 to 2017 | Member of the Board of AEM - Associação de Empresas Emitentes de Valores Cotados em Mercado from 2014 to 2017 | Chairman of the Board of the General Meeting of Shareholders of Correio Expresso de Moçambique, S.A. since 2013 | Member of the General Council of Clube Naval de Cascais since 2006., Vice-Commodore since 2016.

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)

In 1981 he passed a Statutory Auditor examination. He is the member 497 of the Certified Auditor's Association.

Between 1975 and 1977 worked as auditor at the international company Arthur Andersen & Co.

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 that date. Performed 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.º 325; and
- Registered at the (CMVM) Portuguese Securities Market Commission under n.º 20180024

Fluent in English, French and Spanish.

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 or Audit Committees, 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. - Member of the Supervisory Board

He works as Chairman or Member of the Supervisory Board of the following non-profits institutions:

- Associação de Ajuda ao Recém-Nascido (Banco do Bebê)
- BUS – Bens de Utilidade Social
- Plataforma para o Crescimento Sustentável

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).

Paulo Ribeiro da Silva (Alternate Member of the Fiscal Council)

Educational background and professional training

Graduated in Financial Audit – ISCAL – Instituto Superior de Contabilidade e Administração de Lisboa

Post-graduated in Corporate Finance – INDEG/ISCTE

Post-graduated in Security and Computer Auditing – ISTECS – Instituto Superior de Tecnologias Avançadas

Professional activity in the past five years

Partner of JM Ribeiro da Cunha & Associados, SROC, Lda. since 2018

Partner Manager of BRAVI – Fiscalidade e Consultoria, Lda. since November 2017

Declaration by the Wages Committee about the Remuneration Policy applicable to members of the management and audit bodies of PHAROL, SGPS, S.A.

Taking into account that:

1. Pursuant to Law no. 28/2009, of 19 June (“Remuneration Law”) and to Decree-Law no. 225/2008, of 20 November, the management body or the Wages Committee, if it exists, of companies issuing securities admitted to trading on a regulated market shall annually submit to the General Meeting a declaration on the remuneration policy applicable to members of management and audit bodies (“Remuneration Policy Declaration”);
2. Moreover, numbers 69 to 76 of section D. III. of the “Corporate Governance Report Model” approved in an annex to CMVM (Securities Market Commission) Regulation no. 4/2013 (“CMVM Governance Code”) stipulates that the Corporate Governance Report of Issuing Companies include the Remuneration Policy Declaration and other information about, in particular, the remuneration structure and its alignment with the company’s long-term interests, the performance evaluation and dissuasion of excessive risk taking, the relation between the performance evaluation and the variable remuneration component, payment deferral of the variable component, among other aspects.
3. At the General Meeting of 29 May 2015 the Wages Committee submitted to the Shareholders the remuneration policy applicable to members of the management and audit bodies for the 2015-2017 which was approved; In the General Meeting of 24 May 2016 the Wages Committee submitted to the Shareholders some amendments to the said policy which were also approved; In the General Meeting of 26 May 2017 the same policy submitted in the previous year was also approved.

This Remuneration Policy Declaration is submitted to the General Shareholders Meeting to be held on 25 May of 2018 which, being the final declaration of the 2015-2017, essentially establishes the principles defined by the said remuneration policy approved at the General Meeting of 26 May 2017, because at end of the term of office it’s not considered appropriate to launch the guidelines of the remuneration policy of the corporate bodies that will be elected for the next term of office. The Wages Committee that will be elected in the General Meeting will define the guidelines and their implementation. Therefore, for the purpose of this declaration, have been set out the principles defined for the last term of office of the members of the corporate bodies.

I – Remuneration policy for non-executive directors and for Audit Board members:

The remuneration of non-executive members of the Board of Directors and of Audit Board members shall comply with an unvarying model, consisting of a fixed annual remuneration defined by the Wages Committee (broken down into 14 payments per year), without attendance fees, whereby the remuneration shall be aligned with the average remuneration of non-executive directors at companies with a similar market capitalisation listed on Euronext Lisbon.

The fixed remuneration takes into account the fact that some directors also perform duties in one/some of the delegated committee(s) of the Board of Directors providing assistance to its operation and also carrying out their own non-delegable duties.

This remuneration policy is structured to allow an alignment with the company's interests and a remuneration level that promotes adequate performance. No means of variable remuneration are stipulated for non-executive members of the management body or for members of the audit body.

II. Remuneration policy for executive directors:

Remuneration for executive directors that has been implemented from 27 March 2017 on the remuneration of the Managing Director, includes a fixed and a variable component, the latter consisting of a part that remunerates short-term performance and another part to remunerate long-term performance. This approach creates a reasonable balance between the dissuasion of taking excessive risks and an effective alignment between management interests and the interests of the company's shareholders.

A) Fixed remuneration

The fixed remuneration component takes into account market competitiveness, such that it must be aligned with the average remuneration of executive directors at companies with a similar market capitalisation listed on Euronext Lisbon and also aligned with the nature and complexity of duties and expertise required. The fixed component is stipulated based on the definition of a monthly salary paid 14 times per year. The following complementary benefits shall be added to the said amount according to practices in effect: option to use a company car (including fuel and toll payments), life and personal accident insurance, and use of a credit card for company representation expenses.

The Wages Committee took note of the resolution of the Board of Directors, from March 2017, that the Executive Board was extinguished and was replaced by the position of the Managing Director that, since then, is held by the Chief Executive Officer.

Taking into consideration the financial and economic performance of the Company, the nature of the change and the fact of the Corporate Bodies are in the last year of the term of office, the Wages Committee decided that the fixed remuneration and other benefits of the Managing Director should be the same as those that were defined for the Chief Executive Officer, without any change in the determination model to establish the variable remuneration as explained in B).

B) Variable remuneration

The variable remuneration is linked to the performance of the Managing Director and shall be paid according to the different fulfilment levels of specific and previously approved goals associated to objective, simple, transparent and measurable performance indicators. The Wages Committee analysed the evolution of the share's market price, the company's economic and operational setting and decided a ceiling for the variable remuneration of 50% of the annual fixed remuneration.

Therefore, the variable remuneration is determined based on 2 indicators:

- i) The Total Shareholder Return (TSR) of the company's shares (75%)
- ii) The company's operating efficiency, measured by the relation between budgeted and actual costs (25%)

The variable remuneration shall be paid in cash, 50% in the month subsequent to the date on which the accounts are approved by the General Shareholders Meeting, and 50% within a 3-year deferral period and subject to confirmation of the company's positive performance in the period taken into account, as judged by the Wages Committee that shall take into account the financial sustainability and the economic situation of the company and of its sector, in addition to exceptional factors that cannot be controlled by the management but may affect the company's performance.

These principles and indicators determining the variable remuneration component aim to ensure a clear alignment between the interests of the executive directors and the company's interests, thereby promoting the pursuit and fulfilment of objectives, through quality, work capacity, dedication and business know-how, and an incentive and compensation policy that will make it possible to attract, motivate and maintain the best professionals.

III – Assignment of shares and options

The company currently has no plans to assign shares or stock option plans for staff.

IV – Termination of duties by executive directors

If an executive director terminates his/her duties for any reason whatsoever other than dismissal for just cause, payment of the determined variable remuneration that has been deferred may be paid only at the time of termination of management duties if, until that date, there is sufficient and sustained evidence that the company's performance will be foreseeably positive in the remaining period within terms that, with all probability, would permit the payment of the said deferred component.

V – Alignment of the directors' interests with the company's interests

Consequent to the aforementioned, the variable remuneration of the company's executive directors depends on their performance and on the company's sustainability and capacity to attain specific strategic objectives.

The current remuneration policy will also create a reasonable overall balance between the fixed and variable components and the deferral of a significant part of the variable remuneration, payment of which, in accordance with the previously described terms, will therefore depend on the company's positive performance during that period. As such, the policy aims to contribute to maximising long-term performance and to dissuade decisions of excessive risk.

Additionally, with the aim to reinforce the component of evaluating the performance of the directors, save for agreement or deliberation by the Wages Committee to the contrary, the company and its directors shall act in accordance with the following principles:

- i) Directors shall not sign contracts, either with the company or third parties, that mitigate the risk inherent to the variability of the remuneration stipulated by the company;
- ii) In case of dismissal or resignation from management duties upon agreement, no compensation shall be paid to directors when the said dismissal or resignation has proven to have resulted from their inadequate performance.

VI – Remuneration policy for the Statutory Auditor

The company's statutory auditor is remunerated according to normal remuneration practices and conditions for similar services, consequent to the signing of a services rendering contract and through a proposal by the company's Fiscal Council.

Lisbon, 9 April 2018

The Compensation Committee

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) and may also be made available through the Investor Relations Office.