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 ("Issuing Companies") 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 the remuneration policy applicable to members of the management and audit bodies for the 2015-2017 three-year period to be assessed by the shareholders who approved the said policy.

This Remuneration Policy Declaration is submitted to the General Shareholders Meeting to be held on 24 May of 2016 which essentially establishes the principles defined by the said remuneration policy approved at the General Meeting of 29 May 2015, and which merely makes some adjustments to the definition of the variable remuneration of executive directors, based on experience obtained in the first year in which the said remuneration policy was in effect for the 2015 – 2107 three-year period.

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 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.

B) Variable remuneration
The variable remuneration is linked to the performance of the executive directors 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 changes in the company’s economic, organisational and operational setting and in which the executive directors have carried out their activities and took into account that, in

view of the changes in this setting, an adjustment is justified in the model for determining the variable remuneration for the remaining years of the mandate in progress and to thereby provide a better solution to a fair evaluation of performance by executive directors. The model amended shall continue to include the TSR criterion, but now applied to PHAROL, which will reflect the success in the management of OI, in which it has a stake, and in the process of recovering the Rio Forte credit, criteria defined in the remuneration policy declaration approved at the General Meeting of 29 May 2015, and also adds a criterion of measuring the company's operating efficiency. Therefore, the variable remuneration for the years 2016 and 2017 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 value may vary between zero and a maximum that shall never exceed twice the annual fixed remuneration.

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.

The Wages Committee is also of the opinion that, due to the company's nature and objectives, if any extraordinary event representing an undeniable creation of value for shareholders takes place, the payment of an equally extraordinary premium may also be considered, within the terms to be defined and according to the concrete characteristics of the said event.

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, 15 March 2016

The Compensation Committee of PHAROL, SGPS SA