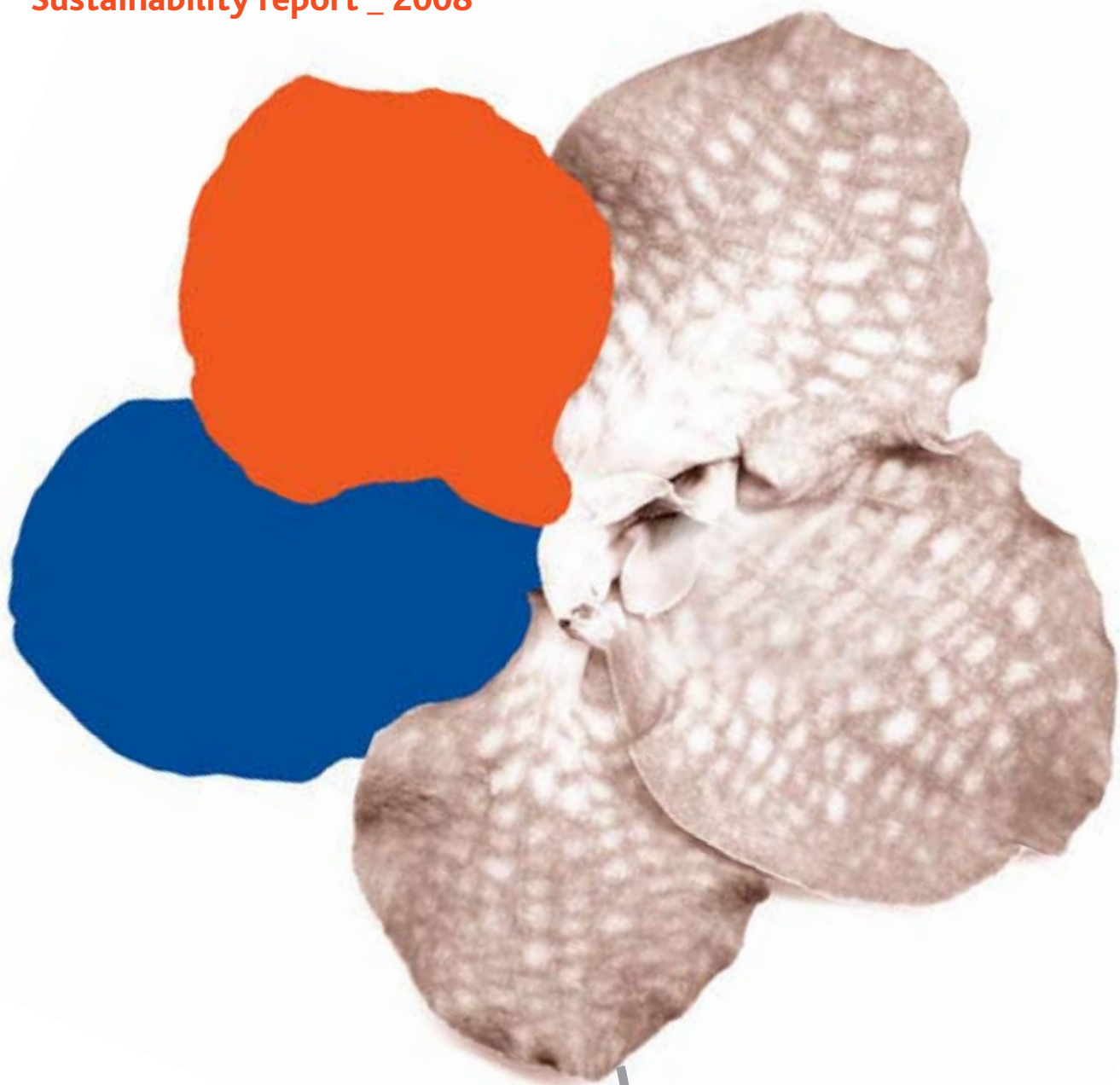


Portugal Telecom
Sustainability report _ 2008



Portugal Telecom

Sustainability Report _ 2008

Methodological notes

The presentation of this report obeys the following criteria:

Global Reporting Initiative

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

Period of the published information

This report contains data pertaining to PT's profile throughout 2008. PT publishes the Enterprise Sustainability report annually together with the Annual Report, the latest edition of which pertains to 2007.

Scope of the report

The information available pertains to the activities of the Portugal Telecom Group in Portugal in which the Group has a participation of over 50%.

Structure and information published

The structure and information published in this report represent PT's commitment to transparency and sharing policy to the stakeholders, evidencing the targets achieved and the policies adopted in order to guarantee the long term business sustainability. This way, PT aims to respond to the issues raised by the market, especially the financial community (investors and analysts) both at national and international level. The identification of the material issues of PT's sustained management, integrated in this report, was done according to the analysis of the information received from our stakeholders, through the adequate communication channels.

Changes in data presentation

Changes in quantitative data result from:

The presented post-retirement benefits correspond to the value presented in the demonstration of the consolidated cash-flow, thus reporting the real value paid throughout the year in post-retirement benefits.

PT included in its innovation investment calculations all investment classified as such in every PT subsidiary, so as to present data closer to reality, which implied abandoning the old form of calculation, which only included the investment of PT Inovação.

Auditing and truthfulness of the presented data

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

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

The data presented is based on the information systems of the Group and are based on the International Financial Reporting Standards – IFRS, fiscal system, labour and environment legislation and the principles of conduct adopted by the Group as well as the GRI directives.

Information sources

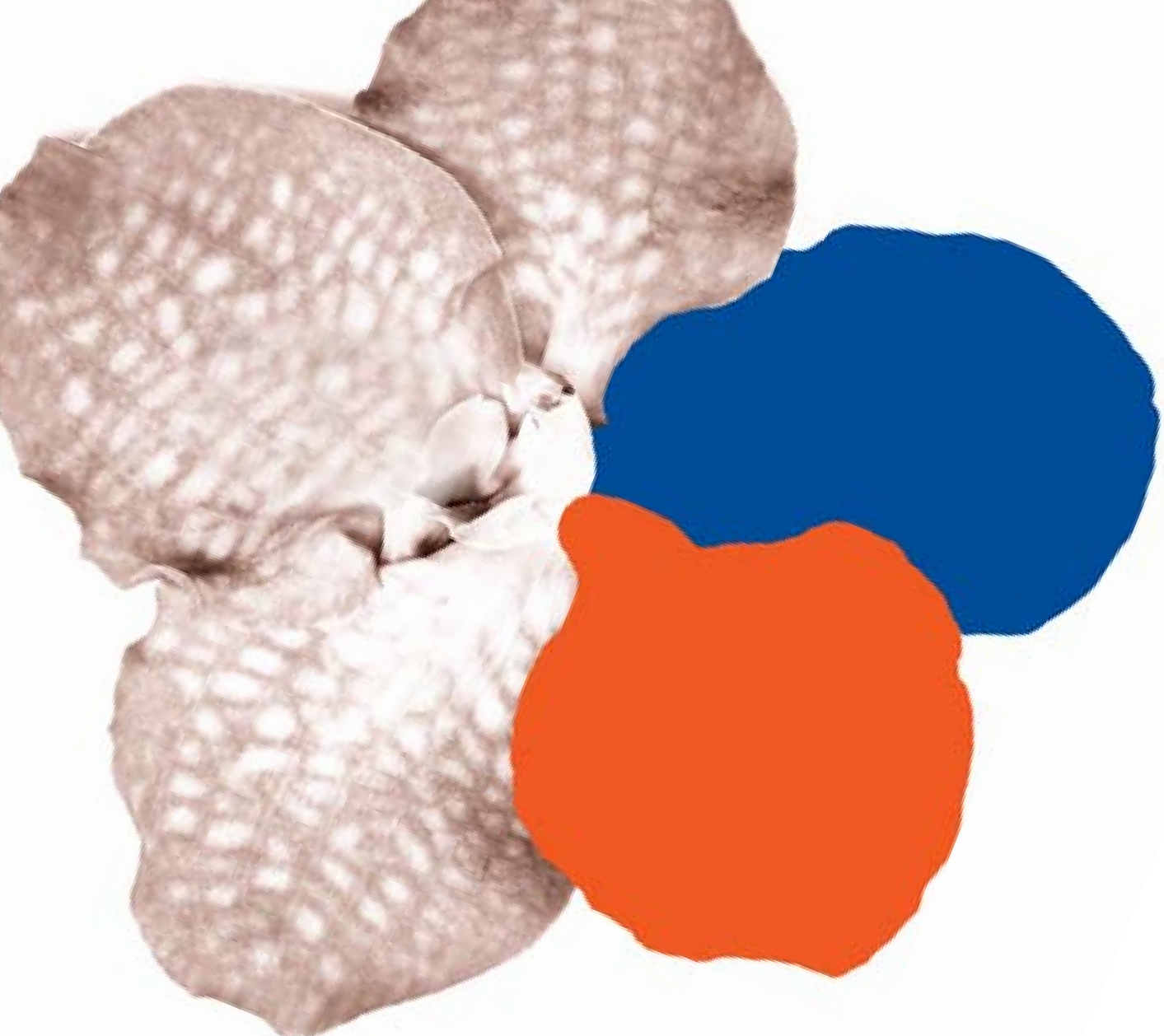
Data from National Accounting _ http://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_main

Data from Electronic Communications sector _

http://www.anacom.pt/streaming/anuario08_integral.pdf?contentId=725458&field=ATTACHED_FILE

Suggestions for improvement

This report incorporates the suggestions for improvement, which are transmitted through the channel open for this purpose at www.telecom.pt



This Report concerns the Portugal Telecom Group in Portugal. The economic, social and environmental data presented result from the consolidation of the reality of the Group's companies.

Portugal Telecom, SGPS

Public company
Share capital Euro 26 895 375
Registered in the Conservatory
of the Commercial Registry of Lisbon
and Collective Person under n° 503 215 058

Contacts:

Abílio Martins

Sustainability Committee

Av. Fontes Pereira de Melo, 40

1069-300 Lisboa

Portugal

Tel: + 351 21 500 16 21

E-Mail: dcc@telecom.pt

Site: www.telecom.pt

04	CEO statement
10	Portugal Telecom at a glance
14	Summary of the year
24	Goals and Business opportunities
	Creation of long-term value
26	Sustainable Governance Model
29	Management policies
31	Governance model
45	Sustainable Strategy
49	Risks and opportunities management
54	Hot topics
58	Building the foundations of the future
60	Innovation
65	Knowledge society and digital inclusion
74	Environment preservation
77	Environmental policy and performance
87	Energy management strategy
87	Combat against climate change
88	Action Plan
90	Relationship with the stakeholders
93	Customers
99	Employees
117	Suppliers
123	Regulatory and supervisory bodies
125	Media
127	Financial Community
132	Social Responsibility
135	Portugal Telecom Foundation
139	Volunteer work
140	Social responsibility practices of PT's subsidiaries
146	Annexes
146	Participation in Portuguese and international organisations
148	Global Reporting Initiative indicators
151	Verification statement by SGS ICS, Serviços Internacionais de Certificação

Zeinal Bava
Chief Executive Officer

2008 saw change at Portugal Telecom. We changed as a company, we changed the market in which we operate and we changed the habits of more than 70 million customers all over the world.

In a year marked internationally by an extensive subprime mortgage crisis in the financial markets and world economy and on the home market by the competition increase derived from the consolidation of a new operator, I dare say with a feeling of fulfilment and personal satisfaction that this company achieved, and in many cases surpassed, the goals established.

One of the first steps that we took was to adapt the organisation to future challenges. Internally, the creation of PT Portugal through the organisational fusion between PT Comunicações and TMN was a historic landmark for the whole company, representing a turning point in terms of efficiency and operating agility of the various business units.

PT consolidated its leadership in the home market in 2008, through the confirmation of its three strategic priorities: the rollout of meo, the television of the future, the leadership of mobile broadband and the investment in the SME segment, through innovative and convergent offers, such as Office Box.

We achieved the best results over the last few years on the international market, with the confirmation of our two strategic priorities: consolidation of the turnaround of Vivo and enhanced approach to the remaining operations by leveraging PT's know-how, and reinforcing our strategy of being present in high-growth markets, notably Brazil and Africa.

We are convinced that we have met most of our stakeholders' expectations and that we are worthy of their recognition, once again. I will do everything within my reach to continue to work and innovate so as to deserve the confidence of everyone.



Business ethics and our commitment to continue creating long-term value

Transparency, information accuracy and confidence levels on the management of organisations and brands have become, more and more, determinant factors in the decision processes and final options of citizens, customers and investors

Therefore, at PT, we continue to believe that good economic and financial performance only is, and shall be possible in the future if companies invest in progress, in a conscientious and committed way, safeguarding the respect for shareholders, community and environment.

The dialogue with our customers, shareholders, universities, non-governmental organisations, government bodies and our employees, together with the compliance with the law and the associations of this sector, has made us follow scrupulously our Code of Ethics, which orients the activity between PT and the society at large, the manuals of conduct and compliance in force within the company, so as to assert the transparency of our activity without any kind of reservations, confirmed by our whistleblowing channel, made available to the internal and external public.

In the wide universe of telecommunications there are powerful resources to bring people closer together and improve everyone's life. Therefore at PT, we use the potentialities of technology to collect suggestions, aggregate knowledge and create value, contributing simultaneously to reduce energy and paper consumption, to encourage professional, academic and family relationships and to enable the anticipation of events related to the safety of nature, goods and people.

We want to preserve and promote environmental preservation

Environment respect and preservation so as to guarantee acceptable living conditions to the next generations are, in my perspective, a responsibility of us all.

Climate change and its predictable consequences have been on the agenda of international concerns and have deserved a strong involvement and interest from PT. We have incorporated into our organisation in the last few years the concern for environment preservation and valuation, and therefore, we have adopted policies and mobilised resources so as to comply with legal requirements and European directives and recommendations about the best environmental practices.

In the last few years, the Group's subsidiaries have been subject to environmental auditing and certification processes in compliance with international standard ISO 14001 and at this moment, we are conducting an energy certification of the Group's buildings and implementing new forms of cooling and lighting the technical areas of our buildings.

We know that the main questions about this issue are related to the carbon footprint, but we have also taken into consideration the rationalisation in terms of resource consumption, noise emissions, landscape impacts generated and the forwarding of the waste produced daily.

Therefore, we have developed specific awareness and training campaigns for our employees, we have made information available for our customers, we have started to include environmental criteria in supplier selection and hiring and we have established partnerships with universities and research groups, so as to monitor the impacts derived from our activity and to be always up-to-date in terms of new opportunities for improvement

But we do not want to stay at this stage. Apart from preparing the organisation to become environmentally responsible, we have also innovated in terms of services delivered to the market and the way how we expand the infrastructure on the field, so as to deliver more and better services.

In accordance with this state of mind, PT prepared and rolled out the Electronic Bill with legal validity conferred by the certification of the digital signature, a project whose aim is and was to make life easier for customers, as well as to lessen paper consumption.

The investment made in terms of new generation infrastructure and equipment will also contribute to significantly improve the dematerialisation of day-to-day life of us all, in terms of education, health, environment and security of goods and people.

We shall continue to assume our social responsibility

I personally defend that companies should seek to contribute to the balance of the community, to which they belong, pursuant to their specific capacities and skills, promoting a healthy articulation with the latter and surpassing the legitimate purpose of generating profit.

Therefore at PT, we assume the commitment to develop telecommunications products and services for customers with special needs or handicapped, deliver services for low income people, participate in initiatives to combat info-exclusion, stimulate the knowledge society and promote young talent, apart from the cultural and social sponsorship programs that we are involved in.

This social responsibility commitment is materialised in the Portugal Telecom Foundation, a private non-profit institution, deemed of public utility, which demonstrated to be the top Portuguese foundation associated to an economic group.

Our commitment

The current economic and social situation demands a high level of commitment, rigour and responsibility from us all and we are quite willing to take on the challenge at PT. Our daily activity will be based on two fundamental pillars: the conclusions that we infer from dialogue and information and knowledge exchange, and from the subsequent identification and implementation of the most suitable solutions for the creation of economic, environmental and social value.

Nevertheless, this path depends a lot on the suggestions that we receive from all those who keep walking with us and the commitments that we assume together. Therefore, I would like to express my thanks to all those who have cooperated in building this path, and share the change and evolution that we have gone through throughout 2008, by publishing this report, made pursuant to the Global Reporting Initiative directives, presenting a balanced profile of the economic, environmental and social impact of the company on the Portuguese society.

Count on us and we shall continue to count on you

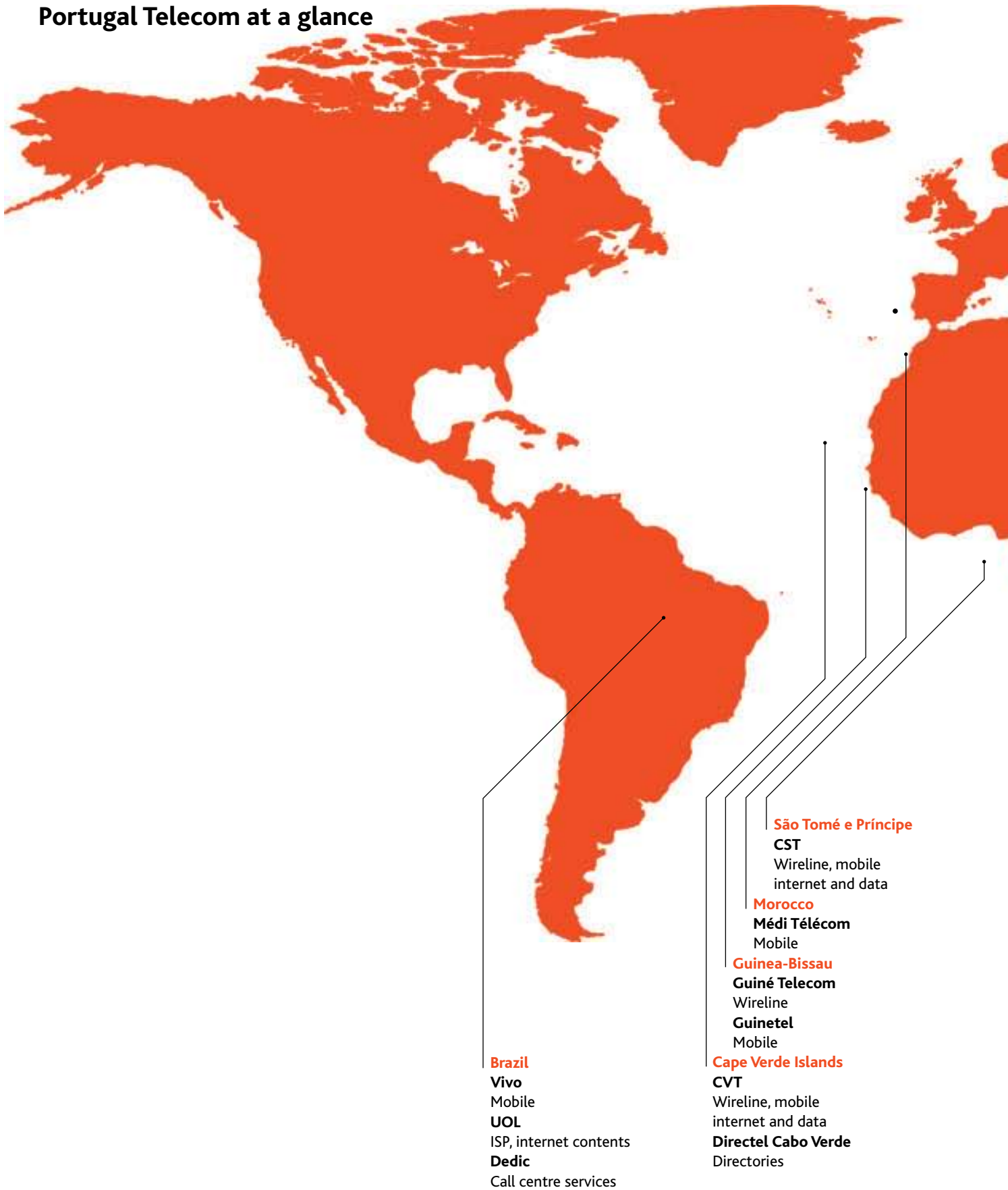


Zeinal Bava
Chief Executive Officer



Creation of long-term value

Portugal Telecom at a glance





Kenya
Kenya Postel
Directories
Directories

Mozambique
LTM
Directories
Teledata
ISP and data

Angola
Unitel
Mobile
Elta
Directories
Multitel
ISP and data

Namibia
MTC
Mobile

Hungary
HDT
VSAT operation

East Timor
Timor Telecom
Wireline, mobile
internet and data

Macao [msar-China]
CTM
Wireline, mobile
internet and data
Directel Macau
Directories

Portugal

Wireline Euro 1,931 million (revenues)	> PT Comunicações 100%
	> PT Prime 100%
Mobile Euro 1,601 million (revenues)	> TMN 100%

Main international asset

			revenues (Euro million)
Vivo 31.78%	> Brazil	> Mobile	6,080
Médi Télécom 32.18% ⁽¹⁾	> Morocco	> Mobile	453
Unitel 25% ^{(1) (2)}	> Angola	> Mobile	863
CTM 28% ⁽¹⁾	> Macao	> Wireline and mobile	207
MTC 34% ⁽²⁾	> Namibia	> Mobile	106
CVT 40% ⁽²⁾	> Cape Verde	> Wireline and mobile	73
CST 51% ⁽²⁾	> São Tomé e Príncipe	> Wireline and mobile	9
UOL 29% ⁽³⁾	> Brazil	> ISP, contents and internet	197
Dedic 100%	> Brazil	> Call centre	124
Timor Telecom 41.12%	> East Timor	> Wireline and mobile	26

(1) These investments are accounted for under the equity method. (2) These stakes are held by Africatel, which is controlled 75% by PT. (3) Revenues in 2007. As of the date of this report, UOL had not released yet its full year 2008 results

Support companies

Systems and IT [PT Sistemas de Informação 100%]; Innovation, research and development [PT Inovação 100%]; Backoffice and shared services [PT PRO 100%]; Procurement [PT Compras 100%]; Call centres [PT Contact 100%]; Pension funds management [Previsão 82.05%]

Guidelines

Mission

To deliver telecommunications and multimedia services of recognized value to our customers technologically updated on a permanent basis through qualified and motivated resources.
To keep generating long-term value for our shareholders and the communities in which we develop our activity.

Values

Integrity, loyalty and honesty in the relationship with the stakeholders
Solidarity, responsibility and accuracy among PT's employees
Respect for the environment and the communities where we are present

External principles and organizations

ETNO (European Telecommunications Network Operators)
United Nations Global Compact
Pact of social and ecological responsibility of UN's Global Compact
BCSD (member of the World Business Council for Sustainable Development)
UNI (Union Network International)
Portuguese, European and American Legislation

Internal principles

Code of Ethics of Portugal Telecom
Code of Ethics for CFOs
Corporate Governance & Compliance Guide for Corporate Board Members

Dialogue with stakeholders through PT's communication channels

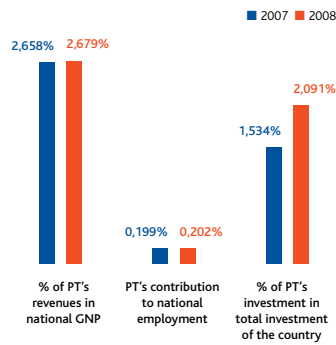
Corporate unit teams – dialogue structuring
Commercial teams
Corporate website
Call centres
Surveys
éPT! – internal communication channel
Whistleblowing procedures
Wikicare

Material Subjects for PT's Sustainable Management

Environment	Employees	Shareholders	Regulatory Bodies
Energy Consumption	Health and Security	Distribution of dividends	Compliance with requirements
Climate changes	Working Conditions	Stock market price	
Fuel Consumption	Talent attraction and retention		
Consumption of Materials	Employee satisfaction	Sociedade	
Electromagnetic Fields		Digital and social exclusion	
Impacts on landscape	Value Chain	Transparency and company reputation	
Noise emission	Supplier working conditions		
Water consumption	Supplier environmental practices	Serviços	
Waste production		Innovation	
	Customers		
	Customer privacy		
	Digital Inclusion		
	Customer satisfaction		
	Responsible use of our services by our customers		

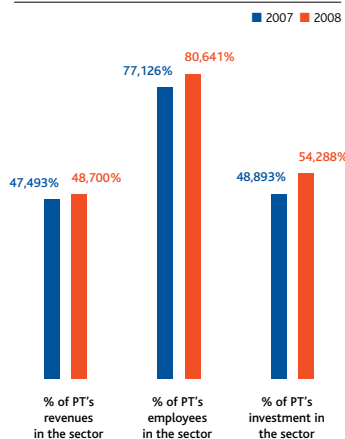
Summary of the year

PT's impact on the country



Source – INE; Portuguese GNP or investment data pertain to 2007.

PT's impact on the sector



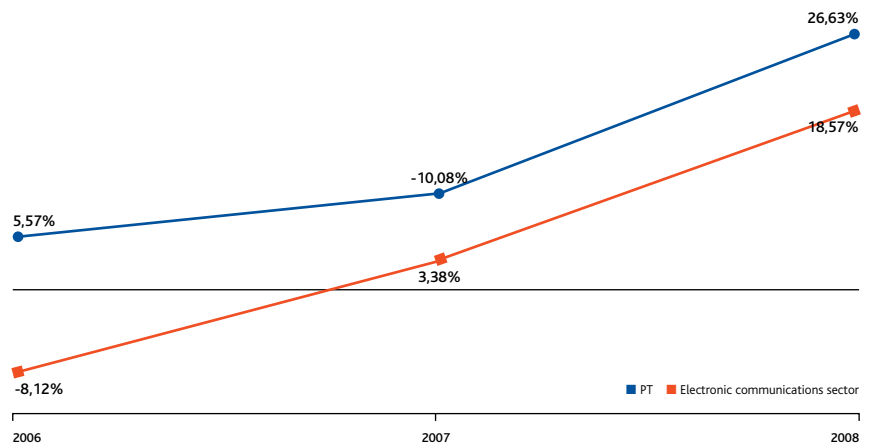
Source: ANACOM; Sector data pertain to 2007.

PT's impact on Portugal and on the sector

PT has identified since 2007 a number of indicators, in terms of positioning and context, PT's performance in terms of the country, sector, in the environmental, social and economic axes. These indicators enable the positioning of our performance, serving as a guideline and an anchor for Portugal Telecom's sustainable management.

In the Portuguese panorama, we can see that in the context of the crisis that we are experiencing, Portugal Telecom's importance in terms of employment, investment and weight of our revenues in the GNP have increased coherently between the two periods analysed.

Investment growth rate



Sector data pertain to 2005, 2006 and 2007; Source: ANACOM

In the electronic communications sector, we can conclude the trend in the three indicators. Portugal Telecom's importance in the sector has risen in a coherent and significant way, restating the importance of our organisation for the sustained development of the sector in Portugal.

- > The taxes paid amounted to Euro 466.93 million
- > The subsidies received amounted to Euro 1.044 million
- > The payments related to post-retirement benefits amounted to 196.80 million
- > Customer satisfaction rose by 2.82%
- > The revenues in Portugal rose by 1%
- > The total revenues of the Group rose by 9.53%
- > Portugal Telecom's R&D ratio over its net revenues rose by 20.2%
- > Payments to suppliers rose by 17% amounting to Euro 4,304 million

PT's Eco-efficiency

Energy consumption/Sales volume _ 0,000442GJ

- > For each Euro of operational revenues, PT registers an energy consumption of 0,000442GJ, a 7.8% increase as compared to the previous period.

Carbon footprint/ Sales volume _ 0,005 kg

- > For each Euro of operational revenues, PT emits 0.005 kg of CO₂, an 12.1% increase.

Water consumption / Sales volume _ 0,07 litre

- > For each Euro of operational revenues, PT registers a water consumption of 0.07 litre, a circa 1.3% decrease.

Waste production / Sales volume _ 1,01 g

- > For each Euro of operational revenues, PT produces 1.01 g of waste, a 14% decrease.

Material consumption / Sales volume _ 4.09 g

- > For each Euro of operational revenues, PT consumes 0.004 kg of materials, a circa 1% decrease as compared to the previous year.

Contribution to society

- > Contribution to employment in Portugal – 0.2%.
- > Investment in the community over net revenues – a 45% increase, as PT distributed 0.89% of its net revenues to the community in 2008.
- > Investment in the information society over net revenues – 34%.
- > PT broadband users / total broadband users – 40.3%.
- > Lowest wage at PT / minimum national wage – 1.06.
This value corresponds to 10 employees from PT PRO; the wages of the remaining employees of the Group are much higher than the minimum national wage.

The contribution of PT's subsidiaries to the economic development of the respective country

Portugal Telecom's subsidiaries have a high level of responsibility in the sustainable development of the respective country. Therefore, it is important to understand their economic impact on the creation of wealth for the country where it operates. Although markets are quite different, we can easily perceive that all companies have a lot of responsibility in the creation of wealth of each country and in the stimulation of the sector, as productivity leverage of the markets of which they are part.

Company revenues / Gross National Product of country

Médi Télécom	1.05%
Unitel	4.51%
MTC	2.91%
CVT	9.69%
CTM	2.92%
CST	5.12%
Timor	10.86%
Vivo	0.58%

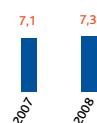
GNP data are supplied by the World Bank for 2007. Company revenues pertain to 2008.

Dividend Distribution to shareholders



Dividend per share (Euro cents)

Customer satisfaction



Samples are proportional to the universe of customers per service

Generating shareholder value

Operational revenues	Euro 6,734.3 million
Operational costs	Euro 4,291.4 million
EBITDA	Euro 2,442.9 million
Net revenues	Euro 581.5 million
Revenue growth rate	9.5%
Operational cost growth rate	13.1%
Net revenue growth rate	-21.6%
EBITDA growth rate	8.6%

Customers at the centre of the organisation

Presence in 14 countries and 5 continents

Customers	(milhões)
2006	50
2007	55
2008	70

Customers per region

Portugal	16%
Africa	20%
Brazil	64%

Average No. of complaints

23% reduction between 1st and 2nd semesters in home market

Average customer satisfaction index (scale 1 to 10)

2006	6.5
2007	7.1
2008	7.3

Wikicare, online space in which customers may present suggestions about the Customer Service that they would like to have (launched in 2008)

- > In 2008, there were 40,000 logins registered, circa 70,000 pageviews and 400 suggestions, most of which are already implemented.

Inclusion and digital literacy

Investment in projects to stimulate the information society, inclusion and digital literacy – over Euro 200 million

e – escola

This program distributed until year end – 300,000 PCs (70% from TMN)

Penetration rate of mobile broadband

European average	3.9%
Average in Portugal	6.9%

- > National program for the distribution of laptop PCs with mobile broadband for students and teachers at symbolic price. The success of this initiative was recognised internationally, having received Toshiba's "Best European Project Award". It was presented by Bill Gates to world leaders as a best practice to implement in other countries.

e – escolinha

- > TMN is now preparing the rollout of e-escolinha, a program whose aim is the distribution of 500,000 Portuguese-made Magalhães PCs to primary school students.

Connectivity of schools in Portugal

We connected 100 schools at 100 Mbps throughout the year.

- > PT is developing the installation of Local Area Networks in over 1,200 schools – supplying equipment and wireless coverage – as well as the rollout of a Wide Area Network connecting over 6,400 schools and 19 Ministries at 64 Mbps.

Digital Health Network

First Health Centre of the Future – 10,000 users covered

Online scheduling of appointments; Consultations; Online patient history; Among others

- > PT developed the first Health Centre of the Future throughout 2008, a prototype in S. Julião, Figueira da Foz. Thanks to the technological modernisation of this unit, its 10,000 users could have access to a more efficient service, with higher quality, as well as a number of innovative functionalities available online. This solution will be replicable in other areas of the country.

Security of goods and people

Car Control to combat car jacking

- > It will enable the user, by means of an SMS text, to locate his vehicle, remotely block and unblock the ignition and receive different types of alarms (intrusion, towing of vehicle, battery breakdown, etc.)

Innovation and renewal of service offering

Amounts invested in innovation and renewal of service offering:

- > Investment in Portugal (Capex) _ Euro 646.4 million
- > Total investment (Capex) _ Euro 1,242.3 million
- > Capex as % of operational revenues _ 18.4%
- > Research and development – Investment amounting to 150 million Euro in research and development at Portugal Telecom

DTT

We won the bid for the Digital Terrestrial Television for both free-to-air and paid channels, an important step towards the implementation of its multiplatform subscription TV strategy.

Fixed – mobile convergence: Office Box

Over 8,000 workplaces already installed in Portugal.

PT's Office Box solution is the only one in Europe to provide fixed and mobile voice services in a sole package, fixed and mobile broadband connectivity, latest generation hardware and an integrated support service.

Meo for all Portuguese

PT launched meo Satellite commercially and waived the monthly payments of this television service until 31 August 2008 for subscriptions up to 31 May, together with other offers.

TMN rolls out prepaid Mobile Broadband

TMN rolled out the first pre-paid mobile broadband, ready for surfing, without monthly payments or obligatory top-ups. For the first time in Portugal, TMN customers could access mobile broadband without any obligations, paying just what they used.

Music Box and Contact Available

The evolution of the broadband product and service portfolio ensured the differentiation vis-à-vis competitors.

IP Multimedia

Context Awareness services and applications to support future IP multimedia environments.

Mobile TV

Development of Content Delivery and Interactivity solutions for de mobile TV platforms.

Consumer electronics

Connected Home Systems and its integration with home appliances.

Interaction with multimedia content

Research and Experimentation of Spatial Motion Recognition as support for new forms of interaction, in a physical, easy and immersive way.

Optical technology systems for the network

Study and development of optical technology systems for the network, focusing especially on low-cost GPON solutions.

Carnegie Mellon University – Portugal

In parallel, in the scope of its active involvement in the program, Portugal Telecom not only supported the participation of several students in the Professional Master's and Doctoral programs, but also received the students who terminated the first edition of the program, consolidating investment in finding young talent in technological areas and innovation.

In this context, there were several applied research projects developed in the following areas:

- > Operational Information Intelligence
- > Design and optimization of triple-play infrastructures for converged Networks
- > Anti-phishing and cyber-security
- > Hospital of the Future
- > Usability of the web portal of meo service
- > Geographic segmentation in new generation networks.

Talent capture and retention

Investment in talent capture and retention:

- > Costs and investment with employees 616.6¹ million Euro.
 - > Costs and investment with employees as a percentage of operational revenues – 9.1%.
-

Trainees

5,000 candidates – 152 selected

The Trainees program – talent capture, preparation and selection – received over 5,000 applications from students coming from the best Portuguese schools in the fields of engineering, management and social sciences.

PT launches “é Seguro” program

Occupational Prevention, Safety and Health: “é Seguro” is a program made up of a number of initiatives associated with this theme, whose aim was to mark the beginning of a new attitude and culture based on a commitment of co-responsibilisation, cooperation and responsible participation of all Group employees.

Crescer (Grow up) Program

539 scholarships, 29 excellence awards and 27 honourable mentions were assigned in 2008.

To support the development of individual skills and to recognise the merit of the employees' children by fostering the spirit of academic excellence.

¹ Investment with employees corresponds to costs with consolidated employees

PT Baby

99 babies

To celebrate the birth of the employees' children, baby kits were delivered at the employees' homes, totalling 99 babies.

Training sessions for PT employees in Portugal – 5,196

Academic level of employees

Compulsory	18%
Upper-secondary	36%
Higher	46%

Certification of skills in 2008

905 employees involved – 300 certificates throughout the year

Through RVCC (Skills Recognition, Validation and Certification Process), the employees may assume the qualification challenge. This is the essential instrument of the program and allows learning, skills and knowledge acquired along a lifetime to be recognised. Aimed at employees whose age is equal or higher than 18 years, RVCC is a more agile and quicker process than the standard process.

PT employees who have not yet terminated compulsory or upper-secondary school, have now a new opportunity of doing so. This process is developed in New Opportunity Centres with a professional team who act so as to recognise, validate and certify skills. It can be initiated at any time of the year, with a timetable agreed between the employee, PT and the Centre.

Bookpoint

5,500 titles borrowed.

PT Space with 2,000 bibliographic titles and 6 multimedia kiosks.

OSHAS 18001 Certification

Renewal of occupational hygiene, health and safety certification – OSHAS 18001 – in every Portuguese subsidiary

Energy efficiency, emission reduction and environmental management

Renewal of ISO 14001 environmental certification in every Portuguese subsidiary

Costs and investments in energy efficiency, emission reduction and environmental management:

Energy consumption	(Gjoules)
2006	1,488,203
2007	1,472,554
2008	1,599,988

Environmental loads – CO2	thousand tons
2006	222,173
2007	162,361
2008	182,011

Water consumption	(thousand litres)
2006	314,629
2007	285,272
2008	284,187

Consumption of materials	(tons)
2006	15,857
2007	4,149
2008	3,452

Energy certification of – 4 high energy consuming buildings (in progress)

Noise monitoring

We monitored the noise of several sites of the PT Group throughout 2007 and 2008. Corrective measures were taken when the obtained values were considered below the reference levels.

Energy efficiency

The selective use of photovoltaic panels, eolian generators, hydrogen fuelcells and cooling systems supported on the outside temperature enabled an improvement in the efficiency ratios. These initiatives result from pilot tests carried out in three different regions, in the North, Centre and South of Portugal for a better assessment of their efficiency.

Delocalisation and decentralisation

New PT Call Centre at Santo Tirso

Pursuing its strategy of decentralisation of Customer Service Centres, PT announced the creation of a new centre at Santo Tirso. The signature of the protocol was attended by Zeinal Bava, CEO, PT, and the Prime-Minister, José Sócrates.

SAPO Local honours Municipalities with best internet practices

Sapo Local and the University of Minho have honoured those municipalities with the best internet practices. The aim of this initiative was to distinguish the work of local public administration on the whole, for its quality, quantity and diversity of services delivered online, benefiting society as a whole.

Social Responsibility

PT Foundation

Budget – Euro 5.2 million

It is one of the top Portuguese Foundations in association with an economic group.

Dream team gathers young Portuguese athletes

The TMN Dream Team was a concept created in the course of a continued strategy of incentive to sports. It is a team of young and promising athletes in several sports disciplines: golf, judo, tout-terrain, rally, surf, tennis and rugby.

Give 'The Other Face' for a good cause

"The Other Face" was the name of the exhibition, at Forum Telecom in Lisbon, promoted by the users of CEDEMA – Association of Parents and Friends of Mentally Impaired Adults. Inaugurated on 18 June by the Maria Cavaco Silva, the exhibition counted on the support of the PT Foundation.

Portuguese talent at Sapo Codebits

Circa 500 participants gathered at Sapo Codebits, a programming competition for the internet, organised this year at Lx Factory in Alcântara, Lisbon.

Volunteer Work

Enterprise volunteer work initiatives involved an amount of circa Euro 520,000 and 1,026 working hours from 165 collaborators for 25 needy institutions.

Awards and distinctions

TMN and SAPO, Trusted Brands

According to the results from the "Trusted Brands in Europe 2008" survey, organised by the Readers' Digest Selections, Sapo and TMN are brands trusted by the Portuguese. The study, deemed the most comprehensive in terms of brand analysis, attitudes and values regulating the life of the Europeans, evaluated the confidence levels in 37 categories for the 8th consecutive year.

Portugal Telecom is a Superbrand

PT was considered a Portuguese brand of excellence, according to Superbrands. For the fourth consecutive year, project Superbrands paid tribute to the brands that distinguished themselves most in terms of market, longevity, goodwill, loyalty and acceptance. Altogether, there were 37 names selected in the super brands list.

PT PRO's Logistics wins European Innovation Award

PT PRO's Logistics department received the "Supply Chain Innovation Award" with project "After-Sales Portal". The award ceremony took place in Dusseldorf, Germany, in the scope of the 10th European Logistics Conference, an event that rewards companies that excel in this domain.

PT Contact honoured with Best Call Centre Award

PT Contact, specialist in contact centre management and optimisation was honoured with the Best Call Centre To Work and Social Responsibility Awards, in the scope of the Call Centre Trophy. The initiative was promoted in the context of the 10th edition of Call Centre & CRM Solutions, an annual meeting of customer service professionals.

PT – most valuable brand in Portugal – Eurobrand

PT at the service of the Deaf Community – 50 years

PT – among 2,000 top world companies – Forbes

e-escola – Best European Project Award – Toshiba

PT-SI – among Top IT Service Companies

According to the study on the top 200 Portuguese IT Services companies, published by Semana Informática magazine, PT Sistemas de Informação is one of the top 5 IT Services companies in Portugal. PT maintains thus a leading position, obtained during the first years of its activity.

PT was awarded the Grand Prize in advertising media

Grand prize for advertising effectiveness.

PT Contact honoured as one of the 30 best places to work in Portugal – Great place to work.

Synergies with international subsidiaries

Cape Verde – IPTV

Launch of an IPTV offering in Cape Verde, pioneer in the Group, and now in wide rollout phase in Portugal.

Cape Verde and Angola – SAPO

Expansion of Sapo portal with local partners and content, its expansion to other locations such as Mozambique being considered.

Namibia – e-escolas

Replication of the commitment with info-inclusion and the development of society as a whole, with the dissemination of e-escolas program.

Namibia – Office Box

Replication of the Office Box offering in other locations, such as Namibia, for example, based on the experience in the Portuguese market.

Brazil – Innovation

PT Inovação Brazil announced the creation of a Software Research and Development Centre in Salvador (Bahia). The presentation of the new Centre was attended by Zeinal Bava, CEO, PT, by the Prime-Minister, José Sócrates and by the Governor of Bahia state, Jaques Wagner. An important step towards PT's commitment with Brazil's sustained development.

Business goals and opportunities

PT's positioning in the home and international marketplace, the feedback from the identified stakeholders and the trends of the international conjuncture induce a number of opportunities and subsequent goals established pursuant to the strategic profile for the 2008/2010 period.

Environmental sustainability, customer relationship and satisfaction, innovation, social responsibility in terms of education, health, and safety, and establishment of synergies and sharing of good practices are included among the main goals with defined objectives selected for 2009, together with the business growth targets.

Therefore, the following opportunities and goals have been identified for 2009.

Environmental sustainability

In Portugal, the ICT impact on the carbon footprint is approximately 1%. According to the Smart 2020 Report, the direct impact of the sector may be significantly reduced until 2020:

	Weight on ICT carbon footprint until 2020	Estimated reduction potential
Officeware efficiency	57%	60%
Servers	18%	39%
Telecommunications equipment	25%	27%

Opportunities and goals selected by PT

Energy consumption areas at PT	2020 Goals	Efficiency Actions for 2009 – estimated reduction
Lighting, administrative equipment and air conditioning	10%	<ul style="list-style-type: none"> > Implementation of EEE bulbs – consumption reduction: 50% > PC and monitor replacement – consumption reduction: 80% > Cooling set points – consumption reduction: 8%
Cooling of telephone exchanges and data centres	27%	<ul style="list-style-type: none"> > Free cooling – 12 new installations – consumption reduction: 2% > Alternative energies – consumption reduction: 2%
Telecommunications and information technology equipment	63%	> Installation of smart meters – tests underway

In Portugal, buildings stand for 40% of national energy consumption. The energy certification of buildings will allow the reduction a better control of its energy consumption.

Impact	2010 Goals	Actions
Energy consumption in Portugal Telecom's buildings	20 buildings (among 125) With high energy consumption	Submit buildings to an energy certification process and respective plan for consumption reduction
Car fleet – Carbon footprint	20% reduction	
Noise and operations in operational sites	Currently 200 sites; In 2009: 386 sites, i.e., +80%	Noise monitoring and site vibration
Water consumption	2% reduction	
Paper consumption	25% reduction	

Customer satisfaction

Average customer satisfaction level	> Keep same satisfaction level in 2009 - in 2008 = 7,3 (scale 0 to 10)
No. of complaints per customer	> Average 30% reduction until 2009
No. of faults per customer	> Average 20% reduction in 2009

Innovation and R&D

Technological innovation	> New generation networks and respective functionalities in 2010
Operational efficiency	> Energy rationalisation solutions – use of alternative energies > New self-service and self-care applications
Web solutions	> Web 2.0 functionalities under continuous development
Society and surroundings	> Health solutions > Security solutions

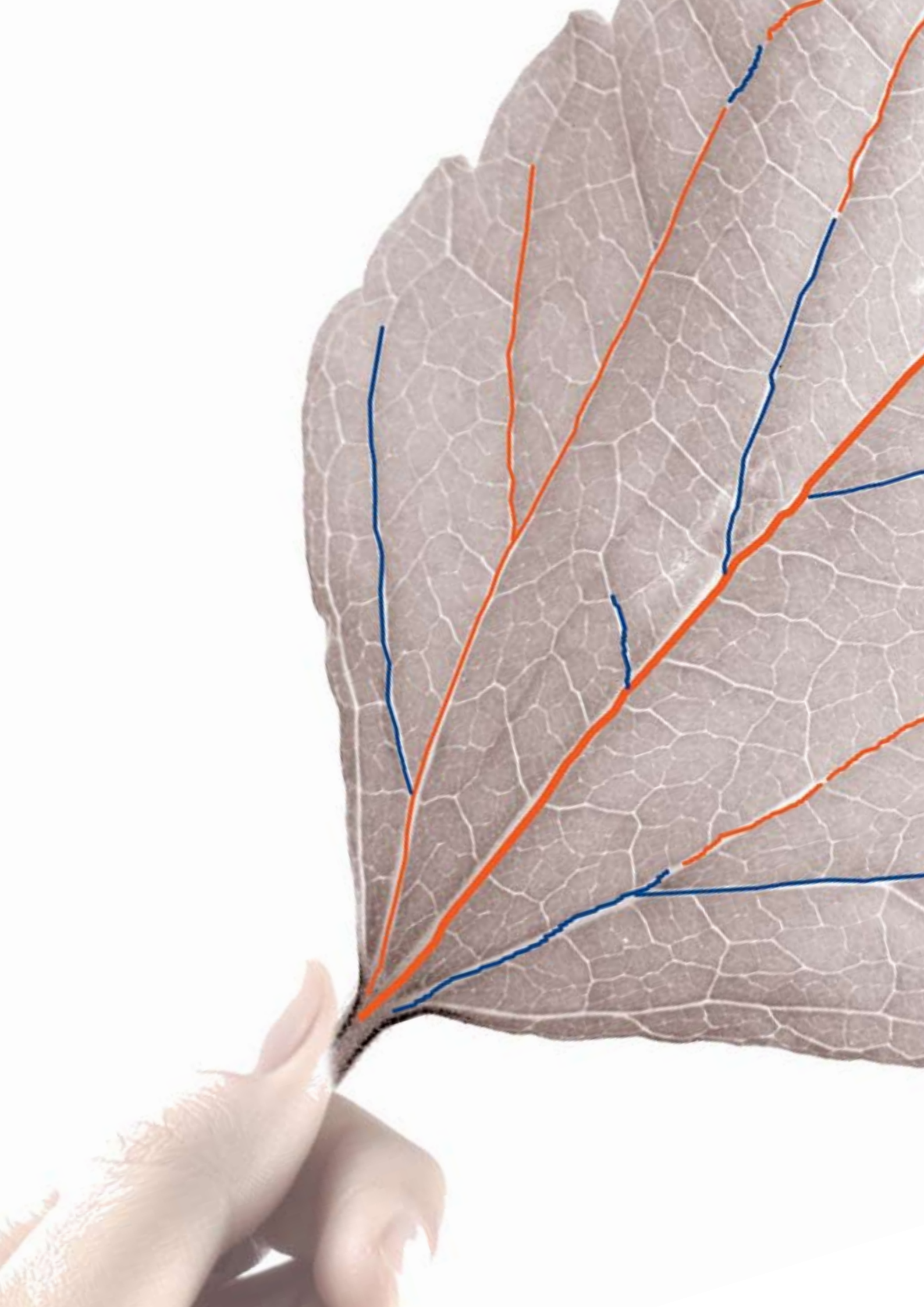
Education

Collaborative education; ICT solutions in the classrooms	300,000 laptop PCs equipped with broadband at 25% of market value	Over 200,000 in next 2 years – in project
Collaborative education; High-speed networks	Connection of 6,000 schools at 100 Mbps – 100 already connected	To proceed until 2010
Online platforms	In project	To proceed until 2010

Suppliers

Supplier Auditing in terms of ethical, environmental and labour criteria	+ 10 % increase in no. of suppliers subject to verification processes in 2009
Inclusion of energy efficiency in equipment selection and contracting	To be initiated in purchases throughout 2009

The initiatives mentioned in this section will be described and put into context in the respective chapters, in terms of the issues and stakeholders mentioned.





Sustainability-oriented governance

Enterprise sustainability at Portugal Telecom is part of its decision processes, aiming to ensure the mid- and long-term economic, social and environmental balance of the company, continuing to create value for shareholders, employees, customers, suppliers and society at large.

Management policies

Portugal Telecom is fully tuned with the current market situation, taking it as a challenge demanding from everyone, especially from managers, the capacity to innovate and to contribute to surpassing the difficulties faced by society.

Aware that the stakeholders' options strongly condition the Group's performance, PT has constantly promoted mechanisms of dialogue with each one, guaranteeing the exchange of the necessary information for the adoption of management policies best-suited to the market conjuncture and the commitments assumed with the shareholders.

Therefore, PT guides its activity in accordance with a set of principles and codes of conduct, and promotes a culture throughout the organization based on the evaluation and control of the risks identified as critical for the Group's businesses.

The Sustainability Committee, integrated in PT's governance model, promotes the principles, codes of conduct and the use of the communication channels, in the relationship among employees and between these and the remaining stakeholders, stimulating a culture of dialogue, preventing conflicts of interests and ensuring anti-corruption mechanisms. Therefore, PT does not develop any lobbying activity and/or contribute monetarily to organisations that do not fit its sponsorship, philanthropy and patronage policies.

Mission

To deliver telecommunications and multimedia services of recognised value to our customers technologically updated on a permanent basis, through qualified and motivated resources with respect for the environment and society.

Principles

PT subscribes, applies within the company and participates actively in the promotion of the sustainability and corporate social responsibility principles recommended by national and international organisations. These principles are related to business ethics, environmental respect and preservation, human and labour rights and anti-corruption and social inclusion instruments. The adoption of these principles constitutes a permanent challenge for PT as it implies a systematic identification of areas for improvement in the various business units of the Group and a permanent pursuit of adoption of improvement measures.

Guidelines

- > Sustainability Letter of the European Telecommunications Network Operators Association (ETNO)
- > 10 Principles from the United Nations Global Compact (UNGC)
- > Social Responsibility Charter of the Union Network International (UNI)
- > Recommendations of the Business Council for Sustainable Development (BCSD Portugal)
- > Millennium development goals
- > Lisbon strategy

The issues on the agenda of these organizations are evaluated and interpreted by PT's Sustainability Committee, and the conclusions relevant for the activity of the company are transmitted and deliberated at the Executive Committee. Its promotion is done across the Group, adapted to each business area of the Group.

PT's Codes of Conduct

The codes of conduct and regulations adopted at PT are meant to guide the attitude of all employees towards the organisation and the relationship that they establish with shareholders, legal and regulatory bodies, competitors, customers, suppliers and with society at large. Rigour, honesty, integrity, transparency and accuracy of information, anti-corruption, equality of opportunities, environmental preservation and social responsibility are the principles that we defend, promoting and following them daily.

The Code of Ethics pursues a total alignment with all the legislation and legal regulations in force be them national, European or American and it is applicable to company employees and suppliers.

Any identified and confirmed violation of the Codes of Conduct, internal regulations or the legislation in force is liable to lead to disciplinary action and causes infringer responsibility in the terms and rules of the law applicable to the situation.

- > PT's Code of Ethics
- > Code of Ethics for Financial Officers
- > Corporate Governance & Compliance Guide for Corporate Board Members
- > Internal Regulation on Transactions*
- > Regulation on Transactions with related parts**

* It regulates matters relative to the prevention of market abuse and transactions on financial instruments emitted by PT's subsidiaries. It defines the relevant concepts of "privileged information", "market manipulation" and "relevant transactions", among others, associated. This regulation complements the company's governance rules and the good conduct practices already implemented in PT to strengthen the prevention of market abuse.

** Defines a set of procedures meant to guarantee the correct identification of transactions with related parts and to define the relevant concepts of "transaction" and "related parts".

A compliance manual was prepared and distributed to every Board Member, so as to support the correct adoption of the conduct and responsibilities to be assumed by the top management

Clarification and denunciation systems – Whistleblowing

PT uses specific systems to clarify and denounce infringements to its Codes of Conduct. There are telephone lines and e-mail addresses that guarantee user confidentiality and anonymity in the treatment of the information and the forwarding of its resolution.

Anyone in possession of evidence of any kind of irregularity, be it an employee, supplier, shareholder, etc., may pursue the denunciation through a website created for this purpose (<https://napq.telecom.pt>). This communication is automatically encrypted and the confidentiality of its content is guaranteed, as well as the anonymity of its author.

The Audit Committee is responsible for following up and treating the denunciations made through this system and for making them known to the CEO, the CFO, as well as other entities, internal or external, whose involvement is deemed compulsory or justified.

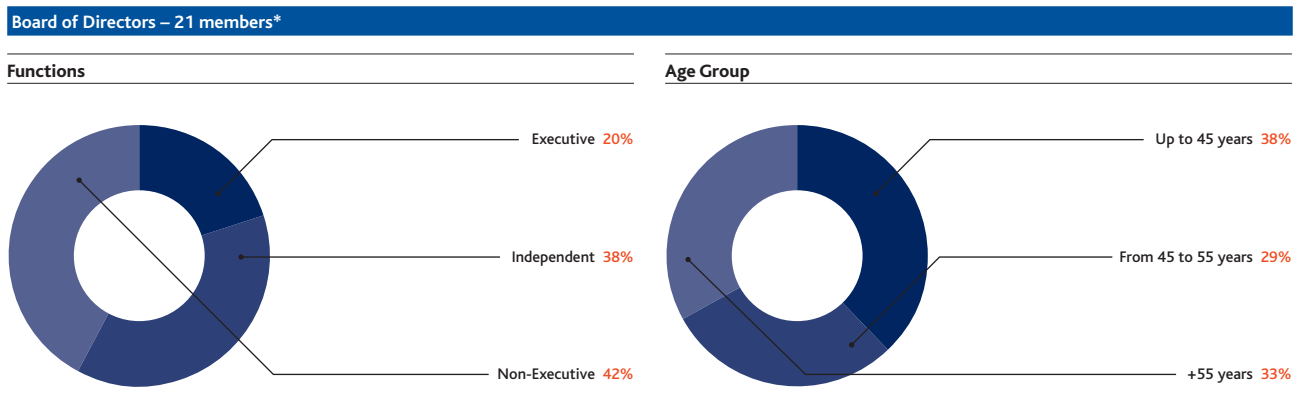
é Directo! – help Line available on the corporative intranet of the Group

N° of requests in 2008	5 846
N° of requests solved	5 825
N° of pending requests for 2009	21

Whistleblowing – available on the corporative intranet and website

Complaints received in 2008	Complaints already solved in 2008	Complaints under analysis
44	14	30

Governance model



* as at 31 December 2008

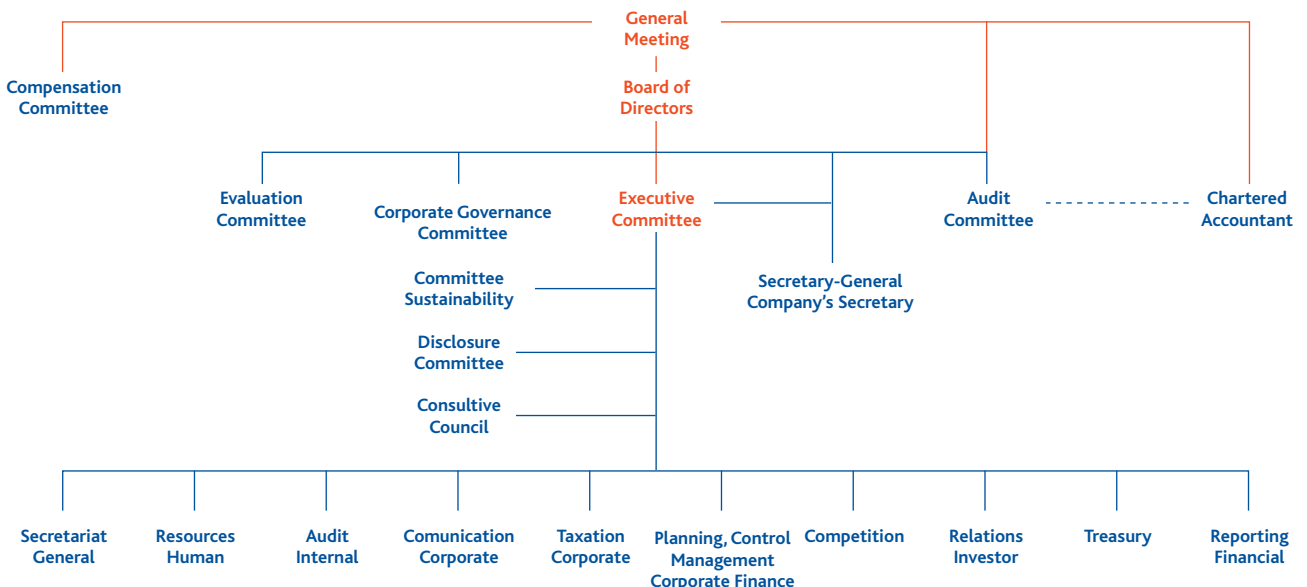
As of 2007, the Board of Directors has decided to adopt the Anglo-Saxon governance model based on the existence of a Board of Directors, an Audit Committee composed by non-executive directors specifically appointed by the General Meeting of Shareholders and a Chartered Accountant elected by the General Meeting of Shareholders following a proposal presented by the Audit Committee.

Portugal Telecom’s organizational structure also includes a Compensation Committee elected by the General Meeting of Shareholders, which is responsible for determining the remuneration 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 once or more times within the limits of the law.

The adopted Governance model maintains a power separation between Board of Directors and Executive Committee.

PT’s governance model is depicted in the following scheme:



The values of efficiency, simplicity, transparency and accuracy are the basic pillars of this governance model, and it provides PT with an appropriate structure considering the specificities and needs of the company. This model has also been welcomed by the market.

Within this context, PT's governance includes an Executive Committee with powers delegated by the Board of Directors, which acts on a predominantly operational basis, while the Board of Directors is entrusted with the supervision of corporate activities, with the support of the Corporate Governance Committee and a new Evaluation Committee created in October 2008, each such committee acting within the scope of their respective specific powers delegated by the management body. This supervision task is further reinforced by the action of the non-executive independent members of the Board of Directors.

The corporate bodies, as well as the Executive Committee and the specific committees constituted by members from the Board of Directors, record minutes of the respective meetings; participants at the meeting may dictate a summary of their statements for inclusion in the minutes.

A Consultative Council, a Disclosure Committee and a Sustainability Committee, as well as several operational departments that guarantee and effective and transparent management of the Company complete the management supporting structures.

Composition of the Board of Directors

The Board of Directors is composed by a minimum of fifteen and a maximum of twenty three members, who are elected for a three-year period by the shareholders at the General Meeting by the majority of votes cast. Pursuant to the bylaws, for the election of one-third of the total number of directors, which must comprise the Chairman of the Board of Directors, such majority shall include the votes of the majority of the class A shares.

Additionally, and according to corporate law, a minimum of shareholders, representing at least 10% of the share capital and voting against the winning proposal in the election of the Board of Directors, may appoint a member of the management body. The directors are appointed for a three-year term of office, the election year being considered as a full calendar year. There are no restrictions on the re-election of directors.

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 granted 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.

During the 2008 financial year, the Board of Directors held 14 meetings.

All information related to the functions and curriculum of each Director is detailed in the Corporate Governance Report as part of the Annual Report 2008.

As at 31 December 2008, the Board of Directors had the following composition:

Board of Directors at 31 December 2008							
Members (date of first appointment)	Board of Directors	Executive Committee (5)	Audit Committee	Governance Committee	Evaluation Committee	Independence	N.º of shares
Henrique Granadeiro (2003) ⁽¹⁾	Chairman				Chairman		150
Zeinal Bava (2000) ⁽¹⁾	Member	Presidente (CEO)			Member		63,161
Luís Pacheco de Melo (2006) ⁽²⁾	Member	Member (CFO)					45
António Caria (2006)	Member	Member					486
Rui Pedro Soares (2006)	Member	Member					50
José Maria Alvarez-Pallete (2008) ⁽³⁾	Member						100
Franquelim Alves (2006)	Member			Member		Sim	
Francisco Bandeira (2008) ⁽³⁾	Member						483
José Xavier de Basto (2007)	Member		Member			Sim	
Fernando Soares Carneiro (2006)	Member				Member	Sim	
Luís de Azevedo Coutinho (2006)	Member					Sim	
Santiago Valbuena Fernández (2008) ⁽³⁾	Member						100
João de Mello Franco (1998) ⁽⁴⁾	Member		Chairman	Chairman	Member	Sim	13,308
Joaquim Goes (2000)	Member			Member	Member		2,437
Gerald S. McGowan (2003)	Member					Sim	
Rafael Mora Funes (2007)	Member			Member	Member		
Amílcar de Moraes Pires (2006)	Member						2,146
Francisco Soares (2006)	Member			Member		Sim	
Jorge Torné (2002)	Member			Member	Member		
Nuno de Almeida e Vasconcellos (2006)	Member						11,190
Thomaz Paes de Vasconcellos (2003)	Member		Member			Sim	

⁽¹⁾ The director Henrique Granadeiro performed duties as Chief Executive Officer until 28 March 2008. As from such date, such duties have been performed by the director Zeinal Bava. ⁽²⁾ The director Luís Pacheco de Melo has performed the duties of Chief Financial Officer for one term of office only, since 2006. Therefore, the CMVM Recommendation II.2.5 (which determines the Board shall promote rotation of the CFO every two terms of office) is not applicable. ⁽³⁾ The directors Francisco Manuel Marques Bandeira, José Maria Álvarez-Pallete and Santiago Fernández Valbuena were coopted on 12 February 2008 to replace the directors Armando Vara, António Viana-Baptista and Fernando Abril-Martorell, who had notified the Company of their resignations on 18 January 2008, the first one, and on 31 January 2008, the others. ⁽⁴⁾ The director João de Mello Franco is also a member of the Compensation Committee, as the Chairman of the Audit Committee. ⁽⁵⁾ The resignation of the director João Pedro Baptista, who was a member of the Executive Committee, was disclosed to the market on 20 June 2008.

Control of the management activity

The activity of the Board of Directors is subject to control by other corporate bodies elected at a General Meeting of Shareholders for such purpose, notably the Audit Committee and the Compensation Committee (which determines the remuneration of the members of the management body based on criteria it has approved and the evaluation of the overall performance of the Board of Directors and of the performance of its executive members carried out by the Evaluation Committee within the framework of its specific powers).

Furthermore, as provided for by the law, the General Meeting of Shareholders carries out, each year, a general appraisal of the management (and supervision) of the Company.

On the other hand, the Corporate Governance Committee has powers that, although delegated by the Board of Directors, determine that this Committee shall assess government practices adopted by the Company and by its management body.

Executive Committee

To ensure the performance of its duties in accordance with the criteria adopted, the Board of Directors has created an Executive Committee, to which it delegated the day-to-day management of the Company, and retained the duties of supervision and control.

The Executive Committee sets the dates and periodicity of its ordinary meetings, and will meet extraordinarily whenever called upon by its Chairman or by two of its members or by the Audit Committee.

The Executive Committee may not function without the presence of the majority of its members in office. The Chairman may, when clearly urgent, waive the presence of such majority if the same is ensured through voting by correspondence or by power of attorney, and also by conference call or videoconference, although a member may not represent more than one other member.

Resolutions are passed by a majority of the votes cast, and the Chairman has a casting vote.

Pursuant to the bylaws, the Board of Directors' internal operating rules and the delegation of powers to the Executive Committee, the Chairman of the Board of Directors and the Chief Executive Officer shall carry out the following duties:

Chairman of the Board of Directors

- > To represent the Board of Directors, and to promote communication between the Company and its shareholders;
- > To coordinate the activity of the Board of Directors, and to distribute matters among its members where advisable, in light of management conveniences;
- > To call and conduct the meetings of the Board of Directors;
- > To watch over the correct implementation of the Board of Directors' resolutions;
- > To ensure that resolutions on matters within the powers of the Board of Directors (other than those delegated to the Executive Committee) are adopted by this corporate body.

Chief Executive Officer

- > To coordinate the activity of the Executive Committee, and to distribute matters among its members where advisable, in light of management conveniences;
- > To call and conduct the meetings of the Executive Committee;
- > To watch over the correct implementation of the Executive Committee's resolutions.

Within the framework of the corporate decision-making procedure concerning PT Group's business lines and Corporate Governance, the members of the Executive Committee are responsible for the following areas:

Executive Committee	Corporate Assignments	Executive Assignments
Zeinal Bava CEO	<ul style="list-style-type: none"> > Strategy > Investor Relations > Communication and Corporate Image > Internal Audit > Regulation and Competition > Institutional and International Relations > Financial Holdings Abroad > Operations Abroad 	<ul style="list-style-type: none"> > PT Portugal > PT Portugal > TMN > PT Prime > PT Investimentos Internacionais > PT SI > PT Inovação > Fundação PT
Luís Pacheco de Melo CFO	<ul style="list-style-type: none"> > Human Resources > Management Planning and Control > Financial Reporting > Corporate Finance > Financial Operations and Treasury > Taxation > Internal Control and Risk Management 	<ul style="list-style-type: none"> > PT PRO > PT Contact > PT ACS > Previsão
António Caria	<ul style="list-style-type: none"> > Service Hiring Strategy > Buildings, Networks and System Safety 	<ul style="list-style-type: none"> > PT Compras
Rui Pedro Soares	<ul style="list-style-type: none"> > Real Estate > Financial Holdings > Marketing > Relations with Regions and Local Authorities > Security Policies > Environment and Energy Efficiency 	<ul style="list-style-type: none"> > PT Imobiliária

During the 2008 financial year, the Executive Committee held 41 meetings.

Corporate Governance Committee

João de Mello Franco (Chairman)
Franquelim Alves
Joaquim Goes
Rafael Mora Funes
Francisco Soares
Jorge Tomé

Duties

The Corporate Governance Committee is composed by non-executive members of the Board of Directors with experience and knowledge as appropriate to reflecting on the corporate governance model and permanently follow up the adoption of the best corporate governance practices within the PT Group, in light of the specific characteristics of the company. The Chairman of the Corporate Governance Committee is appointed by the Board of Directors. The main duties and responsibilities of this committee are:

- > To propose to the Board of Directors and to review and re-evaluate the Company's corporate governance model, including the organisational structure, operation, responsibilities and internal rules of the Board of Directors;
- > To study, review and re-evaluate the Group's corporate governance principles and practices, notably concerning Group relations, and particularly Company relations with the market, the shareholders and other stakeholders, qualifications, independence and responsibility of directors, as well as conflict of interest prevention and information discipline;
- > To assist the Board of Directors in evaluating its performance, in order to contribute to efficiency and transparency in this procedure;
- > To study, review and re-evaluate the values, principles and practices that must govern the conduct of the Group's employees, including the study, review, interpretation and supervision of application of the codes of ethics or conduct approved or to be approved by the Company

During the 2008 financial year, the Corporate Governance Committee held 7 meetings.*

* The main themes of the meetings are evidenced in the Corporate Governance Report

Evaluation Committee (newly created)

Henrique Granadeiro (Chairman)
Zeinal Bava
Fernando Soares Carneiro
João de Mello Franco
Joaquim Goes
Rafael Mora Funes
Jorge Tomé

Duties

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

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

The Evaluation Committee has the duties, powers and responsibilities as required to assist the Board of Directors in the following areas:

- > Evaluation of the overall performance of the Board of Directors;
- > Evaluation of the performance of the members of the Executive Committee, based on criteria as approved by the Compensation Committee appointed by the General Meeting of Shareholders.

In particular, the Evaluation Committee is entrusted with:

- > Submitting to the Board of Directors and Compensation Committee, as applicable, a communication on the level of compliance by the Company with the legal and regulatory provisions, recommendations and guidelines issued by the competent authorities in the specific areas of evaluation, remuneration and selection, and studying and recommending the adoption of measures that prove to be required or appropriate in order to ensure compliance with such rules;
- > Assisting the Board of Directors within the framework of the annual evaluation of the performance of such body, submitting for such purpose a written annual performance evaluation report, and evaluating the performance of the members of the Executive Committee each year, in accordance with the objective criteria approved by the Compensation Committee for purposes and within the framework of the procedure of determining the variable component of the remuneration of executive directors, after the Chief Executive Officer has been heard;
- > In view of the determination of the relevant remuneration criteria by the Compensation Committee, defining, for each term of office and each year, the goals of the Executive Committee, taking into account the plans approved by the Board of Directors;
- > Proposing and discussing with the Compensation Committee the remuneration policy for members of the management and supervisory bodies of the Company, and issuing an opinion on the annual remuneration policy to be submitted by the Compensation Committee to the annual General Meeting of Shareholders;
- > Discussing the standard draft management contracts and the contracts with other members of the corporate bodies, and negotiating their respective individual conditions;
- > Preparing and periodically reviewing the selection criteria and qualification, knowledge and professional experience summary deemed as the appropriate profile for the performance of functions as a member of the management body of PT's most relevant subsidiaries;
- > Assisting the Board of Directors in the performance of its duties and powers in respect of cooptation of the Company's directors, selection of directors (even if upon the initiative of shareholders having the capacity to submit lists to voting) and appointment and substitution of directors that compose special committees of the Company's Board of Directors, as well as the directors composing the Executive Committee, in this latter case upon proposal of the Chief Executive Officer;
- > Advising the Executive Committee in the matter of selection and relevant criteria for determination of the remuneration of the members of management bodies of PT's most relevant subsidiaries.

The Evaluation Committee meets ordinarily once every quarter and whenever called upon by its Chairman, on his own initiative or at the request of any one of its members. The Committee may not function without the presence or due representation of the majority of its members. Its resolutions are approved by a majority of the votes cast, and the Chairman has a casting vote. The Chief Executive Officer must not vote in the Evaluation Committee in respect of resolutions concerning the annual evaluation of the performance of the members of the Executive Committee.

In addition to these rules, the operating rules of the Board of Directors provide that the Evaluation Committee provides information to the members of the Board of Directors that are not members of such Committee.

Structures supporting the Executive Committee

Consultive Council

Luís Todo Bom (Chairman)
José de Almeida Mota
Aníbal Santos
João Confraria
José Manuel Tribolet
José Lamego
João Ribeiro da Fonseca
Amílcar Martins

Duties

The activity of the Consultive Council consists of assessing, together with the Executive Committee, areas with special relevance for PT or issues which level of importance so advise, notably regulation, competition, international investments, mergers, acquisitions and disposals, technological strategies and their implication in the Group's business structure.

- > Provide the Chief Executive Officer and the Executive Committee with information, assessments and opinions on matters of a regulatory, technological, economic and corporate nature;
- > Analyse relevant aspects of economic trends, concerning both present and future prospects, notably in what regards factors capable of influencing or enhancing the PT Group business;
- > Assist the Chief Executive Officer and the Executive Committee in developing corporate strategies and the best management practices;
- > Issue opinions and recommendations on any matters eventually submitted to it by the Chief Executive Officer or by the Executive Committee.

Disclosure Committee

Luís de Sousa Macedo (Chairman)
Francisco Nunes
Nuno Prego
Carlos Cruz
Nuno Vieira
Pedro Guterres

Duties

It is incumbent on the Disclosure Committee to define, document and disclose procedures as appropriate for adequate collection, processing and reporting of information, as well as to review all information disclosed by PT, notably: press releases, reports and accounts (annual and interim), Forms 20-F, notices to the CMVM and questionnaires sent to the media.

For such purpose, the Disclosure Committee shall approve and implement procedures and controls as required to ensure that information disclosure by PT to shareholders and investors:

- > Complies with applicable laws and regulations;
- > Is accurate, complete and made in due time;
- > Reliably represents the Group's financial position and the results of its operations in all material respects relevant to an adequate knowledge of its financial condition and performance.

Sustainability Committee

- > PT's CEO (Chairman)
- > Directors of PT Comunicações, TMN, PT PRO, PT Compras, PT II and PT Inovação, responsible for the sustainability area within their companies;
- > General-Secretary of PT (coordination with Portugal Telecom Foundation)
- > Financial Reporting Officer
- > Human Resources Officer
- > Investor Relations Officer
- > Internal Audit Officer
- > Communication and Corporate Image Officer (operating coordination and implementation)

Duties

It is the Sustainability Committee's responsibility to ensure that corporate sustainability is a part of and consistent with the Group's strategy and transversal to all its companies.

The Committee has the following main global goals:

- > Ensuring that corporate sustainability is a part of and consistent with the Group's strategy and transversal to all its companies;
- > Reinforcing the Group's performance as a sustainable company, and disseminate this information both internally and externally;
- > Ensuring the conditions required in order to include PT in the international sustainability indexes, aiming at gaining a leading position;
- > Promoting an upgrade in the sustainable performance of the subsidiaries, evaluating and approving projects that these companies may develop in this area and stimulating the analysis of this issue at the meetings of the corresponding Executive Committees, at least twice each year.

The Sustainability Committee has the following duties:

- > To develop a transversal corporate sustainability strategy that is integrated and consistent with the PT Group's strategy;
- > To ensure the creation within the PT Group of conditions as required for its sustainable growth, in a three-dimensional perspective, in economic, environmental and social terms, in accordance with international criteria;
- > To evaluate, approve and support implementation initiatives and plans that subsidiaries may define in this area;
- > To develop, promote and supervise projects and actions as required for the proposed goals;
- > To identify, define and control the best teams to carry out such projects;
- > To guarantee internal and external communication by reinforcing the performance of the PT Group as a sustainable company and making it recognized as such;
- > To control and evaluate the action plan as established and incorporated in the sustainability strategy.

During the 2008 financial year

- > the Consultive Committee held 8 meetings,
- > the Disclosure Committee held 6 meetings and
- > the Sustainability Committee held 1 meeting.

Supervision of the Company

Audit Committee

João de Mello Franco (Chairman)
José Xavier de Basto
Thomaz Paes de Vasconcellos

The members of the Audit Committee are appointed by the General Meeting of Shareholders together with all other directors, and the lists proposed for the Board of Directors shall identify the members to appoint to the Audit Committee and specify its Chairman.

Duties

To assist the Board of Directors and its Executive Committee in the supervision of the quality and integrity of the financial information contained in the Company's financial statements, to propose the appointment and independence of the Chartered Accountant, to control the quality, integrity and efficiency of the internal control system, the execution of the duties performed by the Chartered Accountant and the Corporate Audit Department and the compliance with legal and regulatory dispositions, recommendations and guidelines emitted by the competent authorities.

Chartered Accountant

The term of office of the Chartered Account, both effective and alternate, lapsed on 31 December 2008, but such supervisory body will remain in office until new members are appointed pursuant to the bylaws. As of 31 December 2008, the appointed officers were:

- > P. Matos Silva, Garcia Jr., P. Caiado & Associados, Sociedade de Revisores Oficiais de Contas, represented by Pedro João Reis de Matos Silva as Chartered Accountant (effective)
- > Ascensão, Gomes, Cruz & Associado, Sociedade de Revisores Oficiais de Contas, represented by Mário João de Matos Gomes as Chartered Accountant (alternate).

Remuneration

Compensation Committee

Álvaro Pinto Correia (Chairman)
João de Mello Franco
Francisco Esteves de Carvalho

Duties

The Compensation Committee is elected at the General Meeting of Shareholders and serves the purpose of defining the remuneration policy of the members of PT's corporate bodies, determining the remuneration applicable taking into account the performance (following an evaluation made by the Evaluation Committee) and the economic position of the Company.

For the completion of this task, the Compensation Committee continuously follows up and evaluates the directors' performance, checking the extent to which the proposed targets have been achieved. The Compensation Committee meets whenever necessary to perform its functions.

Independence of the members of the Compensation Committee

Notwithstanding the necessary coordination 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. Two members of the Compensation Committee, including its Chairman, are not members of the Board of Directors or of any committee within the Company. The Compensation Committee is also made up of the Chairman of the Audit Committee, who is bound to specific duties as a result of his functions in the supervisory body.

Additionally, no member of the Compensation Committee has any family relationship with members of the management body by way of marriage, kindred or affinity in a direct line and up to and including the third degree.

Remuneration policy for executive and non-executive directors

Remuneration policy for non-executive directors, including members of the Audit Committee

The remuneration of non-executive members of the Board of Directors, including the members of the Audit Committee, follows a rigid model with an annual fee determined by the Compensation Committee, without attendance tickets.

Remuneration policy for executive directors

The remuneration of executive directors in 2008 took into account PT Group's short and medium-term performance, as well as such performance as compared to other companies of similar dimension and business.

The remuneration of the executive directors is made up of a fixed and of a variable portion, where the latter may go up to 120% of the fixed remuneration on a yearly basis, and up to 50% of the fixed remuneration in a multi-year variable remuneration concept, according to the following criteria and parameters:

Fixed remuneration

The value of the fixed remuneration of the executive directors was determined on the basis of a benchmark study where companies included in the PSI 20, IBEX 35, CAC40, DJ Eurostoxx 50 indexes were analysed, as well as European telecommunications companies comparable to PT.

Variable remuneration

The variable remuneration policy at PT is determined in accordance with the following guidelines:

- > The pursuit and fulfilment of the goals established, through quality, work capacity, dedication and business know-how;
- > PT's incentive and compensation policy should allow the capture and retention of the best professional on the market;
- > The implementation of a professional management philosophy through the definition and control of fulfilment of ambitious (but reachable) goals that can be measured annually or on a multi-year basis (term of office);
- > The development of a culture oriented to the market and its best practices, measured whenever possible through the comparison of performance of PT's goals with a number of companies and/or organisations in its market of reference (national and international).
- > The pursuit of management excellence through a number of enterprise practices of reference, enabling enterprise balance and sustainability. For such purpose, it will be necessary to implement a management philosophy according to three dimensions: economic, environmental and social.

Annual variable remuneration

Taking into account the tradition and the model on the last decade within PT, the evaluation of performance of the executive directors of the PT Group has been indexed, in annual terms, to the pursuit of the goals of the PT Group and of each Business Unit. In 2008, this variable component did not include any share allotment or stock option plans.

Therefore, the model followed to establish the goals for remuneration of the members of the Executive Committee of PT in 2008 considered the following criteria:

- > The economic performance of the PT Group, in an undifferentiated way for every member of the Executive Committee;
- > The quantitative evaluation of the respective individual performance, measured through the economic performance of the respective assignments;
- > The determination of the annual variable remuneration pertaining to the performance of 2008 took the following aspects into consideration:
 - > PT TSR ratio versus the TSR ratio for Group 2 of the DJ Stoxx Telecom during that same period, being TSR the sum of the variation of the share price plus dividends per share
 - > Consolidated revenue growth delta, as compared to the same abovementioned group in the period;
 - > EBITDA growth delta, as compared to the same abovementioned group in the period;
 - > Cost control, OPEX reduction;
 - > Net profit and EPS growth.

Multi-annual variable remuneration

The determination of the multi-annual variable remuneration shall be calculated each year and cumulatively along the term of office and paid at the end of the same if the weighed average of all indicators during the term-of-office is equal to or greater than 80% of the established goals. This annual cumulative calculation was made, as defined, in accordance with the analysis of the following indicators:

- > Evolution of the PT Group return on capital employed (ROCE) evolution versus the ROCE for Group 2 of the DJ Stoxx Telecom during that same period
- > Net profit and EPS growth in the period;
- > PT TSR ratio versus the TSR ratio of the abovementioned comparison group in the same period;
- > Evolution of PT Sustainability Index according to the DJSI methodology;
- > Evolution of the PT Group image taking into account the evolution of the customer and employee satisfaction index
- > Fulfilment of strategic goals

Remunerations (Euro)	2008 Fixed	2008 Variable	2007 Fixed	2007 Variable
Executive directors	2,880,269	3,336,953	4,039,271	9,173,300
Non-executive directors	1,323,867	–	991,284	–
Supervisory body	581,714	–	502,844	–
Total	4,785,850	3,336,953	5,533,399	9,173,300

Exercise of voting rights and shareholder representation

General Meeting of Shareholders and voting rights

The General Meeting of Shareholders, composed of shareholders with the right to vote, ordinarily meets once a year or whenever its call is requested to the Chairman of the Board of the General Meeting of Shareholders by the Board of Directors, by the Audit Committee or by Shareholders representing at least 5% of the share capital.

The meetings are held at the registered office or other location as chosen by the Chairman of the board pursuant to the law. They cannot take place by remote-access telematic means.

The members of the board of the General Meeting of Shareholders were elected on 21 April 2006 for the 2006-2008 term of office, which ended on 31 December 2008. However, pursuant to the bylaws the members elected to the board of the General Meeting of Shareholders shall remain in office until new members are appointed.

Board of the General Meeting of Shareholders

António Menezes Cordeiro (Chairman)
Eduardo Vera-Cruz Pinto (Vice-Chairman)
Francisco Leal Barona (Secretary)

The General Meeting of Shareholders is called and conducted by the Chairman of its board or, in his absence or impossibility to conduct the works, by the Vice-Chairman.

According to the Company's bylaws, each 500 shares grant the right to one vote. Shareholders holding a lesser number of shares may group together and be represented by one of the group members, so as to jointly accumulate the number of shares necessary to exercise the right to vote. Only shareholders entitled to vote may attend a meeting of shareholders with voting rights.

Within the framework of American Depositary Receipts (ADR) or Global Depositary Receipts (GDR) programs 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.

For confirmation of voting rights, the bylaws require that shareholders provide evidence of the registration of the shares in a book-entry securities account no later than 5 business days prior to the relevant meeting, and such shares should remain inscribed in the name of the shareholder, at least until the General Meeting is closed.

Voting by correspondence, by electronic means and by proxy

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.

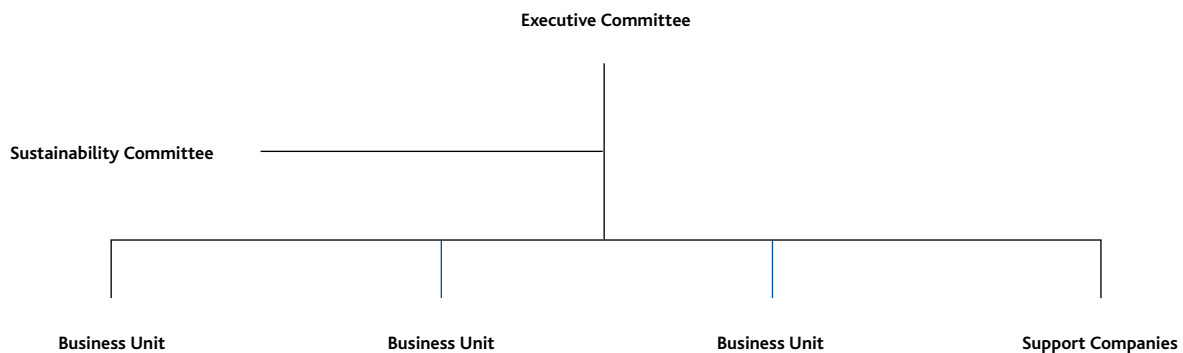
The bylaws further provide that the terms and conditions for voting by correspondence or by electronic means shall be defined by the Chairman of the Board of the General Meeting of Shareholders on the notice, in order to ensure their authenticity, regularity, security, reliability and confidentiality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

In any case, 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, the said communication shall be sent in a closed envelope that will only be considered at the time of vote counting.

Additionally, votes cast by correspondence or 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 electronic means, or of his representative, determines the revocation of the vote so cast.

Sustainable strategy

Enterprise sustainability is part of PT Group's decisional processes in Portugal and obeys a formal structure, the Sustainability Committee, supporting the Executive Committee of the holding company, as well as the Executive Committees of PT's subsidiaries, through the directors with the respective assignment.



The management policies and systems, the identification and evaluation of risks and opportunities, the Code of Ethics, the codes of conduct and the procedures established for subsidiaries in Portugal are the foundations of PT's sustainability.

Therefore, the corporate sustainability strategy in PT is integrated in a consistent and transverse way within the Group and lies on the development and monitoring of a vast combination of practices and procedures at three main levels: economic, environmental and social.

PT, aware that the sustainability path is also sought by the international subsidiaries – in which it holds participations together with other investors – launched a number of initiatives in order to gain synergies and enable the sharing of best practices with these companies.

The strategic axes of our activity aim to consolidate competitiveness in the home market, promoting an agenda of international growth:

Leadership in every segment in Portugal

To consolidate the leadership in every market segment in which PT operates: by investing in the television business, PT is reinventing its residential business from a position of 'attacker' and at the same time, leveraging its position of large integrated operator, to step forward in the offer of comprehensive and converging products and services. In fact, in a converging world, in which individuals need more and more to stay in touch, communicate and consume data services without any failures at the workplace, at home or on the street, PT's capacity of offering integrated services confers a real competitive advantage in Portugal.

To make the difference in customer service: in a context of market transformation and economic uncertainty, understanding customer needs along their lifecycle with PT and acting upon them with a performance of excellence, is a distinctive factor. Through this relationship of confidence, it will be possible to successfully encourage customers to contract each time more complete packages of products and services during longer periods of time.

International expansion

To maximise the strategic value of PT's international assets, consolidating investment in the Brazilian and African markets: the Brazilian market, for its dimension, growth perspectives and starting point of PT, continues to be a priority. Africa will be another major dimension of PT's activity at international level, continuing the previous investment in the consolidation of partnerships and of search for significant investment opportunities.

Focus on operational and commercial excellence of all assets ensuring the exchange of best practices: To consolidate operational and commercial excellence in every operation, promoting the exchange of best practices. PT expects to contribute to leverage the full potential of every operation, taking into consideration the level of development of the market in every segment (high and low-income) and the opinion of the respective stakeholders.

Innovation

Competitive advantage of Portugal Telecom in defining itself as a 'specialist operator': Although it cannot compete in terms of dimension, with the big players in the sector, PT can still do it in terms of innovation, ensuring its own space in this global sector. PT thus concentrates its operation around distinctive skills, eliminating activities and operations in which this differentiating factor does not exist. Access to the markets in which it favours a light-asset strategy, such as the joint-venture with Telefónica in Brazil, in partnership with Helios. The expansion of IPTV solutions of international reference in Portugal and Cape Verde, the Sapo portal in Cape Verde, Angola and Mozambique and the Wimax rollout in Morocco witness this innovation capacity.

To promote the innovation process, transforming knowledge into competitive advantages for customers: Confirmed by the awards that it has received, PT's mission is to promote the alignment between research and leading-edge development, and the creation of an effective competitive advantage for its customers. Previous witnesses of this commitment are the pioneering development of an interactive television platform and the creation of the first mobile pre-paid platform worldwide.

Focus on the future sustainability of our society

To promote the **reduction of PT's carbon footprint** through a number of initiatives, from the use of renewable energies to the reduction of energy needs through the certification of its buildings and air-conditioning of its spaces by means of a freecooling system.

To promote through the penetration of its products and services a reduction of the impact from other sectors in environmental terms. In fact, the proliferation of the information and communication technologies will allow a significant reduction of the carbon footprint from other sectors, through the dematerialisation of day-to-day activities, for example through virtual collaboration, and the maximisation of the efficiency and productivity, enabled, for example, by the access to new telematics and inter-machine communication solutions.

Focus on the social well-being of its employees and of society

Internally, PT aims to provide its employees and respective families with training programs (over 350 scholarships awarded to low-income employees), access to internal libraries without access costs (over 8,000 titles borrowed) or access to volunteer work (more than 400 employees already involved), among others.

Externally, for the society at large, PT aspires to ensure its contribution through the transformation of the way how we live, acting on its own or through protocols with the Government and other economic agents. The year 2008 reflects, to a great extent, PT's top 3 priorities:

- > Transformation of the **education** system in Portugal, endowing it with the capabilities to increase school success;
- > Infrastructure of **healthcare** services, aiming to improve the quality of service and the transparency of the same for its users;
- > Revolution at **home** with innovative remote control and security services that make our day-to-day life easier.

The fiscal year 2008 was characterised by the following axes of activity:

- > Customer-centric organisation;
- > Innovation in terms of technology and processes;
- > Integration of fixed-mobile solutions;
- > Support for the community;
- > Digital inclusion;
- > Connectivity of the national school system;
- > Creation of solutions in the health domain;
- > Creation of security solutions for goods and people;
- > Increase in the delivery of television services (having won the DTT tender);
- > Search of synergies with international subsidiaries;
- > Implementation of measures for energy efficiency and carbon footprint reduction;
- > Talent capture and retention.

Goals and instruments of the management model oriented to the creation of long-term value

Vector	Management objectives	Management instruments
Social	Maximize the value of human assets	Analysis and performance evaluation model
	Promote digital inclusion and the knowledge society	Training and career management model
	Caution in the use of contents by minors	Enterprise agreement
	Promote R&D	Market and opinion polls
	Guarantee the level of customer satisfaction	Digital inclusion programs
	Optimize the value chain (namely in the relationship with suppliers)	Awareness campaigns for the adequate use of new technologies
	Promote responsible consumption	Partnerships with Universities PT Foundation Communication channels
Environmental	Rationalize environmental impacts caused by its activity	Environmental management system ISO 14001
	Ensure respect for the environment at the origin of the value chain	Procurement model
	Implement mid/long-term energy efficiency measures	Agreements with NGOs
	Commercialise environmentally-friendly solutions	Training programs
	Promote solutions for energy efficiency of customers	Goals for energy efficiency and carbon footprint reduction
Economic	Maximize shareholder return	Information systems certified by ISO 9001,ISO 14001 and OHSAS 18001
	Grow with respect for environment and society	Code of Ethics
	Monitor the Code of Ethics	Code of Ethics for Financial Officers
	Implement risk and opportunity management model	Implementation of PT Group's energy strategy
	Implement value chain monitoring systems	R&D Risk and opportunity management model
		Talent management
		Whistleblowing procedures
		Market surveys and CRM

Risks and opportunities management

The management of business risks and opportunities is one of the fundamental pillars of PT's enterprise sustainability and it has been acquiring increasing importance, not only due to the current globalization context, but also considering the great dynamism that characterizes the environment where the various business areas of the PT Group are carried out. In this way, risk management has a relevant role in mitigating risk factors in order to minimize the possible impact resulting from their materialisation both at company's and stakeholders' levels. Risk management also contributes to identifying new business opportunities.

The risk strategies adopted aim to ensure that:

- > The control systems and procedures and the established policies allow the fulfilment of the expectations of the management bodies, shareholders and public at large;
- > The control systems and procedures comply with the law and applicable regulations;
- > The information about the company is complete, reliable, accurate and reported periodically in a timely manner;
- > PT's resources are used in an efficient and rational way;
- > Shareholder value is maximised;
- > Ethical, environmental and social values are safeguarded;

Based on this commitment, PT has extended the work and invested on a Risk Management System, with a structured logic allowing an efficient identification of strategic and operational risks and the organisation of the existing and desired internal control level in these areas.

As a Company listed on the Euronext Lisbon and on the New York Stock Exchange and as an organisation subject to high corporate governance and internal control requirements, the PT Group has since long ago strongly committed itself to a Risk Management System.

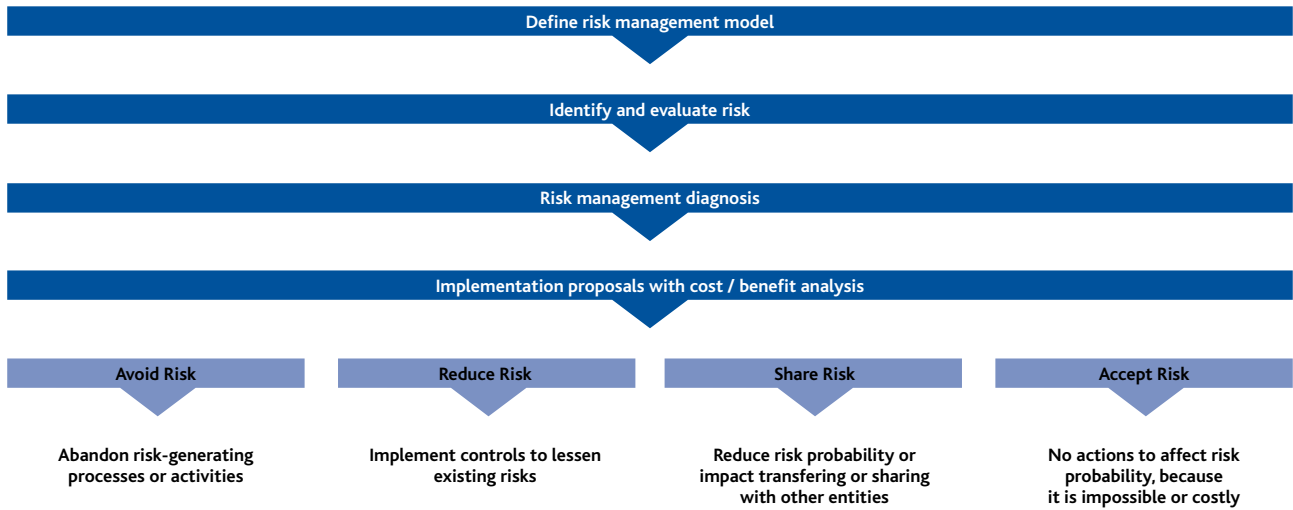
In addition to ensuring compliance with all the rules to which the PT Group is subject, the Risk Management System is also viewed as a management tool inherent to the implementation and constant use of the best management practices, also including aspects such as reputation, environment, talent retention, and relationship with stakeholders.

Based on such commitment, PT has been extending the work already done, and it has been investing in a Risk Management System that holds a structured rationale permitting, in an effective manner, the identification of strategic and operational risks and to systematise the existing and the desired internal control levels in these areas.

In this way, the Management created an Internal Control and Risk Management Team that reports directly to an Executive Director (the Chief Financial Officer), whose mission is to carry out a permanent assessment of the Risk Management procedures that are set in place and to make improvements and adaptations as eventually identified, thus contributing to its efficiency and effectiveness, by using methods conforming to the best practices and complying, as regards internal control matters, with the COSO method.

Risk Management is promoted by the Executive Committee directly supported by the management teams of the various businesses, both at national and international levels, in order to ensure a prior identification and "prioritization" of critical risks, and the development of risk management strategies, in order to implement appropriate controls and ensure a reduction in risk to an acceptable level. It should also be mentioned that the whole process is followed up and monitored by the Audit Committee, an autonomous supervisory body made up of non-executive members.

The Risk Management System is supported on two fundamental pillars, the Risk dictionary, allowing the grouping of identified risk factors and enabling the harmonisation of a Risk language, and the Integrated Risk Management methodology, applicable to the entire company.



Risks of Contour

- > Competition
- > Customer needs/economic environment
- > Technological innovations
- > Sensitivity
- > Management of shareholder expectations
- > Capital unavailable
- > Political / sovereignty
- > Legal and fiscal
- > Regulation
- > Activity sector
- > Financial markets
- > Catastrophic losses

Information risks for decision-making

Strategic	<ul style="list-style-type: none"> > Contour analysis > Business portfolio > Evaluation of investments > Organisational structure > Assignment of resources > Planning > Lifecycle
Operational	<ul style="list-style-type: none"> > Determination of prices > Planning and budgeting > Contractual commitments > Performance evaluation > Alignment with strategy
Public Reporting	<ul style="list-style-type: none"> > Accounting information > Financial Reporting > Fiscal > Pension Funds > Information for regulatory / supervisory bodies

Risks of processes

General	<ul style="list-style-type: none"> > Governance > Reputation
Empowerment	<ul style="list-style-type: none"> > Leadership > Authority / Limits > Outsourcing > Performance incentives > Preparation for change > Communication
Financial	<ul style="list-style-type: none"> > Interest rate > Currency exchange > Equity > Price of materials and raw materials > Financial instruments > Cashflow > Cost of opportunity > Concentration > Unfulfilment > Liquidation > Guarantees
Operations	<ul style="list-style-type: none"> > Customer dissatisfaction > Human Assets > Failure to capture or retain talent > Development of product / service > Inefficiency > Revenue Assurance and Billing > Management of licences/concessions > Capacity > Supplies > Customer sales and support channel > Partnerships > Non-compliance > Interruption of business > Service failures/ product deficiency > Environmental and public health > Hygiene and Safety > Brand erosion
Information Technology	<ul style="list-style-type: none"> > Relevance > Integrity > Access > Unavailability > Infrastructure
Integrity	<ul style="list-style-type: none"> > Fraud > Illegal acts > Unauthorised use/ access

As an economic group that carries out its business in several business areas, the PT Group is exposed to various risks, with 18 held meetings with top managers of the company and with the Audit Committee. This evaluation has enabled the identification and prioritisation of potential threats and opportunities for the Group, evaluating the impact and the probability of the major risks becoming true. Highlight goes to the following risk factors:

Risk	Definition
Regulation	The PT Group is subject to the risk of regulatory change or actions of national, international or European Union regulatory entities that may create growing competitive pressure and affect its capacity to conduct its business in an effective manner. The Corporate Regulation Office is in charge of the management of the regulation risk, and shall be up to date on new business regulations applicable to the sector with an impact on the PT Group, as issued by national and international entities.
Competition	Potential reduction in the wireline service revenues as a result of the progressive effect of wireline-mobile replacement, as well as potential reduction in the PT Group's revenues by virtue of an increase in competition by other operators or new players in the market, notably through (i) development of new products and services, (ii) aggressive marketing and sales policies, (iii) improvements in product and service quality, (iv) increase in productivity and cost reduction, and (v) re-configuration of the value chain from the customer's point of view.
Technological evolution	In view of the history of quick technological changes, the PT Group is subject to the risk of failing to leverage technological advances and developments in its business model in order to obtain or maintain competitive advantages. The PT Group holds PT Inovação, a company created in order to implement the technological development of the Group's businesses, at applied investigation, engineering services and development of innovating solutions and services levels, both in the domestic and international markets.
Economic environment	The international financial crisis may lead to a recession in the Portuguese and world economies, which might have an impact on the level of product and service demand and, as a result, on the level of the operational and financial performance of the PT Group. In this sense, management continuously monitors impacts on the operational and financial performance of the Company.
Financial markets	Recent events have increased uncertainty and volatility in financial markets. Risk premium in the markets generally, and for PT in particular, have increased significantly. In this way, the current conditions of the financial markets may have an adverse effect on the PT Group's ability to access the capital it needs to support its growth, its strategies, and to generate future financial returns. The management of the financial market risk is ensured by the Corporate Finance Department. Portugal Telecom executes agreements regarding a set of derivative financial instruments so as to minimize the risks of exposure to variations in interest rates. The execution of agreements concerning financial instruments is made after a careful analysis of risks, benefits inherent to this type of transactions and consulting with various institutions acting in this market. These transactions are subject to prior approval by the Executive Committee and involve a permanent follow-up of the financial markets' evolution and of the positions held by the Company.
Strategic partnerships	The growth strategy at international level is based on a combination of alliances, joint ventures and partnerships that positively affect the Company's competitive capacity. The Executive Committee of PT and its subsidiary companies have played a central role in the management of this risk, by reinforcing existing opportunities.
Exchange rate exposure	Portugal Telecom holds financial investments in foreign countries which currency is not the Euro, namely Brazil and several African countries. Exchange rate fluctuations of those currencies against Euro affect the translation of the results attributable to Portugal Telecom and therefore impact Portugal Telecom financial position and results. Portugal Telecom does not have a hedging policy regarding the financial investment amount, notwithstanding the Executive Committee analyzes the execution of cash flow hedging of the dividends and other capital income.

Synergies with the international subsidiaries

It is worth mentioning that throughout 2008, the Internal Control and Risk Management Office followed and supported the implementation of a Risk Management Model in a few subsidiaries abroad (Vivo and MTC), in articulation with the local departments responsible for its implementation, contributing to the existence of management tools aiming to ensure the sustainability of the said companies, although in these cases the participation of PT is less than 50%.

Internal control

Internal control, aligned with the best international practices and with the dispositions of the Sarbanes-Oxley Act, is implemented in every PT subsidiary, and comprises a number of procedures related to the execution, supervision, monitoring and continuous improvement of business processes. The Internal Control environment counts on the active participation of the Board of Directors, top management and remaining employees and complies with the following major principles.

Goals

- > To ensure compliance with goals, policies and procedures
- > To ensure the reliability of the financial information
- > To ensure the effectiveness and efficiency of operations
- > To minimise the possibility of fraud occurrence
- > To contribute to the creation of shareholder value

The Internal Control environment implemented at PT was based on the COSO¹, methodology, using the layers established in that model, namely: (i) Entity Level Controls; (ii) IT Level Controls; and (iii) Process Level Controls. Additionally, and considering the demands from the SEC², the necessary goals have been identified to ensure that processes, systems and organisation before the financial reporting have suitable controls in operation.

At the end of 2007 PT's Executive Committee approved the constitution of an Internal Control and Risk Management Office, under the direct supervision of the Group's Chief Financial Officer. This Office is responsible for promoting a vision of a structured and sustainable, not exclusively compliance-oriented, internal control system. Together with the supervision carried out by the Corporate Internal Audit Office, the Internal Control environment will enable the PT Group to possess a structure capable of segregating the preventive and corrective visions of the model, ensuring a more efficient management of the risks of the PT Group.

Throughout 2008, and proceeding with the goals of promotion and implementation of a specific environment for Internal Control and Risk Management beyond compliance, PT defined a number of minimum internal control requirements, applicable mainly for the international businesses that were used as additional guidance in the definition of corporate policies.

A methodology of evaluation of the fraud risks was implemented, as approved at the beginning of 2009, enabling the evaluation and monitoring of fraud risks within the PT Group. Therefore, the necessary controls were identified and implemented so as to reduce the identified risks in a suitable and systematic way, minimising considerably the qualitative and quantitative impacts.

¹ Committee of Sponsoring Organizations of the Treadway Commission
² Securities and Exchange Commission

Hot Topics

Business ethics

Transparency, information accuracy and the levels of confidence on the management of organisations and brands have become more and more determinant in the decision-making processes and in the final options of citizens, customers and investors.

Therefore, we are becoming more and more aware that PT's good economic and financial performance is only, and will continue to be possible in the future, if we continue to invest in a conscious and responsible way in progress, safeguarding the respect for the society that we are part of.

Dialogue with our customers, shareholders, universities, non-governmental organisations, Government bodies and with our employees, together with the compliance with the law, be it Portuguese, European or American and with the guidelines of the associations in this sector, has made us follow scrupulously the Code of Ethics, which guides the relationship between PT and society at large, the manuals of conduct and of compliance in force in our company, and to state without reservations the transparency of our activity, confirmed by the Whistleblowing channel made available for both the internal and external public.

Environmental respect

Environmental respect and preservation, to ensure acceptable living conditions for the future generations, are a responsibility of us all and, therefore, PT is strongly committed to contributing to improving not only its own energy efficiency but also that of its customers by promoting the adoption of services based on the new information and communication technologies, as well as products and devices with higher energy efficiency.

Climate change and its predictable consequences, widely disseminated, have induced us into seeking the growing involvement of our value chain in the practices deemed fundamental to minimise the effect of the respective environmental impacts: upstream, the equipment purchased by PT from its suppliers include aspects related to energy efficiency, PT is committed to progressively using renewable energies in feeding its technical areas, and lastly, downstream, to raise customer awareness for the adoption of services based on the new information and communication technologies (such as tele-security, telesurveillance, electronic bill, telemedicine, domotics, among others).

Human rights

The defence and promotion of human rights are a constant and determinant aspiration in PT's activity in the various market-places where it operates. Fully aligned with the Universal Declaration of Human Rights and the labour legislation in force in the home market, PT strives to raise the awareness and mobilise the attention of foreign companies in which it holds participations so that the latter also promote the equality of opportunities, non-discrimination and human dignificaty.

The balance of life between work and family, together with the respect for difference and the non-discrimination of any citizen are principles incorporated into the daily policies and management of our organisation.

PT's business is built upon a solid base of human relations. Relations established with customers, employees, investors, suppliers, partners and society at large, with whom it intends to build the future.

Customer privacy

Confidentiality and security of customer data, access and traffic protection to database information, as well as the confidentiality of the telecommunications content, are areas safeguarded by PT, in order to respect the freedom and basic rights of each individual.

PT follows the national legislation scrupulously, which is very detailed and specific concerning this subject, as well as the European and American legislation. Moreover, PT performs legal reviews to all the identified situations capable of rendering the protection of personal data more vulnerable, as well as regular audits with the support of security specialists.

PT provides data pertaining to its customers exclusively on request by the judicial authorities in the terms of the law.

Content security and protection

Currently, the proliferation of contents online and on television, has caused concern about its improper use on part of certain sections of the population with less critical and/or selection capacity or even more vulnerable.

Aware of this fact, PT has launched initiatives whose goal is to raise the awareness of the population for the responsible consumption of contents, being signatory of Codes of Conduct on this issue and also providing user manuals, devices and software for parental control.

Occupational Health, Hygiene and Safety

The harmony of daily working conditions is a responsibility of all those involved in PT's activities. We want to safeguard PT's employees by guaranteeing working conditions suited to the performance of the respective functions and health assistance and care so as to enable a good quality of life.

Experience demonstrates that a solid culture of safety is beneficial for employees, employers and governments. We also know that rigorous safety regulations adopted in a growing number of countries are the result of a long-term effort that promoted social dialogue and collective negotiation between representatives from employees and employers and that afforded not only the creation of legislation in these areas, as well as the voluntary promotion of the respective best practices.

Therefore at PT, this is the path that we are following. We persist in evaluating the risks inherent to the skills and performance of each one and to deliver information and training related to ergonomics issues, protection equipment, air-conditioning, lighting and organisation of work spaces, dietary habits, epidemic prevention, and procedures to follow in case of emergencies.

And as we consider that it is not enough to involve just our employees in these practices, PT raises the awareness of its customers regarding these issues and requires the alignment with these procedures from its suppliers.

Stakeholder Relations

PT's enterprise sustainability strategy is integrated in the Group in a coherent and transversal way, and is based upon ethics and a permanent attitude of dialogue with all the publics that the company interacts with daily.

It should be understood that dialogue is not an inconsequent conversation that we have occasionally. Dialogue is a serious process that requires transparency, planning, segmentation, suitable communication channels and respect for the values and expectations of each public: deliver information, clarify doubts, listen to and solve complaints, negotiate, communicate results, etc. Only in this way, can we believe that is possible to follow market and society trends and systematically improve the necessary strategies for the constant valorisation of each area on the market and consequently, of the company.

Social Responsibility and Digital Inclusion

The evolution in the telecommunications and computing sectors, has given the society the possibility of massifying information access and of promoting the digital inclusion of all citizens.

In the case of PT, the responsible activity of the company is characterised by the development of telecommunications products and services for customers with special needs or disabilities, the delivery of services to people on low-income, philanthropy, the volunteer work and the development of actions to combat info-exclusion and to stimulate the Information Society.

Building a more digitised society will allow enhanced information access and consequently promote knowledge – an indispensable condition for progress.

2000 saw the approval of the European Action Plan e-Europe 2002, thus triggering the beginning of an integrated European policy towards the Information Society. In the scope of the Lisbon Strategy, the e-Europe program became a core instrument in meeting the European Union goal of “becoming the most dynamic and competitive economic space in the world, knowledge-based and capable of guaranteeing a sustainable economic growth, with more and better jobs and greater social cohesion”.

The Information and Communication Society has been and will continue to be one of PT's top priorities. The generalisation in the use of the information and communication technologies, as well as the growing offer of broadband solutions, the implementation of programs of support for the community and for groups of citizens with special needs and the continuous effort in the area of Research & Development constitute examples of the involvement and of the course of our company in the construction of the Knowledge Society.

Responsible Procurement

The value chain and the alignment of its principles with PT's are fundamental to consolidate the sustainability path that we want to follow.

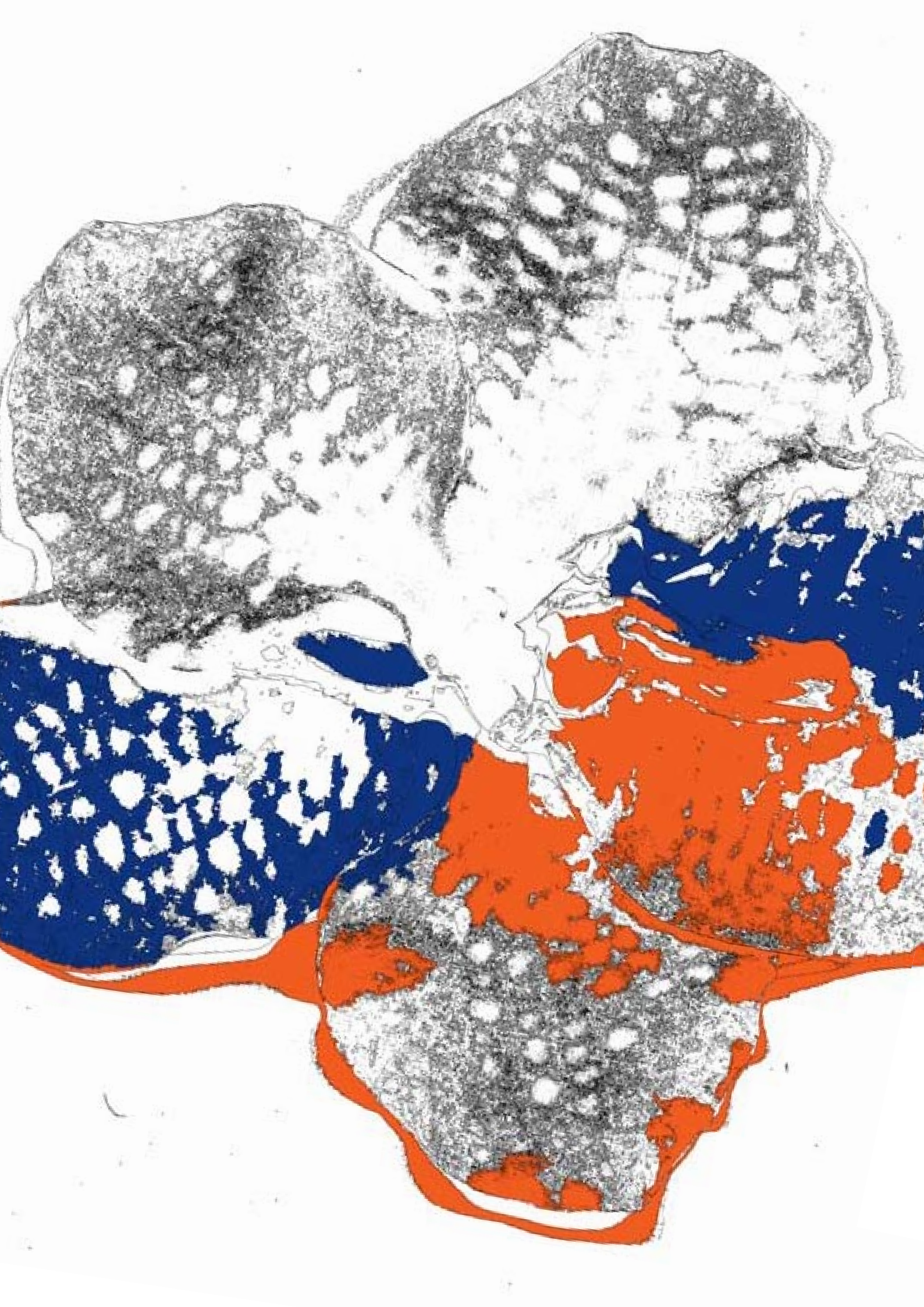
Procedures respecting the environment and the human and labour rights became requirements included in PT's processes of supplier selection and hiring, together with its total alignment with the Code of Ethics as guide of our attitude.

On the other hand, PT recommends and guarantees to its suppliers transparency, rigour, equality of opportunities, loyalty and confidentiality of information. Whenever controversial situations are identified in the area of the procurement, the procurement unit of the company resorts to an Ethics Committee that evaluates and implements the necessary corrective measures to reinstate the balance of these processes of relationship.

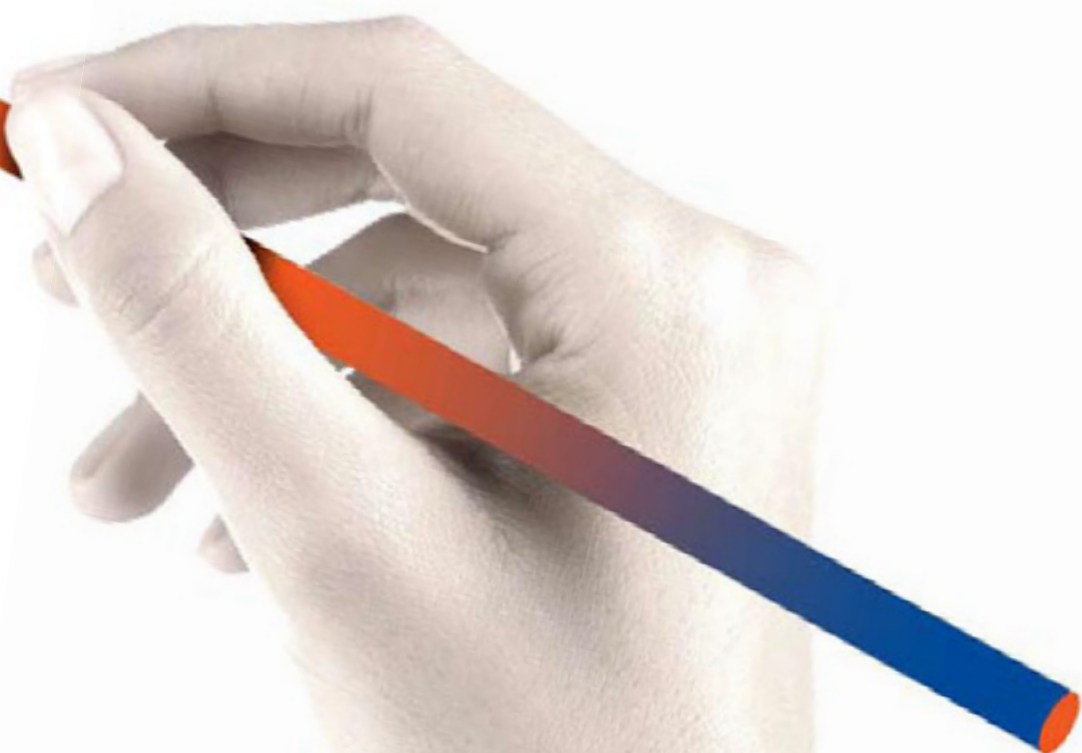
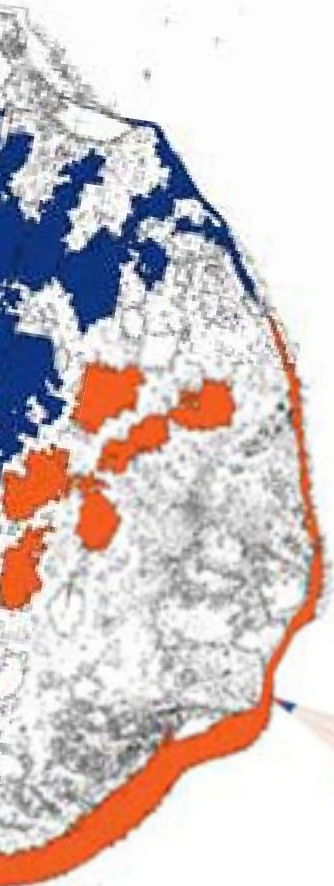
Responsible Consumption

The growing diversity and sophistication of the offer in the telecommunications market has been very attractive for the consumer market, although not always followed by the necessary knowledge to give the best use to the devices and services made available, generating sometimes dissatisfaction in a few customer segments.

Aware of this fact, PT seeks to support initiatives and deliver clear information to its customers about the use of its services, its pricing, as well as social and environmental impacts derived from the commercialised products and services.



Building the foundations for the future



Innovation

In the competitive context of the telecommunications universe, research and development and the subsequent innovations adopted and implemented have been key factors in the creation of value for the companies of the Group, through the positive impact that they have on their customers, suppliers, employees, shareholders and society at large.

The capacity to innovate has been assuming a fundamental role in the creation of social-economic-environmental conditions capable of ensuring each day a more balanced future.

PT dedicated special attention to innovation throughout 2008 and included in its definition issues that go beyond the dimensions strictly related to technology.

The conditions for the development and exchange of new differentiating ideas have been created, having been involved the entire organisation in the process of innovation of new products and services, business concepts, levers of customer experience and efficiency increase at economic, environmental and social level.

In 2008, PT invested more than Euro 150 million in innovation, research and development, corresponding to more than 2% of the revenues.

Therefore, innovation in the organisation started to include the following dimensions:

Innovations areas
> Organisational
> Processes
> Market
> Environmental
> Technological

Organisational Innovation

One of the first steps taken was adapting the organisation to future challenges.

- > An organised structure around the fixed and mobile network platforms was abandoned, in favour of an organisational structure oriented to the market needs.
The organisational fusion between PT Comunicações and TMN – PT Portugal – was a historic landmark for the whole company, representing a turning point in terms of efficiency and agility of the various business areas.
- > At the same time, the functional areas of the organisation became structured in accordance with the identified profile of 5 customer segments: Residential, Personal, SMEs, Corporate and Wholesale.
This segmentation enabled an internal efficiency increase, making the market interaction and the capacity of response more agile in the relationship with the market and its needs.

Process Innovation

Throughout 2008, PT also focussed on Innovation in areas producing impact in terms of operational efficiency.

- > Pursuant to this dimension, the reformulation of the information systems started. This program aims to adapt the information systems to the business restructuring in terms of organisation and market. This project, already underway, will produce a positive impact on the rigour and celerity of processes and respective support systems.
- > In a context when more and more, the customer requires autonomy in its decisions and self-management in its service in terms of telecommunications, PT also invested significantly in the components related to self-service and self-care, trying to provide the quality of service required by the end customer.

Market Innovation

The market approach required a refinement in the perception of the respective expectations and match the offer to what is really valued by our customers.

- > Therefore the investments in terms of IPTV are worth highlighting: the development of innovative services on the meo service platform (meo Sat, Catch-Up TV and Thematic Packs) and the simplification of the provisioning process for new customers via SMS messages, contributed to positioning PT's television offer as one of the best in European terms.
- > As to connectivity, the evolution of the portfolio of broadband products and services in terms of either fixed or mobile access ensured the differentiation vis-à-vis the competition, for example services Music Box and Contact Available.
- > The development of new segmented business offers, supported on technological and applicational convergent solutions enabled the fulfilment of specific needs of sectors of the business market.
- > Value-added functionalities in the top Portuguese search engine – SAPO – were developed in the areas of mail and community services ('Sapo Local' and 'T2 for 3' enabling the increase in the loyalty level and quality of service).
- > New Web 2.0 functionalities were created in a crowdsourcing logic, leveraging a large user base.
- > In the Web domain, it is also worth mentioning the development of new advertising functionalities to support the user base that daily uses a search engine, facilitating the interaction between the user and the advertising company.

Environmental innovation

Pursuant to another dimension and taking into consideration the environmental impact of the operational activities on the environment, PT sought new energy efficiency solutions and evaluated its direct and indirect impacts.

- > The selective use of photovoltaic panels, eolian generators, hydrogen Fuelcells and air-conditioning systems supported on new-generation systems were the base of the company's intervention in terms of energy innovation and environmental impact. Initiated in 2008, these actions will be implemented sequentially throughout the organisation, enabling higher cost savings and the improvement of the efficiency and environmental impact ratios.
- > On the other hand, the offer in terms of telesurveillance, telesecurity, telemedicine services, among others, already contributes to an increased rationalisation of energy consumption and environmental impact on the part of our customers.

Technological Innovation

This area is essentially focussed on the activity of PT Inovação (www.ptinovacao.pt) whose mission is to create value for the subsidiaries of the PT Group, acquiring knowledge and testing concepts that will later originate market solutions.

The plan of activities of this company is focused on the following areas:

- > Information Society
- > Applications and Services
- > Intelligence and Network Convergence
- > QoS and Security
- > Mobility
- > Network and Service Management
- > Core Network
- > Access Network
- > Customer Network
- > Environmental Prevention

In the scope of Applied Research, Development and Innovation, PT Innovation renewed its certification in Innovation Management pursuant to NP4457 standard.

Patents granted

103590 – Method to locate people or objects by means of a wireless network.

103622 – Digital device using a method to index, search and summarise multimedia content.

103623 – High performing search device for content transmission.

The Research, Development and Innovation activity comprised 52 projects.

Throughout the year, among many others, the following developments are worth mentioning:

Anti-fraud

- > Description: development and installation of a service to allow the recording of international calls, so as to detect fraud and block certain origins identified as fraudulent.

Telemultibanco (Tele-ATM)

- > Description: development and installation of telemultibanco (tele-ATM) platform, so that some traditional functionalities of an ATM machine become available via a mobile phone.

Pre-paid Broadband

- > Description: development and installation of pre-pay mobile broadband service for those who use the mobile internet access service occasionally enabling low-cost operators to offer this service to their customers. One of the first rollouts in Europe.

Pre-Pay for the fixed network

- > Description: development and installation of fixed pre-paid service, similar to the existing prepaid mobile one. Rechargeable calling cards to be used on the fixed network with telephone sets, dialling just the access to the CallingCards service, which controls the HelloCards.

Subscription by SMS

- > Description: development and installation of subscribed service, the customer sends an SMS message to a Large Account and obtains a service allowing cost-free on-net communication on the next day.

WebPhone

- > Description: development and installation of an IN service, enabling the integration with a Messenger session to make and receive calls on the PC.

Mobile/TV convergence

- > Description: Convergent mobile – television developments through the implementation and demonstration of new forms of interaction, more simple and intuitive, using mobile phones with touch-screen and accelerometer.
- > Development and demonstration of immersive 3D paradigm to navigate in VoD environments, namely at the meo VideoClub.

Education – SAPO Kids

- > Description: Creation of environment on the Sapo portal and the adaptation of Scratch, an MIT programming tool that allows the development of creativity and of scientific, logical and mathematical thinking in an interactive and entertaining way, thus being a powerful contribution to the educational development of the younger generations, supported on the access to new technologies.

Support services management

- > Description: Module for the management of support systems with suppliers. It allows the registration and automatic forwarding of tickets to suppliers, commonly designated Fault Reports. The platform enables to load the SLA information of the respective contracts and execute the fulfilment guarantee by the suppliers.

Research & Development Partnerships

In terms of cooperation with Portuguese R&D institutions in 2008, PT supported a number of projects focused on knowledge transfer in several technical domains with short- and mid-term application potential.

University of Coimbra	JUSSA – Joining Useful Systems in Sustainable Architecture
University of Coimbra	Security Management in Triple-Play Scenarios
University of Coimbra	Management System of Intelligent Spaces: A RFID -Based Solution
University of Coimbra	SICAC – System for Automatic Inventory Consolidation
University of Coimbra	SISDM – System for Semantic DataMart Integration
IST/LEME	UPCASE: User Programmable Context-Aware Services
INESC Porto	Management of multicast sessions originated from costumers
University of Trás-os-Montes and University of Aveiro	Management of multicast sessions originated from customers
University of Trás-os-Montes	Enhanced VoIP
University of Minho	SIG-OS Mobile: Availability of Open Source GIS in Mobile Devices
University of Aveiro	3D Virtual Classroom
University of Coimbra	Avalore – Phase 2
Telecommunications Institute	Control of Transient Regime in Raman Optical Amplifiers
Telecommunications Institute	MBSR – Multitechnology Base Station Router
Telecommunications Institute	Virtual Boundaries for People with Special Needs

At international level, the cooperation in terms of R&D of PT Inovação is essentially developed in the context of the projects promoted by the European Union in the scope of its IST Framework-Programmes, coexisting with a smaller participation at EURESCOM (European Institute for Research and Strategic Studies in Telecommunications GmbH).

European Union – participation in the following projects:

- > PorTiVity – Portable interactivity
- > DAIDALOS II – Designing open network architecture for advanced MM pervasive services
- > C-MOBILE – Advanced MBMS for the future mobile world
- > WEIRD –Wimax extension to isolate research data networks
- > OPUCE – Open platform for user-centric service creation and execution
- > Games At Large – Networked audio-visual systems and home platforms
- > LOOP – Coexistence and optimization for LTE-RAN and WAN

European Union – 7th IST Framework-Programme – participation in the following projects:

- > NEM - Networked and electronic media
- > eMobility – Mobile telecommunications
- > 4WARD – Developing new architectures for the internet of the future, so as to allow new business models
- > SWIFT - Secure, dependable and trusted infrastructures,
- > HURRICANE - The Network of the Future,
- > FUTON, - Development and validation of a hybrid fibre optic-radio infrastructure
- > C-Cast - Context awareness and multicasting technologies.

At EURESCOM – participation in the following studies:

- > P1754 – Regulation and Telecom Infrastructure Evolution in Europe
- > P1753 – Understanding e-health
- > P1755 – Potentials of P2P-SIP Architecture in Telecommunications
- > P1853 – VoIP Interconnection Challenges

International R&D Know-how exchange

PT Inovação has sought to internationalise its activity through technical and/or commercial partnerships, aiming to gain synergies and knowledge, gain market share and consolidate its recognition overseas.

This area has been followed successfully in the networks and transmission fields. Partnerships with companies such as Memotec from Canada, and Padetec from Brazil, have been a major asset in this internationalisation process.

In both cases, PT Inovação and its partners complement each other technically in the development of solutions transported later to the market through normal commercialisation channels.

Knowledge society and digital inclusion

The building of a more digitized society will allow enhanced information access and will consequently promote knowledge – indispensable for progress and for a more responsible citizenship.

The Information Society has been, is and will continue to be one of the priorities of the telecommunications sector and particularly of PT. The generalization of the use of information and communication technologies, as well as the increasing offer of broadband solutions, the implementation of support programs for the community and for groups of citizens with special needs, and the continued effort in the research and development area, constitute examples of PT's involvement in building the Knowledge Society.

Portugal today is endowed with one with the best infrastructures of all Europe in broadband internet access. PT has contributed strongly to this situation, since being leader in the diverse broadband internet access platforms, maintains a high level of investment on the network upgrade and the launch of services suitable for the various consumer profiles.

Telecommunications and broadband access

Universal Service

In the scope of the Universal Service delivery, PT Comunicações, , has guaranteed the access since 1995 to telecommunications services to low-income communities and/or geographically isolated, thus guaranteeing that all citizens can access a basic number of services of general interest, regardless of their location and/or profile of consumption.

Public Payphones

At national level, PT has provided the following public payphones with telephone service and/or internet:

Public Payphones – 36,275

Public Payphones with internet access – 71 (54 access points at Public Payphone shops)

Public Payphones with access for disabled people – 294

Public Payphones in locations deemed of special social interest by the regulator – 3,705

Shared Antennas

The mobile operators share several antennas throughout the country.

Solutions for low-income markets

Fixed network – Pricing plans – <http://casa.telecom.pt/PTresidencial2>

Mobile – Uzo – <http://www.uzo.pt>

Broadband – Sapó Free – <http://adsl.sapo.pt>

Broadband

Portugal is currently endowed with one of the best infrastructures of all Europe in terms of broadband internet access. PT has been strongly involved in this situation, investing heavily in the updating and the reinforcement of network capacity.

Throughout 2008, the rollout of innovative services assumed the following profile:

TV

- > IPTV – IPTV over ADSL 2+ in urban areas
- > Satellite – National DTH coverage
- > DTT – DTT as complementary access (licence won by PT in 2008 to be launched in 2009)

Mobile

- > Meo Mobile – meo anywhere, anytime (available on 3G and video)

PC

- > Sapo portal – Television content integrated with Sapo Portal, with the following unique content and functionality in the home market:
 - > Over 110 channels with immediate activation
 - > Real-time VoD, with over 1,500 titles in SP or HD
 - > Films and sports
 - > Latest-generation set-top-boxes with very sophisticated interface (ex. PVR and EPG)

In terms of mobile broadband it is worth highlighting:

- > 7.2 Mbps download Speed and 1.4 Mbps for upload
- > Pilot-project – HSPA+ based - speeds up to 21Mbps
- > Fast and intuitive installation process
- > SMS (inbound and outbound)
- > Email account with 1GB antivirus and anti-spam
- > Use control through alert SMS message

Its coverage is:

- > 97% in urban areas
- > 88% of national roads

Contingency plans to guarantee the continuity of service delivery

In case of service failure for reasons of vandalism, natural catastrophes or other situations, PT has a number of contingency plans that can be activated, ensuring service resuming under acceptable conditions in the shortest span of time.

Digital inclusion to stimulate information society

The Information Society is based on a social and economic development model where information, as a means of knowledge creation, plays a fundamental role in the production of wealth and the contribution to well-being and quality of life of citizens.

Therefore, the capacity of diffusion and access to information is decisive in building a society based on knowledge globalisation.

Aware that its area of activity is crucial for the concretion of this new social model, PT has a vast program of community intervention that includes offers of special conditions of access to the information society, especially for the population of lesser income or with specific needs, as well as for institutions of proven social value, and for the technological and research centres. Its focus is related to the promotion of structural actions of awareness of the use of the new technologies and digital literacy and of modernization of the interfaces between users and public utility services.

Throughout 2008, PT invested over Euro 200 million in initiatives to stimulate the Information Society (initiatives related to projects in the fields of R&D, innovation and social responsibility towards the community).

The focus of PT's intervention is related to the fields of digital inclusion (at school, professional and social) and specifically in the areas:

- > Education
- > Security
- > Healthcare
- > Environment

Special solutions for citizens with special needs

In the programs seeking information and communication technologies accessibility for Non-Governmental Organizations that statutorily work in the area of the disabilities, or for citizens with special needs, Foundation PT has given continuity to the development, subsidization and provision of a variety of products and services directed to people with disabilities, with severe incapacitating illness or aged people at risk, considering the inherent specificities to the following areas of impairment:

- > Vision
- > Speech-communication;
- > Cognition;
- > Neural-motor dysfunction;
- > Hearing.

These solutions required adaptations oriented to each identified need and can be found at www.fundacao.telecom.pt having assumed relevance in the following domains:

- > Services
- > Equipment
- > Software

Beneficiaries

- > ISDN Aladim – 447 beneficiaries
- > ADSL – 1,855 beneficiaries
- > PT 118 Braille – 709 beneficiaries
- > Hotline – 203 beneficiaries
- > Devices with special functionalities – 267 beneficiaries
- > Software with special functionalities – 81 beneficiaries
- > Billing in Braille – 155 beneficiaries

Awareness programs for digital inclusion – at school, professional and social

Programs oriented to the training and skills acquisition of persons with communication impairments as the result of their disabilities:

> **Estrela (Star) Project– adapted for cerebral palsy**

Estrela (Star) Project - partnership between the PT Foundation and the Federation of the Portuguese Cerebral Palsy Associations (APPC) involves the installation of centres with educational and training resources at the Cerebral Palsy Associations throughout the country. In these 'Portugal Telecom spaces' in each one of the 15 APPCs, there are Special PT Solutions for disabled people, notably with cerebral palsy, such as PT Minha Voz (My Voice) in its Grid, IntelliTalk, IntellPics Studio and IntelliMathics versions. These spaces have internet access via ADSL, of which three in the scope of Estrela Program. Beneficiaries of the Estrela project – 6 000.

> **APCSM Ludothèque– adapted for cerebral palsy**

PT Foundation and APCSM (Cerebral Palsy Associations of S. Miguel) celebrated a protocol to equip the Ludothèque of APCSM with equipment and software suited to the specific needs of young users and an electric wheelchair to a user in the scope of the school inclusion program defined for him. Training for technicians, parents and teachers relative to the technology donated will take place in 2009.

> **Urano (Uranus) Project– adapted for mental disability**

Protocol signed with the Portuguese Federation for Mental Disability, enabled the installation of 12 educational and formative resource centres for people with mental disability.

> **Mercury Project– adapted for autism**

Project whose protocol was signed with APPDA Madeira, that aimed to test and promote the use of technologies of support for augmentative communication in the development of persons with development disturbances and autism.

> **Astro Project– Tele Classroom – adapted to motor disability, deafness and blindness**

It aims at the school integration of students with educational needs, notably students with some kind of disability or serious illnesses, when staying in hospital or in isolation/convalescence at home. A protocol was signed with the Ministry of Education for the installation of 20 TeleClassroom systems and 25 demonstration and experimentation centres with technologies supporting motor disability, deafness, blindness and augmentative communication. This project is organized into three phases of execution between 2007 and 2009.

In the 13 TeleClassroom systems installed, each one comprising 2 terminals – one at school and the other one at home or at the hospital – there is an ISDN or ADSL access installed via the Aladim programme. The PC with a multimedia kit in this solution enables the use of videotelephony, file transfer and document exchange by students and teachers.

> **Recrear Project– adapted for neural-motor disability**

To contribute to a better occupation in terms of time of persons with disability, the PT Foundation, New Future Association, ARCI and ADVITA joined their efforts, so as to make the virtual community with larger adhesion in the world, Second Life, accessible, via GRID, to persons with neural-motor disability thus allowing a full participation.

> **ProNota Project– adapted for neural-motor disability.**

ProNota Project - Partnership of the PT Foundation with the Association of the Disabled from the Armed Forces and the University of Évora, to create a resource centre at the University of Évora and 3 kiosks at the premises of ADFA in Lisbon, Porto (2009) and Bragança for the provision of augmentative technologies for people with neural-motor disability and technologies of screen reading and conversion of written text into voice, for blind or amblyopic people.

> **Museum without Barriers – adapted for the visual and neural-motor disabled**

Based on a protocol with Dr. António Cupertino de Miranda Foundation, as the result of the installation of Special PT Solutions so as to make the Paper Currency Museum accessible for blind citizens or citizens with Neural-Motor Disability. There was a follow-up of the activities developed and the update of the resources assigned to the project was restructured.

> **Social Security kiosks– adapted for the visual and neural-motor disabled.**

Aiming to install, in the Social Security shops, kiosks for access by people with neural-motor disability or blind, the Portugal Telecom Foundation fully subsidised one site accessible in the Lisbon and Faro shops.

Programs targeting the training and skills acquisition of underprivileged people

> A computer an opportunity – recycling and access to new technologies

> At home

This program is an enterprise responsibility initiative that ensures the recycling and distribution of PCs considered unsuitable for the activity of the PT Group, but still in good working conditions, to entities of reference with valid projects in the field of social development and information society. This program has a double aim of promoting the access to the Information and Knowledge Society and of protecting the environment by recycling used computing equipment.

Entities with defined educational projects and clear needs of this type of equipment are the targets of this program. The equipment delivery was made with the support of DHL in the scope of a specific cooperation protocol included in the respective social responsibility program.

There were 74 kits delivered to 10 institutions in 2008.

> At international level

During December, under a volunteer work regime, there were 350 PCs recycled – cleaning and control tests of the same number of displays, keyboards and mouse.

These PCs will support the communities where PT has a participation at international level, notably in Africa. As part of a program named 'PT Digital Africa', the offer of these PCs will be made to public basic and secondary schools in Cape Verde, Sao Tome and Principe, through PT's subsidiaries in those countries – Cabo Verde Telecom and Companhia Santomense de Telecomunicações.

This distribution will ensure computing equipment in the classrooms, allowing internet access, and support for the learning of the Portuguese language and of Mathematics through the use of new technologies. For such purpose, PT set up a partnership with Fullscreen and developed with letters and numbers suitable for the target population.

Software for people with special communication needs was installed specifically in 10 recycled PCs, whose destination was an NGO from Cape Verde.

The packaging, expedition and delivery of 290 PCs will take place at the beginning of 2009.

> e- Escola (e-School) – access to new Technologies and mobile broadband .

> Connectivity of the educational system in Portugal

The e-iniciativas program has been created in the scope of the Portuguese Government's technological plan, and its goal is to fight info-exclusion with 3 initiatives: e-oportunidades, for workers, e-professor for teachers of compulsory and upper secondary education and e-escola, for students of compulsory and upper secondary education. These actions seek to provide laptop computers equipped with mobile broadband for students, teachers and trainees who have enrolled, this offer being subsidised by the mobile operators that have adhered to the program.

PT, through TMN, has immediately adhered to this initiative having committed to subsidise it and to deliver 300,000 laptop computers in 3 years, comprising the 3 axes of the program: e-escola, e-oportunidades, e-professor.

Anticipating this goal, TMN has already made available the 300,000 laptop PCs with mobile broadband access and intends to reinforce this program throughout 2009. On the whole, there were circa 1 million registrations in the program.

> **Connectivity of the educational system in Portugal –**

Throughout the year, we connected 100 schools at 100 Mbps

PT is installing local area networks in over 1,200 schools – supplying equipment and wireless coverage – as well as a wide area network, connecting over 6,400 schools and 19 ministries, at 64 Mbps.

Projects promoting education and knowledge

> **CMU-Portugal Program – Research and development**

The Carnegie Mellon University (CMU) and the Ministry of Science, Technology and Higher Education, have signed in Aveiro, an agreement with the aim of significantly widening education and research in the area of the information and communication technologies. The collaboration will be based on the development of an “Institute for the Information and Communication Technologies”, (ICTI), a virtual international institution with poles in Portugal and in CMU. This program involves teachers, researchers and students from 6 Faculties, 8 Departments and 6 Research Centres and Institutes in CMU. A project that also counts on a great consortium of education and research institutions in Portugal, including 12 higher education establishments, 4 associated Laboratories, 1 Institute of Applied Research and two Governmental Agencies.

PT co-finances the program, but above all, assumed the commitment (unique in Portugal) of making available human and material resources, for an active involvement in the development of R&D projects.

In terms of training and development, PT’s commitment with the CMU program involves the investment of Euro 5 million over a 5-year period.

> **Sapo Code Bits – Development of software applications**

With the goal of stimulating the interest of young people in the creation of responsible contents in Portuguese on the internet, Sapo promotes a competition for the creation of online applications. The competition includes lectures, workshops and finally the constitution of a team that in a 24-hour period has to present an innovative project.

490 young computing experts participated in the initiative.

Projects to promote the Portuguese language

> Portal Sapo – content sharing in Portuguese language

A portal of reference in Portuguese, Sapo - www.sapo.pt - providing functionalities and content that seek to contribute to increase the number of fans and motives to join the virtual community, to stimulate the socially responsible conscience of its audience and to support sponsored causes / initiatives.

In 2008, Sapo inaugurated two new portals in Portuguese-speaking communities, notably in Cape Verde and Angola.

> Portugal Telecom Literature Prize – promotion of content in Portuguese language

Aiming to promote the creation of contents in Portuguese and the diffusion of the Portuguese language through on-line channels, PT is involved in some projects and partnerships that seek to guarantee the defence of the Portuguese language and the promotion of its historical, economic and social value on the various continents of the world.

Among the 10 Portugal Telecom Literature Prize finalists, there were 7 Brazilian writers, 1 Angolan writer, 1 from Mozambique and 1 from Portugal. The Portugal Telecom Literature Prize, the major award in Portuguese language in Brazil, was delivered to the Portuguese writer Gonçalo Tavares.

Healthcare Solutions

> BabyCare – newborn follow-up

The installation of this pioneer technological solution at the Alfredo da Costa Maternity was concluded in June 2008, enabling parents of premature babies to watch their children remotely via the internet.

Babycare was developed by PT Prime and includes 13 cameras operating in the intensive care room for newborns and 17 cameras in the new intermediate care room.

The Alfredo da Costa Maternity Hospital receives circa 330 premature babies each year, who normally spend 10 days in the incubators of the intensive care room.

> **Telemedicine – Consultations via Videoconference**

Through the videoconferencing service, healthcare units and patients benefit from a number of new functionalities, facilitating the doctor-patient relationship:

> **In Portugal**

More than 7,000 consultations and eco-cardiograms carried out remotely. Serving more than 50 healthcare units

> **In Angola**

More than 200 paediatric tele-consultations between Angolan Hospitals and the Paediatric Hospital of Coimbra

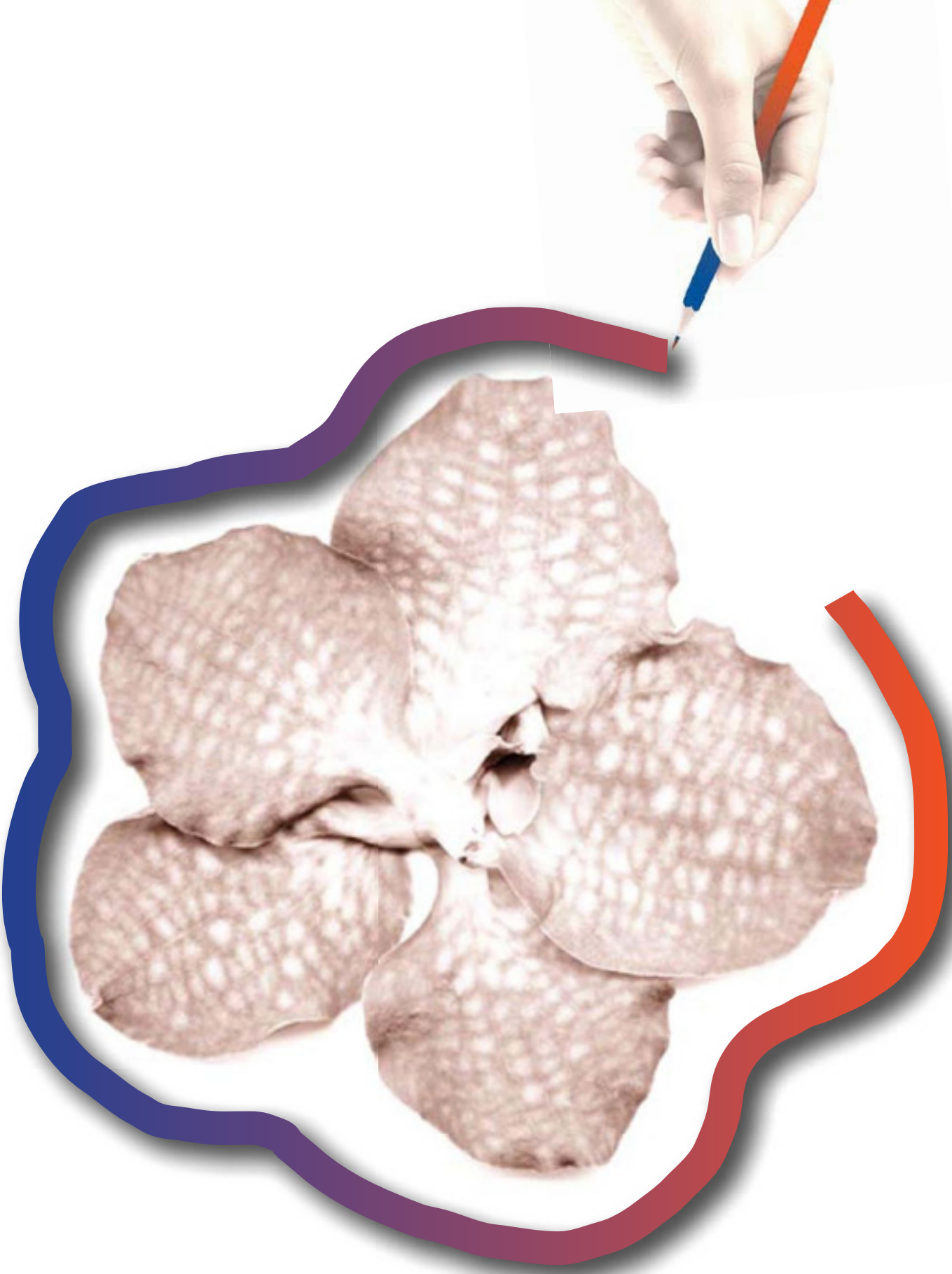
The numbers presented above have been supplied by the supported organisations, enabling PT to dimension the implemented solutions.

Security Solutions

> **Police station of the 21st century in Estoril– protection of people and property**

With PT's cooperation, the police station of Estoril became more efficient in the protection of people and property and in the corresponding processes:

- > Online Portal
- > Webpage to file complaints, report incidents, request information – avoiding trips to the police station
- > Allows the anonymous participation of incidents for the first time
- > Document Management
- > Digitisation of mail and processes allowing information exchange between the police station and the Court of Justice
- > Digitisation of more than 50,000 documents/year
- > Videoconference
- > System to support real-time file communication and sharing
- > Weekly meeting with operations centre stopped being presential



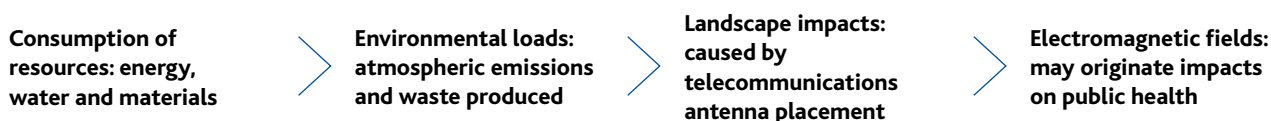
Environmental Preservation

Environmental respect and preservation so as to ensure good living conditions for the next generations is a pursuit with which PT is strongly involved. The entire Group believes that the systematic search of solutions that minimise the impacts of the respective activity on society together with the contributions that the new information and communication technologies will bring to the customers will certainly promote a better environmental quality in the future.

Therefore, PT has been incorporating a number of environmental management principles and actions in every company of the PT Group. These initiatives are determined by the Environmental Management System (EMS) gradually implemented in all PT subsidiaries, conveying to the employees a feeling of environmental protection that defines the action of the Group.

Environmental Policy and Performance

Environmental management implemented in compliance with ISO 14001 standard is based on four essential vectors defining its performance:



In the scope of environmental management, the PT Group is not confined to fulfilling the legal requirements in terms of environment, as it understands that its commitment with the interested parties forces the awareness and adoption whenever applicable of other requirements, in terms of standards or voluntary, namely the ETNO Environmental and Sustainability Letters. Therefore, the company has a well-defined set of environmental impacts associated with the sector in which it operates and is continually committed to contribute to environmental preservation.

Matrix of Environmental impacts in the telecommunications sector		
Areas of Impact		Direct and Indirect Impacts
Consumption of Resources	Energy	(1) Diminishing availability of natural resources (non-renewable). (2) Atmospheric pollution (indirect CO2 emissions)
	Water	Diminishing availability of natural water resources. Contamination of receiving water courses
	Fuel	Diminishing availability of natural resources (non-renewable). Atmospheric pollution (indirect CO2 emissions) Rarefaction of ozone layer Ground Contamination by precipitation Contamination of surface and ground waters by flowing water courses Disturbance of land and marine ecosystems Accumulation of pollutants on food chains Material corrosion due to acid rain.
	Environmental loads	Waste production and effluents
	Noise	1 Soil occupation and contamination 2 Reduction of landscape and visual quality 3 Reduction of soil value 4 Contamination of surface and ground waters by flowing water courses Degradation of quality of life of affected communities due to the disturbance of their typical activities with possible physiological, psychological and/or social effects.
Landscape Impact	Visual aspects	(3) Reduction of the quality of both natural and urban landscape.
Impact on public health	Electromagnetic fields	(4) Negative perception by interested parties of potential risk for human health

Among the various fields of environmental intervention, energy strategy assumes special relevance, deserving a prominent position in this chapter. Besides, there are other areas to which the company is committed, which have led to several practical actions.

Areas of Activity	Examples of Actions in which we are involved
Consumption of Resources	Increase in the use of electronic supports and means Intelligent systems for lighting and air conditioning Timing systems for water taps Rationalisation of work displacements Creation of electronic bill
Waste and Recycling	Protocols with specialised entities for waste collection and treatment (Green Dot, AMI, among others) Placement of containers for the collection of waste from computer accessories and electronic equipment in the buildings and commercial spaces of the Group throughout the country Reuse and recycling of all communication and marketing materials used in campaigns Provision of information about the disposal and good use of packages, equipment and services Placement of recycled packages on the market – Blue Planet Program
Landscape Impacts	Partnerships with municipalities to bury aerial ducts Partnerships with competitors for antenna sharing Partnerships with organisations (ECO Movement) for fire prevention and combat – PT equipped 40 civil protection centres with video-surveillance systems
Public Health	Partnership for online provision of electromagnetic radiation levels –MoNit project

Although climate change has been one of the main issues of concern in the last two years, there are other impacts that are continuously monitored. Each PT subsidiary has been implementing several measures and programs for environmental impact minimisation, in accordance with the characteristics of the activity of each one.

Main environmental indicators of the Group

PT's environmental performance has been shown to be totally aligned with the legislation in force, not having been subject to the application of any type of fine. Besides, the results of PT Group's efforts to reduce environmental impacts are easily verifiable through the variations in some of the main performance indicators.

Main Environmental Indicators of the PT Group				
	2006	2007	2008	Δ 08/07
Total Energy Consumption (Gigajoules)	1,488,203	1,444,833	1,564,813	8.3%
Total Emissions CO2 (tons)	221,834	165,037	183,478	11.2%
Water consumption (m3)	314,629	285,272	284,187	-0.4%
Waste production (t)	4,135	4,166	3,579	-14.1%
Consumption of materials (t)	14,647	14,735	14,469	-1.8%

In the case of the increase in energy consumption and subsequent atmospheric emissions, it was due mainly to supplier-related increase in the development of the activities of the company. This increase, on its turn, was related to the enormous growth of meo IPTV installations, whose user base grew from 21,000 in 2007 to 312,000 in 2008¹.

The Group's environmental indicators for 2008 also contain information about the environmental performance of PT Corporate Centre, PT Prime, PT Contact and PT Compras, whose environmental management systems were certified in 2007.

There were no significant fines or non-monetary sanctions for lack of compliance with the environmental legislation, although there was a lawsuit about this issue still awaiting the respective resolution.

¹ Further information about this product may be found at the Annual Report and Accounts 2008 of the PT Group.

Environmental performance of PT Comunicações

Just like any other PT subsidiary covered by the Environmental Management System, PT Comunicações defines annually its environmental performance goals, and preparing monitoring plans suited to the impact minimisation challenge. monitors its main environmental impacts so as to minimise them.

Evolution of Energy Consumption				gigajoules
	2006	2007	2008	Δ 08/07
Technical / Administrative Areas	781,766	805,843	816,015	1.3%
Fuel Consumption (petrol)	12,971	7,875	5,526	-29.8%
Fuel Consumption (diesel)	147,602	143,254	137,427	-4.1%
Energy Consumption by suppliers in the development of the company's activities *	121,527	115,088.00	209,854.00	82.3%
Consumo total	1,063,866	1,072,060	1,168,822	9.0%

* The energy consumed by suppliers in the development of company's activities is due essentially to the fuel consumed during the execution of activities by outsourcers. This calculation is supported on the amount of activities executed by these companies and is obtained through the density and the lower heating power of petrol and diesel.

Although the energy consumption of PT Comunicações has been decreasing gradually in the last few years, its consumption grew in 2008, mainly due to energy consumption of suppliers in the development of activities for the company.

This increase was reflected on the total amount of atmospheric emissions derived from the energy consumption. Nevertheless, it is worth highlighting the high rate of decrease in fuel consumption, which shows a strong downtrend in the last few years.

Carbon Footprint				tons
	2006	2007	2008	Δ 08/07
Direct Emissions (Petrol)	846	543	368	-32.2%
Direct Emissions (Diesel)	10,605	10,574	9,904	-6.3%
Indirect Emissions (Electricity)	167,022	100,672	112,368	11.6%
Indirect Emissions (fuel suppliers)		7,669	14,619	90.6%
Total Emissions	178,473	119,458	137,259	14.9%

Although there was a slight decrease in water consumption in 2007, the total consumption rose moderately in 2008, which may be the result of the concentration of employees from PT subsidiaries in PT Comunicações buildings, notably tmn and PT Contact.

PT Contact reinforced its teams of customer care assistants in several PT Comunicações buildings in Évora, Beja and Lisbon, so as to meet the needs of support for meo service. Due to the new services, PT Contact had circa 1,000 temporary employees in 2008. PT Comunicações will continue with several measures to reduce consumption, such as for example, raising employee awareness for the adoption of more efficient practices.

Water Consumption				m3
	2006	2007	2008	Δ 08/07
Total consumption	277,337	243,673	251,150	3.1%

The efforts undertaken by the company to reduce waste production saw nearly a 18% reduction in the total amount of waste produced.

Waste Production (2)				tons
	2006	2007	2008	Δ 08/07
Batteries – recycling	29.38	130.70	136.9	4.7%
Fluorescent Bulbs – recycling	0.14	0.86	1.01	17.4%
Waste from activity-supporting Infrastructures	1,799.83	1,903.86	1,477.53	-22.4%
Paper / Cardboard – recycling	95.53	92.31	151.75	64.4%
Plastic waste – recycling	19.47	21.85	25.06	14.7%
Solid municipal waste (undifferentiated) – incineration	133.96	112.07	108.98	-2.8%
REEE (other) – recycling	225.15	342.02	228.27	-33.3%
Toners and ink cartridges	2.17	2.75	3.91	42.2%
Used oil (Litres) – recycling	1.66	1.78	1.79	0.6%
total production	2,277.91	2,608.2	2,135.2	-18.1%

With the exception of the growth in the acquisition of electric and electronic equipment derived from the own activity of the company, the consumption of materials of PT Comunicações also decreased significantly, around 2.6%.

Consumption of Materials				tons
	2006	2007	2008	Δ 08/07
Batteries	62.02	146.90	142.40	-3.1%
Electric and Electronic Equipment	142.40	268.70	598.95	122.9%
Activity-supporting Infrastructures ³	11,909.72	11,757.14	11,178.27	-4.9%
Fluorescent Bulbs	0.14	0.86	1.01	17.44%
Paper / Cardboard ⁴	30,286.44	147.50	124.17	-15.8%
Plastic	1,069.38	1,146.47	1,073.40	-6.4%
Toners and ink cartridges	3.60	3.34	2.41	-27.8%
Recycled paper	118.02	117.90	81.54	-30.8%
Recycled paper (% of total)	89.71	79.99	65.67	-17.9%
Total consumption	43,473.70	13,470.91	13,120.61	-2.6%

³ Waste from activity-supporting infrastructures are: cable waste (copper cable with lead, self-supported copper cable, copper cable with plastic, armed copper cable, fibre optic cable, TEDS cable, TE1SE cable), telephone poles and metal (iron, copper, zinc and aluminium alloys). ⁴ includes recycled paper

PT Comunicações has been assuming more and more its environmental responsibility through a continuous investment in the Environmental Management System, enabling the follow-up of several indicators of the environmental impact generated by the activities of the company.

Cost and Benefits Associated to the E.M.S.				Euro
	2006	2007	2008	Δ 08/07
Internal manpower ⁵	19,018	13,750	4,492	-67.3%
Internal Costs	672,110	549,832	452,812	-17.6%
External Costs	212,330	320,955	461,552	43.8%
Total Revenues	3,055,704	1,009,838	2,141,667	112.1%
Final result	2,171,264	139,051	1,227,304	782.6%

⁵ Activities in hours/man.

In the scope of an increasingly exhaustive collection of information representative of the monitoring of the environmental impacts of the PT subsidiaries, PT Comunicações also presents the area of its activities located in zones of high interest for biodiversity. All activities in these areas meet rigorously all the requirements of Environmental Policy in terms of protection of species and natural habitats.

Areas used in biodiversity – rich habitats		m ²
2008		9,349.68

Environmental performance of PT Inovação

The annual environmental diagnosis of PT Inovação allows the detection of the most significant impacts for the company and the environment and, through them, the identification of follow-up and control measures, whose responsibility in terms of implementation includes all its employees. Based on this diagnosis, the company develops procedures, generally covering five areas in terms of environmental impacts:

Areas of environmental action of PT Inovação

Management of water and energy consumptions

Management of consumables (administrative)

Management of gaseous effluents

Management of waste

Management of environmental impact of products placed on the market

There are periodical awareness actions for employees, defining orientations to allow the correct implementation of the procedures defined and the optimisation of the environmental performance.

The general energy consumption of PT Inovação increased slightly as the result of the growth of the energy consumed in the administrative areas. All other consumptions decreased in 2008, highlight going to the 40% reduction in petrol consumption. These variations were reflected on the atmospheric emissions of the company, whose global increase was inferior to the increase in energy consumption.

Evolution of Energy Consumption

gigajoules

	2006	2007	2008	Δ 08/07
Technical / Administrative Consumption	8,123	7,889	9,313	18.1%
Consumption in Technical Areas	17	19	18	-5.3%
Fuel Consumption (petrol)	633	500	300	-40.0%
Fuel Consumption (diesel)	2,489	2,659	2,292	-13.8%
Total Consumption	11,262	11,067	11,923	7.7%

Carbon footprint

tons

	2006	2007	2008	Δ 08/07
Direct Emissions (Petrol)	44	35	21	-40.0%
Direct Emissions (Diesel)	184	197	170	-13.8%
Indirect Emissions (Electricity)	995	1,092	1,140	4.4%
Total Emissions	1,223	1,323	1,330	0.5%

Paper consumption

tons

	2006	2007	2008	Δ 08/07
Recycled paper	2.7	4.87	0.93	-80.9%
White paper	3.05	2.43	3.25	33.7%
Indirect Emissions (Electricity)	0.47	0.67	0.25	-62.7%
Total paper Consumption	5.75	7.3	4.18	-0.4273973%

Waste Production				tons
	2006	2007	2008	Δ 08/07
Batteries (other) for recycling	n.a.	1	0	-100.0%
Fluorescent Bulbs – recycling	n.a.	0.035	0.06	71.4%
Waste from activity-supporting infrastructures – recycling	n.a.	n.a.	115.5	n.d
Paper / cardboard – recycling	39	111.9	190.4	70.2%
Plastic waste – recycling	3.8	19.5	17.3	-11.3%
RSU (undifferentiated) – incineration	n.a.	nd	nd	
REEE (other) – recycling	7.5	4.8	4.6	-4.2%
Toners and ink cartridges	n.a.	0,2	0.25	25.0%
Used oil – recycling	n.a.	n.a.	n.a	
Copper cabling	0.3	4.6	0	
Total Production	50.3	137.435	328.11	138.7%

The consumption of water of PT Inovação is used essentially for hygienic purposes, so it is not significant. The water consumed comes from the public network, and there was a slight increase in the consumption during 2008 and, just like the energy consumption, is related to the increase in the number of employees in these areas.

Water Consumption				m3
	2006	2007	2008	Δ 08/07
Total Consumption	4,423	4,238	4,325	2.1%

As to other performance indicators, PT Inovação highlights the fact that for each type of waste produced, there is a procedure that determines the way how the same should be collected and disposed of by the companies PT Inovação has contracted so as to ensure its correct disposal (preferably for recycling).

Environmental performance of PT PRO

It is always worth mentioning the fact that PT PRO was the first subsidiary of the Group to be certified pursuant to three international standards, namely quality (ISO 9001), environment (ISO 14001) and occupational health and safety (OHSAS 18001), an example of the proactivity of the company in minimising its environmental impacts, since being a company whose customers are (exclusively) the remaining subsidiaries of the PT Group, there was not, at the start, any requirement or commercial advantage in getting these certifications.

Evolution of Energy Consumption				gigajoules
	2006	2007	2008	Δ 08/07
Technical / Administrative Consumption	9,113	8,356	8,957	7.2%
Fuel Consumption (petrol)	2,266	2,159	1,321	-38.8%
Fuel Consumption (diesel)	5,131	6,438	6,478	0.6%
Total Consumption	16,510	16,953	16,755	-1.2%

The total energy consumption of PT PRO decreased slightly as compared to the previous year. The most significant reduction was in petrol consumption, with nearly 39%.

Although this consumption has decreased globally, the fact that energy consumption in the technical and administrative areas has increased, influenced the atmospheric emissions of the company, which showed a 10% increase globally.

Carbon footprint				tons
	2006	2007	2008	Δ 08/07
Direct Emissions (Petrol)	156	149	91	-38.9%
Direct Emissions (Diesel)	379	475	478	0.6%
Indirect Emissions (Electricity)	1,108	1,016	1,233	21.4%
Total Emissions	1,643	1,640	1,803	9.9%

As to water consumption, the implementation of awareness and consumption rationalisation measures was reflected on the over 12% reduction of the total amount of water consumed at PT Inovação.

Water Consumption				m ³
	2006	2007	2008	Δ 08/07
Total Consumption	9,980	11,680	10,234	-12.4%

Most of the waste produced by the company decreased slightly in 2008, due to the environmental management strategy. The most significant reduction occurred with the plastic waste, as its amount had increased due to the maintenance works carried out in the building, and with the electric and electronic equipment (REEE). The amounts of Urban Solid Waste keep stable as they result from estimates from the Lisbon municipality, based on the number of containers collected each week.

Waste Production				tons
	2006	2007	2008	Δ 08/07
Fluorescent Bulbs - recycling	0.23	0.19	0.16	-15.8%
Paper / cardboard – recycling ⁶	312.0	44.34	57.60	29.9%
Plastic Waste - recycling	0.07	0.18	0.00	-100.0%
Urban Solid Waste (undifferentiated) - incineration (m ³)	1,058.40	1,054.20	1,058.40	0.4%
REEE (others) - recycling (Kg)	0.16	0.06	0	-100.0%
Toners and Ink Cartridges - recycling	0.27	0.26	0.18	-33.0%
Used Oil – recycling ⁷	0.07	nd	0.00	nd

⁶ Paper and cardboard waste in 2005 and 2006 presented in litres (estimated calculation); as of 2007 values are measured in Kg as the waste is effectively weighed on a platform scale acquired by the company. ⁷ There is no available data concerning the production of used oil in 2007.

The follow-up of PT PRO's environmental impacts is shared with all employees, giving them the opportunity and responsibility of contributing to the performance optimisation goals defined. This information is also shared through leaflets containing generic information with staff from temporary staffing companies, generic information leaflets for suppliers and an Intranet updated periodically with news and information of environmental nature.

Consumption of materials				tons
	2006	2007	2008	Δ 08/07
Paper / Cardboard ⁸	28.09	51.40	77.12	50.0%
Toners and Ink cartridges	na	0.224	0.219	-1.9%
Recycled paper	na	0.00	0.12	nd
Recycled paper (% of total)	na	0.00	0.16	nd
Total consumption	28.09	51.62	77.34	49.8%

⁸ Total paper consumed, including recycled paper.

In 2008, PT PRO set a challenge to its employees: "Environment Friends" Project. This project aimed at consolidating the corporate commitment in terms of environmental preservation, challenging all employees to contribute actively to the minimisation of negative environmental effects, undesirable for its activity, through an enhanced rigour in the management and treatment of the waste produced.

On the whole, there were more than 215,000 different pieces of waste collected and in each activity there were awareness actions also associated by means of environment preservation tips. Furthermore, PT PRO actively promoted awareness and information

campaigns for environment preservation, one of the most important being the one that took place on the Environment Day, coinciding with the cost-free distribution of domestic eco-containers to its employees.

Results of "Environment Friends" Project	
Stage / Challenge	Items Collected
1 Collection of plastic bottles	7,284
2 Collection of drinks or food cans	4,253
3 Collection of batteries	84,130
4 Collection of cork stoppers	14,802
5 Collection of used plastic bags	35,011
6 Mix Challenge (all above)	69,533
Total	215,013

Environmental performance of TMN

The market segment of mobile communications has grown a lot in the last few years and being TMN the leading operator in this segment, it is feasible that some environmental impacts associated with the company, such as the production of waste derived from the quantity of products put on the market may also increase.

Although the negative public perception related to the danger of electromagnetic fields has been decreasing due to the growing level of information on this issue, TMN monitors periodically the antennas for which it is responsible, so as to comply with all legal national and European requirements.

Energy Consumption	2006	2007	2008	gigajoules Δ 08/07
Administrative Consumption	16.437	21.179	39.869	88.25%
Technical Area Consumption	328.575	273.661	275.151	0.54%
Fuel Consumption (petrol)	8.647	6.558	4.749	-27.58%
Fuel Consumption (diesel)	18.735	17.556	16.035	-8.66%
Energy consumption by suppliers in the development of the company's activity *	24.171	25.798	31.509	22.14%
Consumo total	396.565	332.387	367.315	10.5%

* The energy consumed by suppliers in the development of the company's activity is due essentially to fuel consumed in outsourced activities. This calculation is based on the number of produced and distributed terminals.

The increase in TMN's energy consumption reflects the increase in the activity of the company, due to higher consumer demand and the development of new products, has been expanding its activities. The significant increase from 2007 to 2008 in terms of fuel consumption – diesel and petrol – and the energy consumed by suppliers is due to the fact that in 2007 only the energy consumption of the distribution car fleet was included. The 2005, 2006 and 2008 values include the consumption of the whole car fleet and power generators as well.

Nevertheless, these increases are not proportional to the variations occurred in terms of atmospheric emissions, as there was a moderate global increase and reductions in the direct emissions (petrol and diesel consumptions)

Carbon footprint	2006	2007	2008	tons Δ 08/07
Direct Emissions (Petrol)	596	452	327	-27.7%
Direct Emissions (Diesel)	1,383	1,296	1,178	-9.1%
Indirect Emissions (Electricity)	36,808	39,044	39,355	0.8%
Indirect Emissions (Diesel suppliers)	1,708	1,823	2,227	22.1%
Total Emissions	40,495	42,615	43,087	1.1%

In 2008, water consumption was one of the environmental indicators that registered a significant decrease (around 28%) as compared to the previous year, as the result of the implementation of awareness and consumption reduction actions in several retail outlets and in the company headquarters and of the concentration of some employees in PT Comunicações buildings.

Water Consumption				m3
	2006	2007	2008	Δ 08/07
Total Consumption	22,889	25,681	18,479	-28.0%

Besides developing internal programs to minimise the waste produced (for example, by raising employee awareness), in 2008, the company kept organising such awareness campaigns for its customers to promote the recycling and reuse of electric and electronic equipment, which led to a significant increase in this type of waste.

Waste Production				tons
	2006	2007	2008	Δ 08/07
Batteries (mobile phones) for recycling	2.19	2.62	0.22	-91.5%
Batteries (mobile phones) for reuse	3.24	3.81	6.78	77.9%
Batteries (other) for recycling	37.71	28.00	13.92	-50.3%
Fluorescent Bulbs - recycling	0.23	0.13	0.33	152.9%
Waste from Activity-supporting Infrastructures - recycling	41.90	105.57	46.30	-56.1%
Paper / Cardboard - reuse	30.09	34.94	n.d	n.d
Paper / Cardboard - recycling	120.08	203.64	193.01	-5.2%
Plastic Waste - recycling	17.77	28.96	19.27	-33.5%
Solid municipal waste (undifferentiated) - incineration	11,861.09	2.21	1.09	-50.8%
REEE (mobile phones) - recycling	0.04	0.37	2.31	523.7%
REEE (mobile phones) - reuse	22.97	26.34	30.98	17.6%
REEE (others) - recycling	40.17	3.60	4.83	34.0%
Toners and Ink cartridges	1.42	1.21	2.10	73.2%
Used Oil - recycling	0.00	0.11	0.11	-0.5%
Total production	12,148.81	406.57	321.23	-21%

The production of waste by TMN is quite variable as it depends on external factors, for example in the case of batteries, there can be variations as a function of the state of the batteries, which may or may not be recovered and reused. Besides, variations also depend on the rate of delivery of mobile phones and batteries for recycling by customers.

Consumption of Materials				tons
	2006	2007	2008	Δ 08/07
Batteries (mobile phones)	29.83	32.75	47.75	45.8%
Electric and Electronic Equipment (mobile phones)	126.76	135.90	174.54	28.4%
Activity-supporting Infrastructures	660.14	630.46	593.87	-5.8%
Paper / Cardboard	205.91	271.76	294.10	8.2%
Plastic	74.01	131.91	115.98	-12.08%
Toners and Ink Cartridges	1.87	1.96	1.24	-36.6%
Recycled Paper	60.37	99.96	35.69	-64.3%
Recycled Paper (% of total)	84.09	59.40	83.14	40.0%
total consumption ⁹	1,098.52	1,204.74	1,227.49	1.9%

⁹ Total consumption does not include recycled paper as it is already included within the paper/cardboard consumption.

In a general way, the consumption of materials increased in 2008, as a result of sales growth in the company.

In 2007, TMN committed to organise certain environmental preservation activities, implemented in 2008, notably the increase in the number of retail outlets selling products for customers with special needs, allowing the same to be sold at PT shops (this action was implemented 100%) or promoting the level of awareness for the recycling of mobile phones, by providing information at the TMN website about the destination of the components of the product which are disposed of to be reused – TMN considers that this action is 80% implemented, as there was a campaign to promote the recycling of mobile phones in 2008.

Apart from that, on the Environment Day, there was an initiative for the reuse of the external case of the device. This initiative consisted of an offer to every customer acquiring a new device, a mobile phone case reused as a vase. This will be followed by an agreement with AMI for the use of the recycling theme by a communication campaign and lastly, a lot of information is available on the TMN website on the recycling of mobile devices and its components.

Area used in biodiversity-rich habitats	m2
2008	1,500

Besides potential risks associated with electromagnetic fields, there are also impacts derived from the interference of these stations in more sensitive locations in terms of biodiversity.

To ensure network coverage throughout the country it is necessary to place several transmission antennas, sometimes in especially sensitive places. One of the examples of how TMN manages this type of impacts can be described as an ICN-supervised project by which the usual places of nest building of storks are identified and possible relocations of existing nests onto specific platforms built for this purpose are studied.

Alternative energies of TMN's project

- > Eolian generators
- > Photovoltaic systems
- > Air-conditioning supported on solar cooling and
- > Fuelcells with own hydrogen production

As an initiative of the company for the use of renewable energies and increase in the effectiveness of the energy efficiency, a hybrid project on alternative power sources is already on course that seeks to make transmission stations autonomous in energy terms. The purpose of this project is to have on the same station four energy systems available:

Note for all subsidiaries

Emission Factors used for calculating CO2 emissions:

- > Diesel – 0,0741 t CO2/GJ (for PCI: 43,3 GJ/t and Density: 0,850 kg/L);
- > Petrol – 0,0693 t CO2/GJ (for PCI: 44,8 GJ/t and Density: 0,739 kg/L);
- > Electricity – 498,223 t CO2e/GWh;
- > Calculus methodology used by IPCC; other sources used: EDP.

Energy Management Strategy

Climate change issues are on the international agenda and have deserved strong attention from PT's management. The circa 35% increase in atmospheric carbon dioxide concentration levels in the last 250 years and its recent repercussions in terms of global heating of the planet, average sea level rise, polar defrosting and higher frequency of adverse weather hazards constitute more than enough motive to mobilise the attention of enterprise managers and of the population at large.

Combat Climate Change

We believe that climate change will have repercussions on enterprise business as its potential financial implications are worrying the financial community, and investors who, in turn, are committed to raising the awareness and encouraging the business universe to identify the environmental risks and impacts associated with their activities, to develop strategies to integrate this new reality and to publish their levels of performance in this domain.

At PT, the concern for environment preservation and valorisation has already been incorporated in the last few years and therefore, we have adopted policies and mobilised resources so as to comply with legal requirements and recommendations as well as European directives about the best environmental practices.

Technological evolution, lesser energy dependency of new equipment, the progressive introduction and availability of renewable energies, remote control through domotics, garbage segmentation and collection and its adequate forwarding for reuse and/or recycling have allowed PT to optimise the relationship between its environmental impacts and the respective total revenues.

On the other hand, the new information and communication technologies and the new generation networks will enable PT to deliver services to its customers that contribute to reducing their environmental impacts, namely their carbon footprint, and in this way, also contributing indirectly to eco-system balance.

In the course of the last few years, PT has dedicated itself to stimulating the implementation of good environmental practices in its own organisation, suppliers and customers, having defined an environmental management policy and system that deserved the recognition and the progressive certification of each one of its business areas in compliance with ISO 14001 standard. The current environmental strategy adopted by PT aims to implement a number of measures to reduce its own as well as its customers' energy dependency in the course of its activity, thus reducing the carbon footprint directly or indirectly related to the services delivered to the market.

PT evaluates its impacts according to the type of actions and practices that can be implemented to contribute to the improvement of its environmental performance.

Environmental Impacts of PT Group – Energy Strategy			
Impacts	Actions to be developed by PT Group PT	Goals to be reached	
Direct	Implementation of a number of practices aiming to minimise direct impact on environment	Significant reduction of CO2 emissions emissions of the sector (energy efficiency)	Optimise carbon footprint
Indirect	Development of solutions and technologies with transversal impact on sustainability and increase in the quality of life of the population	Positive externalities potentiated by society	Sector with net contribution

Implementation of Actions

A number of initiatives were assumed towards an improved energy efficiency and subsequent carbon footprint reduction in the next triennium. For such purpose, the involvement of our value chain will be essential, so as to enhance the rationalisation of both direct and indirect impacts.

Areas of intervention of T Group (Direct Impacts)		Areas of Influence of the Value Chain (Indirect Impacts)	
Reduction of energy consumption	> Energy certification of buildings	Supplier selection and hiring model	> Inclusion of contractual clauses related to environmental practices and energy efficiency of the equipment
	> Air conditioning for equipment and spaces in free cooling system		
	> Energy efficiency criteria in equipment selection and contracting		
Maximisation of the adoption of renewable energies	> Program for dissemination of the use of renewable energies	Responsible Consumption	> Availability of user guides promoting the good use of services and equipment and package disposal
	> Photovoltaic energy		
	> Eolian energy		
	> Creation of a carbon-free pilot station		

As to climate change and energy efficiency, among the actions aiming to reduce the direct impacts of the Group, it is worth highlighting the commitment and the signature of the ETNO¹ Guidelines, a set of directives for the implementation of an Energy Policy in the Telecommunications Sector.

Based on this commitment, PT defined a number of actions to implement over the 2008/2010 triennium, aiming to optimise its performance and a contribution to the reduction of the impact of the telecommunications sector.

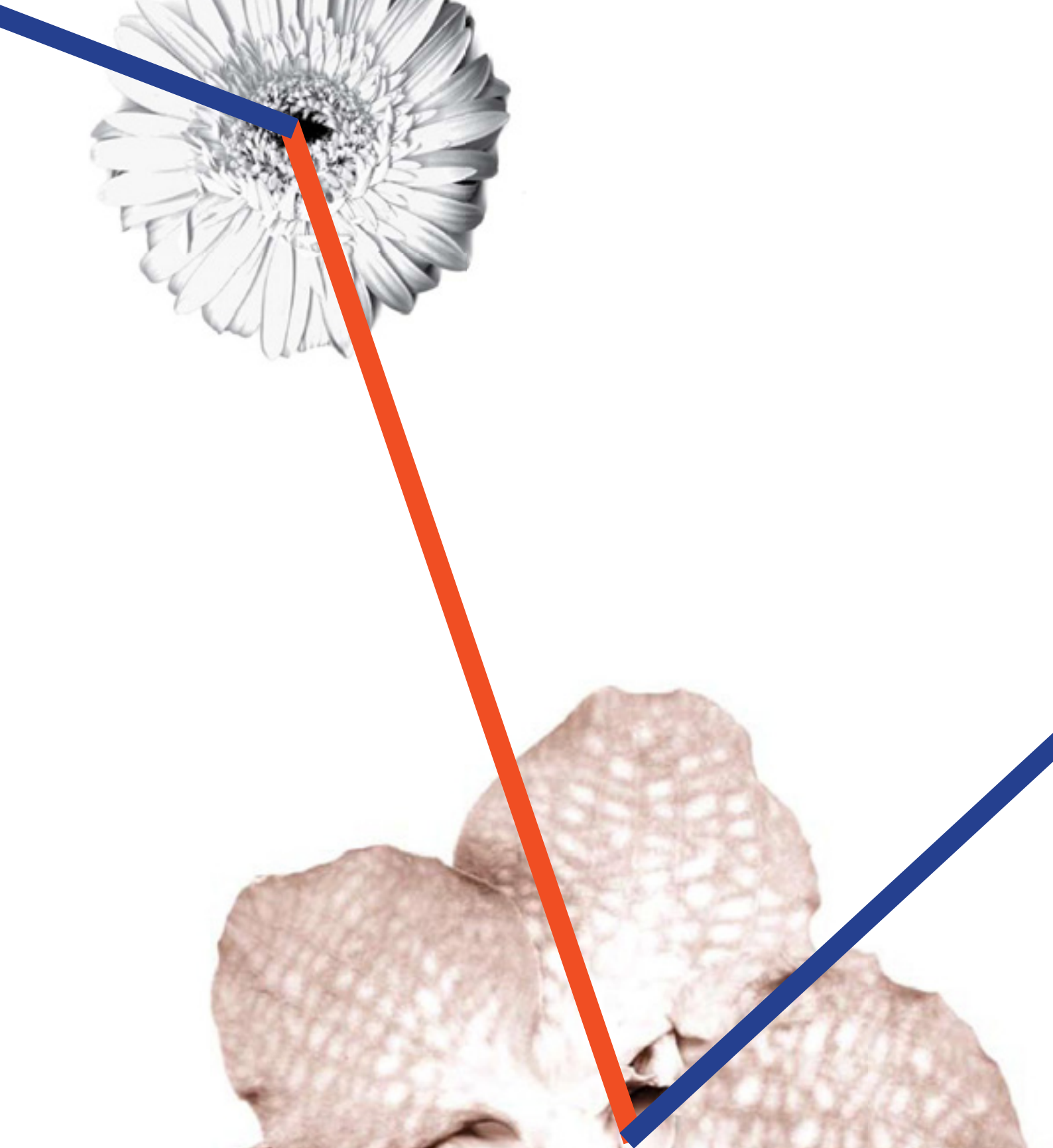
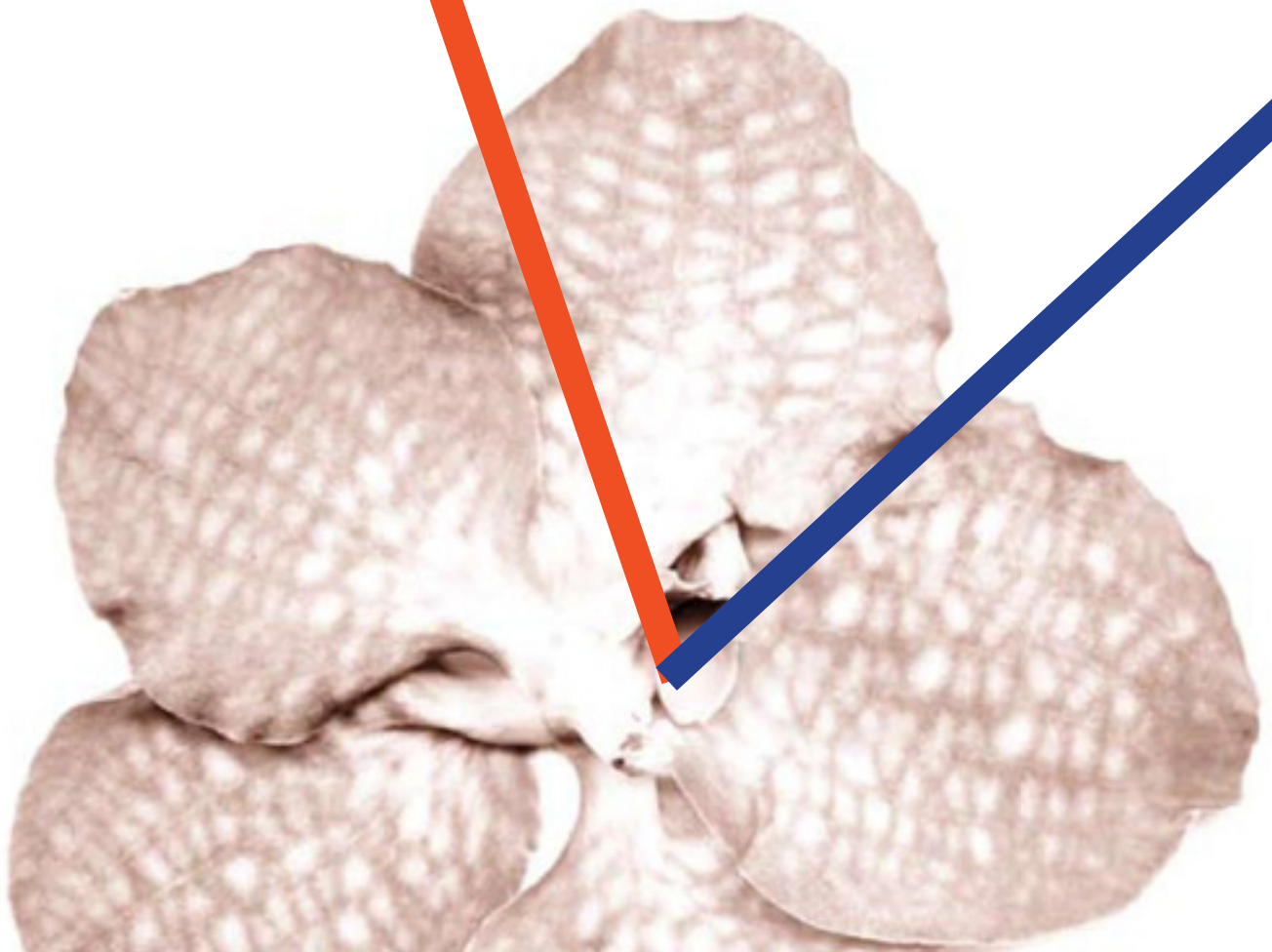
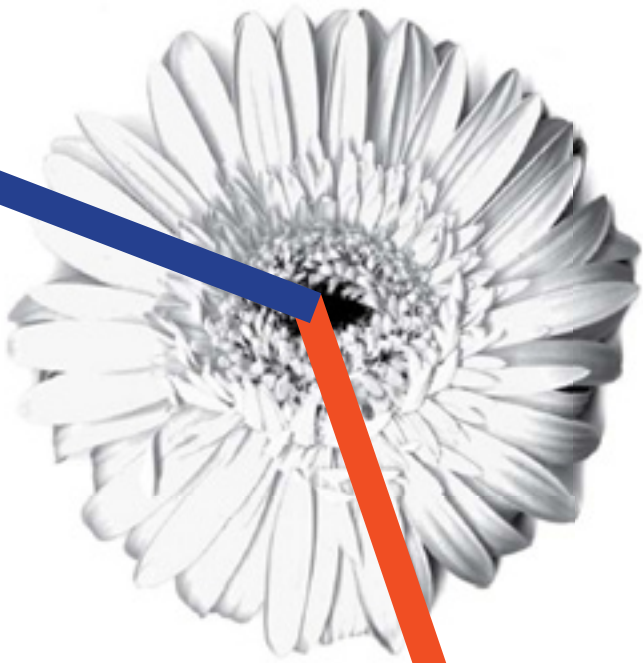
Energy Efficiency – Commitments for 2008/2010 triennium		
Reduce energy dependency	Energy certification of buildings	> Certification of 20 PT buildings representing 40% of PT's energy consumption in Portugal
	Air-conditioning of spaces	> Installation of free cooling in 20 rooms representing more than 30% of the energy consumption of PT's technical areas
	Power and lighting systems for spaces and equipment	> Efficiency tests of free cooling equipment at PT's data centres > Progressive installation of high energy-efficient lighting (T5 light fixtures) in interior spaces of PT buildings; > Progressive replacement of outdoor lighting and signs of PT buildings for led lights
	Evaluation of energy consumption of equipment	> Evaluation of energy consumption of equipment during its lifecycle > Efficiency tests to new power systems at PT data centres
Adopt renewable energies	Photovoltaic	> Definition of a mid-/long-term strategy to use renewable energies, based on tests to assess efficiency levels
	Eolian	> Photovoltaic energy – (4 pilot stations)
	Hydrogen	> Eolian energy – (3 pilot stations) > Creation of a carbon-free station – based on hydrogen battery powered by renewable energies
Monitor consumptions per production unit		> Creation of a management and control system for energy consumption
Value Chain	Facility selection and contracting criteria	> Evaluation of the energy dependency levels of equipment during the expectable lifecycle.

¹ ETNO – European Telecommunication Network Operators Association

The telecommunications sector has a marginal contribution (circa 1%) in the current total amount of CO2 emissions, although it may have an essential role in the global reduction of national emissions. According to the SMART Portugal 2020¹ study, the predicted indirect impact of this sector alone will allow meeting the European Union-defined goals, representing this type of impact circa ten times the direct carbon footprint of the sector.

It is expected that the adoption of the new services by society will induce a circa 15% reduction in the total carbon footprint. The commercialisation of services and solutions based on the new information and communication technologies will contribute decisively for the reduction of their energy dependency and therefore, for the reduction of carbon dioxide emissions to the atmosphere. Healthcare, education and domotics will form the basis of this new paradigm and will be a new window of opportunity for environmental protection.

¹ SMART Portugal 2020 - Increasing Energy Efficiency through ICT - Estudo elaborado pela BCG e no qual o Grupo PT participou



Relationship with the stakeholders



PT’s management takes into consideration the expectations of the following interested parties, considering the strategic importance that these assume in business continuity and growth: regulatory bodies, financial community, media, society, customers, suppliers and employees.

Throughout this chapter we disclose the approach, practices and management performance that meet the expectations and needs of the interested parties, identified in the table below:

Material Issues			
Environment	Employees	Shareholders	Regulatory Bodies
Energy consumption	Health and Safety	Distribution of dividends	Compliance with Requirements
Climate change	Work conditions	Stock quotes	
Fuel consumption	Talent capture and retention		
Consumption of materials	Employee satisfaction	Society	
Electromagnetic fields		Digital and Social Exclusion	
Landscape impacts	Value chain	Transparency and corporate reputation	
Noise emission	Work conditions of our suppliers		
Water consumption	Environmental practices of our suppliers	Services	
Waste production		Innovation	
	Customers		
	Customer privacy		
	Digital inclusion		
	Customer satisfaction		
	Responsible use of our services by costumers		

Customers

Customer satisfaction and the innovation and convergence of the service offer suited to each consumer profile mobilised transversally every PT subsidiary at national level.

2008 was an extremely stimulating year in terms of customer relationship. It was a year of renewal and of focus on our customer-oriented strategy, anticipating the new market contour with the arrival of a new competitor.

Therefore, the IPTV offering featuring the highest level of functionalities and innovation on the Portuguese market, together with service convergence between the fixed and the mobile networks, the consolidation of the customer management and interaction platforms and the customer service quality programs, constituted a few of the major issues on the management agenda of the Group's business units.

It was an effort that deserved the recognition of the customers, as our customer base grew throughout the year, as well as the respective satisfaction level.

In the home market, PT has 4.3 million customers on the fixed network, 0.3 IPTV customers (one of the fastest growths at European level) and 6.9 million customers on the mobile network.

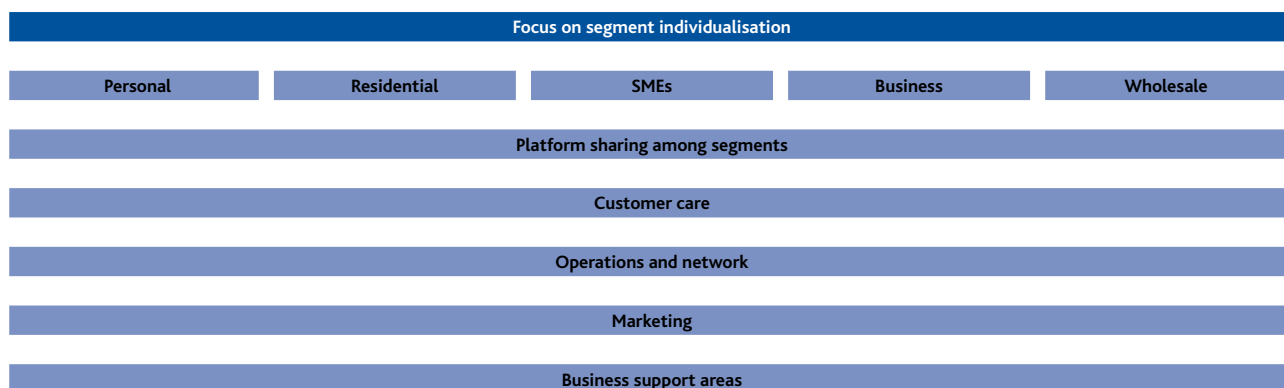
Customer Focus

- > To know market needs
- > To personalise customer relationship
- > To innovate in market offering
- > To offer quality services
- > To guarantee the continuity of service delivery
- > To ensure transparency and honesty in commercial relationship

Focused Areas in 2008

- > Customer service and relationship
- > Platform sharing for customer management
- > Segment individualisation
- > Service installation and fault repair

The model now adopted assumes the following configuration:



Offer variety

The offer of products and services throughout 2008 was marked by the re-launch of the integrated triple play (telephone, internet and television) offer over the fixed network – meo whose rate of subscriptions showed the highest rate in Europe (the satellite service consolidated this offer in locations with reduced network coverage and quality of service), and by the offer, and respective subscription, of mobile broadband services, notably meo mobile.

Supported on the xDSL network, the television solution provides VoD services and high-definition channels, enabling customers to access an extended range of channels, to rent videos for immediate viewing, to stop a live broadcast, to access an updated channel programming grid and to personalise programming.

It was also a year marked by the offer, based on fixed-mobile convergence, of solutions suited to the residential, SOHO and SME market segments. In this area, it is worth mentioning the

- > Sapó mobile: <http://www.sapoadsl.pt/internetmovel.html>
- > Office Box: <http://www.tmn.pt/portal/site/negocios> solutions.

In order to ensure the clarity of the tariffs associated to service acquisition, subscription and use, PT publishes the respective prices online and provides simulators so that each customer may select the most suitable solutions for its needs and specific characteristics.

PT's products and services are subject to rigorous tests in order to guarantee the health and safety of its users and, for each one, a manual of procedures and/or labels is provided with the specifications for its adequate use and how it should be disposed of whenever this is replaced and/or discontinued by its users.

During 2008, there were no incidents related to the use of PT's services and products.

Respect for customer privacy

Confidentiality and security of consumer data, access and traffic protection to the database information, as well as confidentiality of telecommunications content, are areas safeguarded by PT in order to respect the freedom and basic rights of each individual.

PT follows the national legislation scrupulously, which is very detailed and specific concerning this subject, as well as the European and American legislation. Moreover, PT performs legal reviews to all the identified situations capable of rendering the protection of personal data more vulnerable, as well as regular audits with the support of security specialists. Therefore in 2008, there were no complaints concerning the violation of customer privacy.

PT provides data pertaining to its customers exclusively on request by the judicial authorities in the terms of the law.

Content security and protection

In 2008, we signed the Code of Conduct for activities related to content service delivery – aiming to protect the younger generation from the exposure to harmful contents when using mobile communication services.

Currently, the proliferation of contents online and on television, has caused concern about its improper use on part of certain sections of the population with lesser critical and/or selection capacity.

Aware of this fact, PT has launched initiatives whose goal is to raise the awareness among the population for the responsible consumption of contents, and also provides user manuals, devices and software for parental control.

In 2007, we proceeded with the application of the Code of Good Practices in Commercial Communication with Minors promoted by APAN and signed by PT in 2005. And, also with APAN, we became part of the European program Media Smart and signed the Code of Conduct for activities related to content service delivery, aiming to protect minors from illegal, pornographic and/or adult contents (this code was signed by several national operators).

Customer communication

The customer - PT relationship has become a responsibility of all the Group's employees, regardless of the type of functions and/or responsibilities held in the organisation. PT wants to be recognized as the national company that better serves its customers - and this is a daily work of devotion, persistence and commitment to the future.

Communication channels	
Customer Portal	Call centers
Website	Focus Group
Shop and Agent Network	Satisfaction surveys
Commercial managers	Advertising campaigns
Employees	Bill
Wikicare	Newsletter



Customer Care

2008 saw the preparation of the instruments at the base of the practices that give sense to the customer orientation concept and that will contribute to improving a critical area identified in the surveys to this stakeholder – customer contact and treatment of complaints.

In this context, the Customer Contact Quality Program along with the Project of Revision, Harmonisation, Simplification and Humanisation of Customer Contact Communication began, with the goal of creating the necessary instruments for the approach of each PT employee to each one of his customers. It is a program made up of 3 complementary initiatives.

Customer on the line: every day when arriving at their workplace and throughout the work day, PT employees will know how many customers are contacting the customer contact services, the average duration of each call and the critical zones.

I Solve: any PT employee will be able to receive a request or a claim from a customer, friend, relative or acquaintance and solve the situation as promptly as possible.

3,393 complaints and/or help requests – 97% resolution rate within 5 days, on average

Wikicare: launched at the beginning of July, it was an innovative initiative, still unknown in Portugal. It is an online space in which customers may present suggestions about the Customer Service that they would like to have.

- > It registered more than 40,000 logins, circa 70,000 pageviews and 400 suggestions.

The customers made and we already put into practice the following suggestions:

- > Extension to meo,
- > Creation of an internet tips area containing:
 - > Internet security,
 - > How to improve the performance of the ADSL service
 - > Useful downloads and links
- > The possibility of customers voting the suggestions from other customers.

Along with this new approach to customer service, PT keeps its customer contact centres available 24 hours per day, 365 days per year and whose contacts are available on the corporate website of the Group.

It also makes use of a network of shops and authorised agents covering all the geographic zones of the country and of a network of commercial managers whose mission it is to identify the needs and expectations of the business customers assigned to them.

Through the customer contact lines, customers can interact with the business units of the Group, being able to subscribe services, present complaints, give suggestions, define usage profiles, see invoices as well as the current account.

In 2008, the performance in terms of customer service kept the same levels as in the previous year, taking into consideration the significant increase in the average number of service installations throughout the year – a 34% increase.

Customer contact	2006	2007	2008
Total contacts received/ 1,000 customers (monthly average)	307	344	359
Contacts attended to (monthly average)	91,3%	89,2%	87,3%

Service Installation(monthly average)	2006	2007	2008
Total installation requests (monthly average)	70 881	47 666	63 816
Bookings missed (monthly average)	87%	93,5%	Nd*

* the criteria for the collection of data changed; therefore the data is not comparable

Complaints	2006	2007	2008
Total complaints received/1,000 customers (monthly average)	20	16,2	29,8
Average resolution time/days (monthly average)	3,1	4,5	4,7

Faults	2006	2007	2008
Total faults reported/1,000 customers (monthly average)	32,8	24,9	32,2
Time spent repairing each one/days (monthly average)	1,9	1,9	1,9

Customer relationship management

With a large customer base, PT knows that the success of the relationship with each one depends on the quality of the information it records on the respective consumption profile, the capacity of evaluation of this information and of interpretation of market expectations vis-à-vis the Group.

Over recent years, PT has been implementing a number of good practices in customer relationship, which are based on the lifecycle management of each one, in order to materialise the dual approach maximisation of shareholder value / maximisation of customer satisfaction.

From this perspective, customer management obeys the 4 basic pillars, based on the Peppers & Rogers methodology:

Identify /Know	To have available information to characterize each customer's needs
Differentiate	To create solutions suitable to each one's needs
Interact	To dialogue with the customers better to perceive its needs
Personalise	To respect each customer's individuality

Each PT business unit makes use of a Customer Relationship Management (CRM) platform that contains each customer's specific characteristics and expectable short and long term value. The relationship platform sharing allowed a better adjustment to customer needs and an individualised segmentation by market profile.

Apart from these CRM platforms, PT has opted for regular market surveys in order to collect its perceptions and the expectations relative to PT's activity.

These surveys evaluate the customers' satisfaction level and comprise all market segments, obeying the following generic criteria:

Segments surveyed

- > Residential/Personal Customers
- > Business Customers

Types of survey

- > Global satisfaction
- > QoS of processes and services
- > QoS of customer contact channels
- > Welcome call
- > Complaint resolution
- > Fault Repair

External, idoneous, with recognised experience on the market, market research entities conduct these surveys in order to get accurate, neutral and impartial information as a valid base for the decision-making processes and the introduction of corrective measures. The methodology adopted in these surveys uses statistically significant samples for each market segment. The global results collected in 2007 present the following profile:

Satisfaction Index	(scale from 1 to 10)			
	Wireline		Wireless	
	2007	2008	2007	2008
Residential / Personal	6.8	7.5	7.3	7.9
Business	6.8	7.4	7.2	7.4

There was a global improvement in the average customer satisfaction levels, which translates the impact of the enhancements made in terms of the customer service and management platforms.

Advertising campaigns

The advertising campaigns of PT's business units try to respect the beliefs and the values of the target public, besides giving accurate information on the features and ways of use of the services/ products being promoted.

In every campaign coming out there is one or more contact alternatives - an electronic address, a site and/or a telephone number - through which the customer or potential customer will be able to clarify doubts, request detailed information or subscribe the product /service promoted.

In order to safeguard the interests of the younger generation, PT has been applying the Code of Good Practices in the Commercial Communication for Minors from the Portuguese Advertisers Association, signed in 2005. This code foresees a number of sanctions applicable to the subscribers that violate it and prescribes, among others, two basic principles:

- > advertising must be legal, honest, decent and true and must be seen as part of the sustained development process of minors as current and future consumers;
- > advertising must be unequivocally recognized as such, whatever the means of dissemination.

Messages used in campaigns are built in a conscientious and responsible way, appealing to the benefits of the brand, of the product and/or service. Messages, establishing comparisons with competitors or evidencing situations capable of damaging the effective values and beliefs in the Portuguese society, are avoided.

Last year, PT was not the object of any controversy related to any communication campaign developed.

Products and services commercialized by PT provide instruction manuals and/or labels explaining the correct use of the same.

Throughout 2008, the PT Group spent Euro 176.3 million on marketing and advertising campaigns.

Means of payment of the Group's services

Easiness, convenience, comfort, clarity and transparency are the values that PT wants to guarantee to all its customers through the invoice and the multiple means of payment available.

Means of payment

- > PT shops
- > Post Office
- > ATMs
- > Bank Transfer
- > Electronic Bill

On PT's invoices customers may find their consumption, as well as the amounts corresponding to the service delivered.

Since 2005, customers may also use the electronic invoice, a legally valid document, replacing paper invoices with internet consultations. The electronic invoice is available online for a 3-month period, and it is sent out in electronic format after a valid email address has been indicated.

Employees

The people within each organization, have been assuming a fundamental importance for management, as their capacity of adaptation to market changes and of innovation in the use of the work instruments, contribute decisively to making the difference and, consequently, to the positioning of each company in society.

In 2008 at PT, we did not follow national market trends by maintaining and even increasing the number of employees. In accordance with the company's plans for 2009, this increase will be maintained throughout next year.

PT's human asset management is done taking into consideration the Portuguese labour legislation, the principles of the United Nations Global Compact related to human rights and the social responsibility principles of UNI (Union Network International).

In fact it is the employees, with their attitude, skills and degree of involvement with the organizations where they work that, more and more, constitute the main factor of differentiation and competitiveness of companies in the global market. They are, therefore, an asset that should be managed in terms that exceed the mere fulfilment of the stipulated quantitative goals for each business.

PT has been recognised since 2005 as the most family-friendly company, in accordance with the criteria evaluated by AESE and Deloitte related to good practices of human asset management, family policies, social benefits and professional support.

Moreover, the main national subsidiaries obtained the certification of their management systems in the Occupational Hygiene, Health and Safety area, in compliance with OHSAS 18001.

Human Asset Management Model

Codes of principles and agreements

- > Code of Ethics
- > Code of Ethics for Financial Officers
- > Company Agreement*
- > United Nations Global Compact principles
- > Union Network International Code
- > ETNO Sustainability Letter
- > Labour legislation

Development instruments

- > Recruitment model
- > Welcome programs
- > Mobility programs
- > Training programs
- > Business Intelligence System
- > Talent retention programs
- > Corporate Intranet

Management and Evaluation Tools

- > Organisational Climate Survey**
- > Individual Performance Analysis system (goals / management and technical skills)**
- > Employee Portal
- > Feedback meetings

Benefits

- > Working time flexibility
- > Health Plans
- > Cultural, leisure and eating spaces
- > Communication channels
- > PT Club
- > Discount card for acquisition of services
- > Social Support Association
- > End of career support

Means of relationship with the employees

- Employee portal
- Feedback meetings for performance evaluation
- Corporate Intranet
- É Directo (help line)
- Workers' Committee, Unions and Paritary Committee
- Internal magazine and newsletter
- Organisational climate survey
- Welcome Program

* The company agreement applies by default to all employees and, among others aspects, assures the equality of opportunities, the equity of remunerations for identical functions between men and women, the health and security protection and the minimum periods of time for communication of any work-related change.

Employee profile

PT's employees have the following profile:

Portugal



Rotation: - 0,1%

International



Rotation: -17,6%

Business



Gender*



Disabled* 109 – 1,04%

Unionised* 47%

Managers*



Age average* Total – 40.61 years

Average Term in Service* (years)



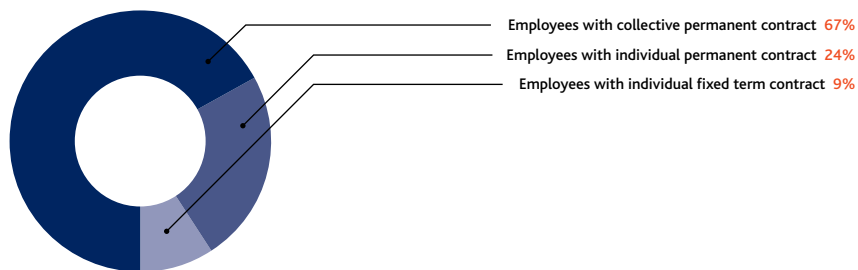
Absenteeism in the main companies* – 3.5%

Dismissed with just cause* (a) (violations of the Codes of Ethics related with fraud, lack of fulfilment of working instructions, and violation of the equipment of colleagues) – 4

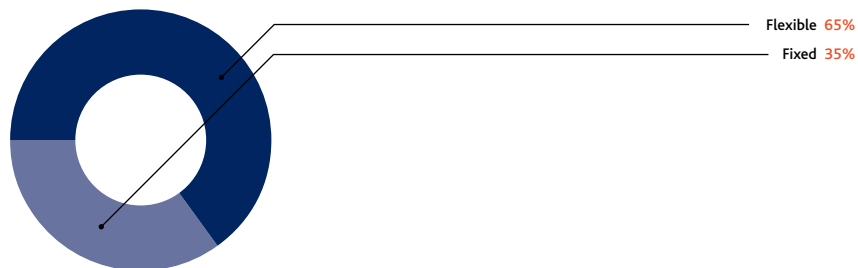
(a) In 2007 there were no cases related to discrimination at the working place or corruption

Employee Reduction Program* – decrease of 344 employees (resulting from mutual agreements between the company, the employee and the employee representatives)

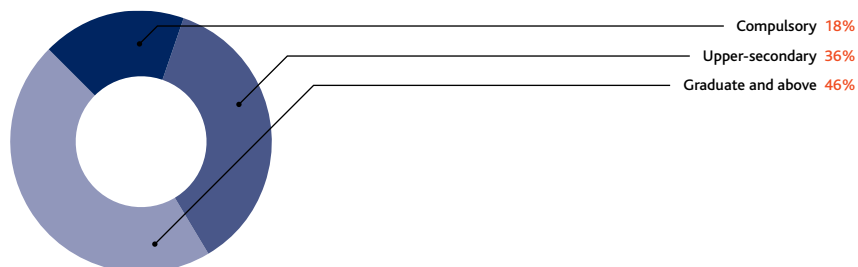
Contract type*



Types of working schedule*



Academic Education*



Ratio minimum wage versus national minimum wage – 1.06

* in Portugal

Employee management and evaluation

Individual performance analysis constitutes a key element of the human asset management, which was subject to a revision in line with the current market trends, strategic orientation of the company and best international practices.

The definition and implementation of a process of analysis in terms of skills and results was the result of this work, involving all employees and which is based upon a number of transversal skills, organised in a common grid, differentiated by segments of functions so as to allow an evaluation suited to the functions and skills of each employee.

It is worth mentioning the training actions provided to the evaluators in the dimensions of performance analysis and feedback process, as well as the information conveyed to all employees through internal communication media and the teams assigned to the management and follow-up of this process.

The Performance Analysis 2008 is supported on an application resident on PT's internal portal, its main characteristics being the ease of access by all employees and of execution of all associated actions.

The model comprises a top-down analysis, self-evaluation and feedback meetings between evaluator and evaluated person, as these become an excellent opportunity for a joint constructive analysis for the best alignment with business goals.

This management tool allows:

For company management:

- > To increase the knowledge about employee skills;
- > To increase their level of alignment with the strategy of the company;
- > To reinforce the orientation towards the fulfilment of goals;
- > To promote bottom-up and top-down communication.

For employees:

- > A better knowledge of what the management values in their work;
- > The awareness of their strong points and the areas for improvement;
- > Creation of opportunities for direct communication with the management so as to find the best solutions to meet the defined goals;
- > To identify vectors for the improvement of his performance and development.

Organisational climate

To ask in order to get answers, to hear in order to understand, to analyse in order to improve. These have been the basic foundations of the Employee Satisfaction Survey that PT conducts annually.

Carried out in every PT subsidiary, the results of this survey have contributed not only to enabling the employees to express their views in a voluntary, anonymous and confidential way but also to adjusting the human assets management to the strategy of the Group.

In the scope of a global process of continuous improvement underway, in terms of instruments for human asset management, the Employee Satisfaction Survey 2008 is the result of a process of reassessment in terms of goals, form, content and results.

Trying to meet the needs and requirements of the organisation so as to endow it with relevant knowledge and information, the 2008 Survey was conducted once again with the aim of knowing, accurately and in detail, the opinion of the employees on an extended range of issues and simultaneously comparing the satisfaction profiles with the best practices on the market.

The accessibility of all employees and the confidentiality of the answers are guaranteed, through the use of an external website.

The level of adhesion was 55% and the average Global Satisfaction index was 66%.

Dimensions Analysed

- > Company strategy
- > Function
- > Human Asset Management
- > Organisation and Culture

The analysis of the results obtained in these dimensions and in the 27 influence systems therein (among which mission/vision, values, discrimination, social responsibility and inter-personal relationship) enable this survey to become an instrument of diagnosis of the organisational climate to support human asset management, so as to implement policies and practices that make PT a differentiated and compensating company, both at personal and professional level, for all those who work there.

Employee adhesion to Survey



Organisational climate (average satisfaction index on a scale of 1 to 10)



* The organisational climate survey was reformulated throughout 2007, so there was no survey in that year.
 ** 2008 data is not fully comparable to the two previous years, taking into account that the analysed dimensions were subject to an improvement process.

Training Programs

In recent years, PT has invested heavily in employee training seeking to attract, to develop and to retain the best technical and behavioural skills on the market and in the company.

The path covered over the last years has made it possible to optimise the cost vs benefit ratio of the training program provided to the employees. Last year, this equation presented the best result of the last few years.

In 2008, technical training was given priority. Training as a whole has the following profile:

No. of training actions*



Training investment*



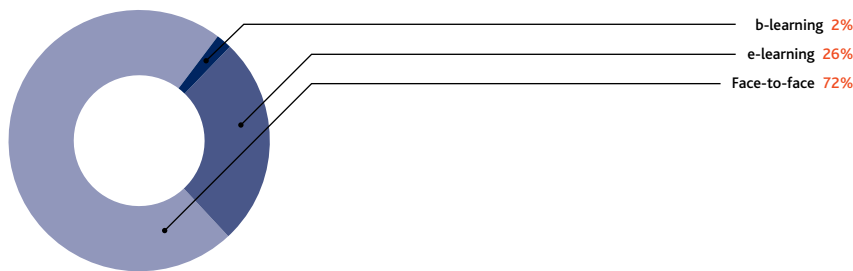
Participants vs. employee universe*



Average training time per participant* –



Type of training*



Training Area*



* in Portugal
 ** This value is due to the fact that training on the Code of Ethics was extended to PT outsourcers.

Talent attraction, retention and development programs

People represent the most valuable and differentiating asset of an organization and a decisive factor of competitive advantage and value creation. These are the reasons why PT has, in the scope of the Strategic Human Resources Management, invested continuously in initiatives that seek continuous talent renewal and optimisation.

Recruitment Programs

Skills, together with a high degree of employee commitment and motivation, constitute key factors for the success of an organisation.

Therefore, the PT Group has been investing in initiatives for the creation of value and of an effective competitive advantage, in a planned and sustained way.

The recruitment programs are designed and implemented based on the knowledge of the existing skills and on the prospective analysis of the needs, aligned with the business development strategy.

Internal recruitment

Supported on the internal mobility of the employees, the internal recruitment process allows the acquisition of new skills and knowledge diversification, thus responding to the needs of the organisation and of personal and professional development of its employees.

External recruitment

External recruitment has assumed an important role in continued skill renewal through the direct recruitment of candidates in relevant colleges or through other kind of actions oriented to the mutual knowledge between recent graduates and the labour market.

The existence of a close relationship between PT and some top academic institutions, through protocols or partnerships also constitutes not only an interesting source for recruitment but simultaneously for the strengthening of the connection between the academic and the business milieu, notably through training stages and support for academic works.

Trainees and PT Academy Programs

The programs for intership are recognised as strategic in terms of human asset management. Therefore, the Trainees and the PT Academy programs have been developed for differentiated populations and for specific business needs, constitute important sources for recruitment and have been a catalyst of the rejuvenation of graduates and technicians.

Trainees Program

- > Implemented transversally across the PT subsidiaries, it aims at the professional integration of a number of young graduates based on a 1 year-long internship.
- > This program is the main external recruitment source, allowing the gain of the skills either in the management or in the technological areas, thus fulfilling a need of permanent evolution and innovation.
- > 2008 saw the inclusion of 369 trainees, having been selected 152 young graduates, 65% in management and 35% with technological education, currently placed at 6 different PT subsidiaries.

PT Academy

- > This program enables to ensure the rejuvenation of technicians, especially in the operational areas of the wireline business.
- > 2008 saw the integration of 217 trainees from technological specialisation courses. These constitute post-secondary education but not at University level that enable to increase the level of specific and technological knowledge, as well as the development of personal and professional skills more suited to the qualified professional practice.

Program Structure

In both programs, aiming to ensure an assisted welcome and integration, a 'training toolkit' has been developed, pursuant to the specific needs of this universe that initiates its professional activity in the telecommunications sector.

This training package comprises varied training actions, from team spirit and creation of internal network to the acquisition of specific knowledge of the sector, development of skills such as customer-orientation, among other practical tools enabling the support for the start of the professional activity of these young people.

The potential identified during the recruitment and selection process will be validated later on, during the internship through a permanent follow-up and a specific performance evaluation process based on an objective, rigorous and transparent methodology, allowing the quantitative identification of the trainees who stand out for their level of commitment and for their potential for development.

JEP Program

This program for high-potential youngsters aims to develop management and leadership skills, as well as other soft skills, deemed more and more essential for a successful integration in the organisations and for performances of excellence.

By means of various methodological approaches, namely workshop sessions, discussion of case studies and sessions with top professionals, the conditions are met for an active exchange of experiences and knowledge and the development of personal and social skills.

The participants and the lectured program are continuously followed up and monitored and the analysis of the results is used for the introduction of improvements.

In 2008, after a rigorous selection process, this initiative had 29 participants from 9 PT subsidiaries.

Mobility

The dimension and variety of the PT Group constitute an excellent opportunity to base a natural process in terms of evolution creation of value for its employees and for PT through the functional and geographic mobility of its employees.

Mobility, due to the benefits for the personal and professional development of employees and the improvements brought to the organisation, has been a relevant tool in human asset strategic management, as part of a path of excellence in terms of training and evolution.

At PT, the selective mobility of the employees has been encouraged as it contributes to the respective professional development, showing clear advantages in terms of skills acquisition, knowledge transfer, creation of synergies and dissemination of best practices.

In 2008, the structured programs for national and international mobility were subject to a process of reassessment and adaptation to business positioning and strategy. It is expected that the conclusion of this process will take place in 2009.

Internship stage programs for vocational courses

In the scope of the Educational Technological Plan, aiming at the valuation of vocational education, there was an agreement established with the Ministry of Education to create a pool of internship for final-year students in the Information and Communication Technology area.

New Opportunities Program

With the aim of raising the qualification levels of its employees, Portugal Telecom set up in 2005 a cooperation protocol with the Ministries of Education, Labour and Social Solidarity and an agreement with the Institute for Employment and vocational Training for the creation of a New Opportunities Centre in Lisbon.

As the result of the work developed in previous years, the investment in the qualification improvement of the employees has led to a growing number of candidates involved, in terms of 9th grade or of 12th grade, reaching 905 people involved.

Digital Inclusion of employees and their families

Crescer (Grow up) Program

- > Just like in previous years, PT continued to support the development of individual skills and to recognise the merit of the employees' children, promoting a spirit of academic excellence.
- > In 2008, 400 scholarships were awarded, 14 prizes of excellence and 27 honourable mentions.

Junior in England

- > With the aim of supporting the employees' children, fostering discovery and the growth of their individual and collective capacities, PT sponsored 2 Summer courses in England for employees' children aged between 11 and 17.
- > 75 youngsters took part in this initiative.

Promotion of the well-being of the employees and their families

"PT It's Us in Action"

To strengthen the team spirit, to bring the employees closer together and to contribute to a positive climate were the goals of a program that totalled 18 initiatives in 2008 and 5,507 participants (employees and invitees).

The 2008 program included initiatives based on the following themes:

- > "é Boa Forma" – Good Shape
- > "é Descobrir" – Discovery
- > "é Expressão" – Expression

The 18 initiatives were developed from May to December, respectively, in the scope of Health, Fitness and Culture:

- > Tobacco screening
- > Action "Sun for All " (Skin screening and offer of sun screen)
- > Theatre for Children and "One day at Verdizela" (Children of employees and from Private Social Solidarity Institutions)
- > Walks in the Nature
- > Visits to the 3 Major Football Stadiums
- > Visits to the Satellite Broadcasting Centres
- > Mix Radical event
- > Night of the Researchers (participation in favor of the Portuguese Leukemia Association)
- > Open Day " Gulbenkian Institute of Science"
- > Visit to Manoel de Oliveira Exhibition at Serralves
- > Tai-Chi
- > Visit to Vieira da Silva Exhibition and Theatre "Vieira da Silva par elle même"
- > World Food Day
- > "Solidary Christmas" (children of employees and from Private Social Solidarity Institutions)

Bebé PT

To celebrate the birth of employees' children, reviving an old PT tradition, there was a symbolic delivery of baby kits at the employee's home. This action covered a total of 99 babies.

Support for Associations

In 2008, PT supported financially, through a donation, under the statute of fiscal benefits for enterprise associative organisations, the following associations: PT club, association of PT's active and retired employees, and PT's social support association.

PT Social Spaces

Multi-functional locations: meals (canteen), organisation of events, exhibitions and social interaction.

- > PT Meal Spaces: Andrade Corvo (Lisbon) Space, Tenente Valadim (Porto) Space, Carmo (Faro) Space, Mariano de Carvalho (Setúbal) Space and Maximinos (Braga) Space.
- > Exhibition Spaces Andrade Corvo (Lisbon) and Tenente Valadim (Porto).
- > In 2008 the Snack Space in Évora was inaugurated.

Protocols

There were also initiatives conducive to the establishment and management of partnerships with recognised entities in the respective activities, so as to gain preferential commercial advantages for the employees and their immediate family.

Occupational Safety, Hygiene and Health

In 2008, PT subscribed to the code of conduct, companies and HIV promoted by the national coordination for the HIV infection of the High Commissioner of Health

PT ACS is a not-for-profit association, legally equivalent to subscribed Private Institution of Social Solidarity, based on one of the PT Group's reference values, Social Responsibility.

Its fundamental mission is to contribute to Health Promotion and Protection and for Quality of Life improvement. In this context, PT ACS has the responsibility of ensuring the voluntary access of the generality of the workers of the Group and, in certain circumstances, of their children and spouses, to a vast network of healthcare providers, promoting integrated, continuous, effective and efficient care.

Health as a right, as part of PT's Social Responsibility, confers to PT ACS the obligation of acting as an entity that, through healthcare management and promotion to PT's employees – keeping and improving, whenever possible, the global quality of the services delivered - contributes to raising their satisfaction levels, promotes a climate of well-being, thus being an instrument of Human Assets attraction and retention in the Portugal Telecom Group.

PT ACS has equally promoted, throughout its 13 years of existence, active programs and policies in terms of Prevention and Quality, whose main goal is to promote healthcare measures for its beneficiaries in three essential dimensions: Education for Health, Prevention of Illness and Health Protection.

As an example, there is an annual breast cancer screening campaign, implemented since 1999, for beneficiaries aged between 45 and 64 years old and whose aim is the early diagnosis of these cancer cases, as the detection of tumours at an initial stage, not palpable yet, is of the utmost importance. With the Breast Cancer Screening Program, PT ACS introduced a practice of Preventive Medicine, as an enhancement factor in the medical care offered.

In 2007, the SOS Healthy Life was implemented, concerning the most frequent risk factors that may affect the company's employees, promoting the adoption of healthy habits. This Program has the workplace as starting point, which is a important point of intervention, because of the amount of time that people spend there, or the possibility to intervene on factors that directly or indirectly contribute to the physical, psychological and social well-being of each individual

Assuming that health promotion contributes to the enrichment and the consolidation of enterprise culture, the development of the SOS Healthy Life Program is translated into the achievement of significant added value for the companies, namely:

- > Promotion of health and well-being
- > Reduction of absenteeism
- > Productivity increase
- > Strengthening of the employees' feeling of belonging to the organisation
- > Reduction of Labour accidents
- > Improvement of company image

PT ACS's activity is characterised by these two aspects:

- > Health Plan Management;
- > Delivery of Occupational Safety, Hygiene and Health (OSH&H) Services

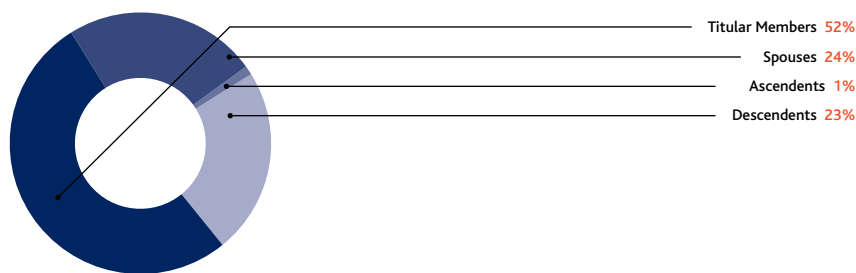
Health Plan Management

In 2008, PT ACS managed the following health plans:

- > PT Comunicações Classic Health Plan;
- > Corporate Health Plan – Type I;
- > Corporate Health Plan – Type II;
- > PT-SI Health Plan
- > CTT Health Plan;
- > Marconi Health Plan;
- > Multicert Health Plan.
- > SIRESP Health Plan
- > Quidgest Health Plan
- > Zon Multimedia Health Plan

At the end of 2008, 104,132 beneficiaries were enrolled, with an age average of 47.1 years and characterised as follows:

Beneficiaries by Type (%)



Evolution of the number of beneficiaries



Health care providers

The clinical body of PT ACS covers the whole country, includes 8,581 providers and has a provider vs. beneficiary ratio of 1 to 12.

Clinical Centres

PT ACS provides its beneficiaries with a network of eight Clinical Centres, located in Braga, Coimbra, Faro, Lisboa, Porto, Castelo Branco, Funchal and Ponta Delgada.

In 2008, there were:

- > 116,161 consultations
- > 35,138 nursing acts
- > 27,142 complementary examinations,

The beneficiary satisfaction index* attained 84.7%.

* The beneficiary satisfaction index is calculated through a non-random selection of beneficiaries. The methodology used to collect data for this indicator is not in accordance with the methodology used at TMN and PT Comunicações, being less robust in terms of statistical methodology and information potential for quality of service improvement.

Delivery of Occupational Safety, Hygiene and Health Services (OSH&H)

The delivery of OSH&H services by PT ACS comprises a universe of 34,692 employees from several companies, from within or without the PT Group, having performed 21,715 health examinations in 2007.

Scope of the OSH&H services

Occupational Health

- > Through health examinations to all the working population in order to satisfy at least the requirements defined in the applicable legislation.

Occupational Safety

- > Through the analysis and treatment of work accidents, programs for the prevention of occupational hazards, internal safety inspections, production of several supports to the activity and training/information actions;

Occupational Hygiene

- > Through audits for the identification of the risks deriving from the exposure to chemical and biological physical agents and the evaluation of the environmental work conditions;

Ergonomics

- > At the level of the conception and evaluation of workplaces, environments and systems, in order to make them compatible with the needs and skills of the employees;

Coordination of OS&H in Construction

- > By producing Occupational Safety and Health Plans or Safety Procedures leaflets in the construction works, as well as carrying out audits of compliance verification.
- > The certification processes in OS&H, which currently constitute an essential reference in the social responsibility and sustainable development policies have contributed, on a large scale, to induce the execution of the OS&H policy, prevention planning, risk evaluation and definition of control measures.

OS&H Activity H*

Occupational Safety, Hygiene and Health	
Health Examinations	
Periodic	17,240
Initial	599
Admission	3,031
Occasional	845
Calls on establishments	99
Work Accidents	
Treatment and Analysis of Work Conditions	1,476
Work Accident Statistics	23
Evaluation of Work Conditions	
Risk Evaluation	656
Recommendations	71
Training	
No. of Actions	42
No. of Modules	51
No. of Hours	164
No. of Participants	314
Other training documents	129
Safety Coordination	
Safety and Health Plans	602
Safety Procedure Sheets	7,705
Reports / Recommendations	279
Environmental Noise	
Environmental Noise Evaluation	3
Others	1

Besides preparing a few Procedures Manuals, PT ACS has devised some support material adequate to the different information strategies on specific risks.

The importance of occupational safety and health process coordination with environment came to strengthen PT ACS's intervention in what concerns its contribution in the measurement of some relevant environmental parameters.

The quality of service survey, based on the analysis of the information collected through non-random samples, demonstrates once again a good degree of customer satisfaction in the various activity domains of the Association, natural consequence of the maintenance and consolidation of the evaluated parameters. This work seeks to evaluate the quality of the services delivered compared to the users' expectations. It intends to consolidate the goal of improving service delivery in an evolutionary way, through the permanent adjustment of the methods and work processes, aiming at operational procedures in order to keep meeting expectations.

In the scope of work accidents prevention, a collection and treatment of data was carried out in order to produce the Work Accident Indicators regarding costs, indices of occurrence, frequency, seriousness, lost workdays, incapacity and evolution, among others.

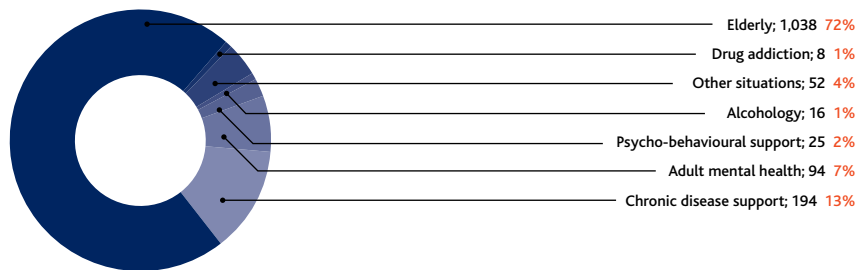
Accordingly, from the preliminary analysis of the occurred accidents we could identify the type of work, the type of accident, the type and place of the injury, the material agent and the material and personal conditions of unreliability.

Psycho-social support and continuous care*

The psychosocial follow up of PT ACS’s beneficiary population seeks the fast and qualified framing of the various situations, in order to overcome the difficulties inherent to the diagnosed pathologies. This goal can be achieved through the development of integrated actions, in a broad partnership, covering the health and social action sectors.

In the scope of these sectors, PT ACS focusses its activity on several intervention areas, namely supporting the aged, people with chronic diseases, addiction illnesses, children’s and teenagers’ mental health and adults’ mental health.

Psycho-social support – Follow up cases (%)



Prevention Programs*

Being aware that many fatal health problems and morbidity are related to life styles, PT ACS has been implementing health promotion strategies directed to its beneficiaries, namely through the Prevention and Quality Area.

From this perspective, and since health is directly related to behaviour, the focus was on trying to identify the most adequate ways to promote the adoption of healthful lifestyles, and changing harmful behaviours, such as substance consumption, sedentarism, unhealthy eating, stress situations, among others.

In the scope of these programs, PT ACS carried out 27 screenings, with 3,225 participants, distributed as follows:

- > Cardiovascular (pulse control, arterial pressure, glycemia and cholesterol): 1,589 participants;
- > Anti-smoking (control of carbon monoxide and spirometrics): 891 people;
- > Obesity (control of weight, abdominal perimeter, body mass and fat mass indices): 745 people;
- > Breast Cancer: 1,545 people, having been detected 4 new cases.

* The data presented by PT-ACS covers the whole activity of this company, so it is not possible to isolate the data for the PT Group. The 2009 report will detail the data just for the PT Group.

Suppliers

The Supplier Selection and Hiring Model has progressed, now including ethical, environmental and labour principles in the relationship between PT and its main business partners.

The value chain of our company is, more and more, part of the success of our activity and therefore, the selection of business partners, their hiring and respective acquisition of goods and services represents a business activity that must be managed with full professionalism and commitment. Along with quality, prices and the stated periods of delivery of the contracted goods and services, PT also considers the total alignment of its suppliers with the principles of its Code of Ethics to be fundamental, namely those related to integrity, transparency, honesty, environmental preservation and respect for human rights. Only in this way, is it possible to enhance the identity and sustainability of the nature of business that we support.

Therefore, in 2003, PT created PT Compras – Serviços de Consultoria e Negociação, which assumed the centralised management of the negotiation and hiring of products and services for all PT subsidiaries at national and international level, optimising cost reduction and value creation for the companies of the PT universe. This specialised company of the PT Group is certified in compliance with ISO 14001 and OSHAS 18001 standards, ensuring through its operations the best conditions in terms of hygiene, health and safety.

The aim of PT Compras is to guarantee a unique purchasing model across all PT subsidiaries, favouring synergies in terms of negotiation, as well as an integrated management of the relationship with the suppliers.

The Sustainable Model of Supplier Selection and Hiring was created as of 2006, which in parallel with quality, stated delivery time and pricing of goods and services, also started to evaluate the capacity of alignment of the suppliers with the principles of its Code of Ethics.

A concern for full integrity and transparency led to the development of an electronic platform, accessible at www.ptcompras.pt website, in order to better structure information access from the various intervenients in the registration, selection, negotiation and hiring processes, ensuring in every phase of the process its confidentiality and security.

The existence of online communication with all suppliers, our business partners, through this new electronic platform contributed to make processes more agile, reduce times, and safeguard principles of rigour and transparency.

In articulation with the implementation of this platform for electronic hiring, the restructuring of the supplier registration process was also restructured in order to make the interaction process with our business suppliers more efficient and effective.

PT also expects a conduct from its Suppliers pursuant to high ethical standards. In order to guarantee the existence of a relationship of reciprocal transparency during the purchase processes, any benefit for the Group should always be presented in the Supplier's proposal, through a better price or service.

Principles and Codes of Conduct of PT

The preservation of the ethical values has always been a concern for the Group. Taking into account the scope and impact of its activity, PT Compras is covered not only by the Group's Code of Ethics but also by rigorous norms of conduct specific of the purchasing function, seeking an absolute transparency and professionalism in the relationship with Suppliers:

Transparency

All the information should be made formally available to the potential Suppliers during a Purchasing Process, guaranteeing the transparency in the access to the information.

Equality of Opportunities

During the negotiation process, equality of opportunities is guaranteed to all Suppliers that meet comparable requirements, allowing the opening of the Group to all Suppliers.

Access to Information

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

Reciprocity and Rigour

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

Loyalty

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

Confidentiality

Both PT and the Suppliers should keep secrecy on all the information exchanged during a Purchasing Process.

Likewise, the following behaviours from the Suppliers in their relationship with PT Group are unacceptable:

- > Use of less competitive prices in direct adjustments or situations of sole Supplier;
- > Use of low prices during the negotiations, to win the contract, with the intention of increasing them;
- > Request for price increases throughout the duration of the contract;
- > Request for information on other competitors;
- > Use or proposal of ambiguous conditions with the intention of gaining advantage over other competitors;
- > Lying or induction in error, purposefully, during the negotiation process;
- > Commitment above its capacities;
- > Exaggeration in the seriousness of a problem to gain business advantages.

Ethics Committee of PT Compras

In 2007, along with the improvements annually incorporated into the Supplier Selection and Hiring Model, aligned with the evolution of the market needs and requirements, the Ethics Committee of PT Compras was created, composed of representatives from the company and the respective Executive Committee and by the Chairman of PT's Governance Committee, and whose functions are the following:

- > To give employees and management of the company all the clarifications deemed necessary in the scope of the Code of Ethics
- > To assure the counselling of employees who may have doubts of interpretation or application of the Code of Ethics to concrete situations
- > To ensure the resolution of conflicts between Norms of Conduct of the Code of Ethics and the specific functions of each employee
- > To analyse eventual deviations to the fulfilment of the Norms of Conduct defined by the Code of Ethics and to propose the measures that it may judge pertinent.

This Committee met throughout 2008 to assess processes and procedures with eventual relevant impact in the ethical activity of the company. The analysis performed did not find any occurrence relative to deviations in fulfilling PT's Code of Ethics and the Manual of Conduct of PT Compras.

Ethics and social responsibility in the process of supplier capture, registration, selection and hiring

Pursuant to the Sustainable Selection and Hiring Model, PT Compras proceeded to the exhaustive revision of the specific clauses related to social responsibility, environmental protection, waste management, health and safety at work. These clauses are part of market consultation documents, in the reviewed versions of PT's standard minutes and the respective contracts to establish between the PT subsidiaries and their suppliers.

A PT possui normativos que asseguram que ao longo de toda a relação com os fornecedores, existem sempre documentos que regulam a exigência mínima relativa à conduta ética e à responsabilidade social, nomeadamente ao nível de:

I Supplier Capture

- > Our code of ethics signals our a priori position and requirement related to ethics, environmental protection and social responsibility to all suppliers wishing to interact with Portugal telecom.

II Supplier Registration:

- > In order to collect structured information raise the awareness of its suppliers for best practices, PT Compras, included a questionnaire in the supplier registration process, containing detailed questions on the policies followed in terms of quality, environment, social responsibility, and occupational health and safety.

III Consultation

- > In the tender requests we always include the Code of Conduct of Social Responsibility of UNI (Union Network International), signed between PT and UNI. Each supplier contacted must submit, in parallel with its proposal, a document declaring that it respects and complies in the scope of its activity with the fundamental human rights in the community and at the workplace, namely those included in the same Code of Conduct (fundamental rights in the community and at the workplace, regulations and principles applicable in terms of environment, and occupational safety, health and hygiene).

IV Seleção

- > Todos os fornecedores em concurso deverão também apresentar, juntamente com a proposta técnica, um documento que comprova a existência e concordância com as boas práticas ambientais, bem como a respectiva capacidade para o desenvolvimento da actividade objecto da consulta, nos termos da legislação ambiental aplicável e, em especial, do disposto no regime geral da gestão de resíduos e de legislação específica relevante no âmbito da actividade objecto da consulta. O nível de responsabilidade social declarado e o nível de protecção ambiental assegurado constituem, entre outros, critérios de avaliação para eventual adjudicação.

V Contratualização

- VI As minutas contratuais negociadas com os fornecedores especificam o cumprimento, por parte destes, da legislação ambiental aplicável à actividade desenvolvida no âmbito do contrato em causa, bem como as disposições legais e regulamentares relativas a segurança, higiene e saúde no trabalho.

Desta forma, a PT Compras assegura que, ao longo do ciclo de fornecimento de qualquer parceiro de negócio, existem normativos fortes, socialmente aceites e integrados no universo PT, que regulam as nossas exigências mínimas, sociais, ambientais e económicas.

O impacto do modelo de seleção e contratação de fornecedores

A nível interno, ao longo de 2008, a PT aumentou a sua base de fornecedores e assegurou ganhos negociais na ordem dos 31%.

Foi desenvolvida uma aplicação, PT Value, que permite gerir todo o processo de negociação e compra bem como o fluxo de comunicação. Ficaram criadas as condições para assegurar uma visão end-to-end das aquisições do Grupo, desde a identificação da necessidade de compra até à sua entrega e pagamento, com ganhos de eficiência na gestão e controlo do ciclo de despesa na PT.

São também de destacar os desenvolvimentos efectuados ao nível da integração do PT Value com o SAP (Enterprise Resource Planning do Grupo), dos quais se espera um contributo decisivo para o aperfeiçoamento do modelo de gestão de riscos e oportunidades do Grupo, gestão de contratos, monitorização de consumos por fornecedor, permitindo gerar as necessárias evidências, a nível do SOX (Sarbanes-Oxley Act), relativamente a contratos e a preços de adjudicação.

Fornecedores registados



Empresas fornecedoras



O volume total de compras de 2008 (compras nacionais e internacionais) ultrapassou os 4 mil milhões de euros.

A nível nacional, a PT Compras adjudicou, em 2008, 1.014 processos, menos 202 do que em 2007, facto que resulta, em grande medida, das sinergias resultantes da reorganização das empresas do grupo, sendo o valor adjudicado nacional de 983,5 milhões de euros.

The processes that contributed most for the results achieved at national level are related to the suitability of the network infrastructure suitability, with the acquisition of mobile terminal equipment or equipment for meo service; with the purchase of media to implement the Group's communication policy and with structuring projects both internally and externally.

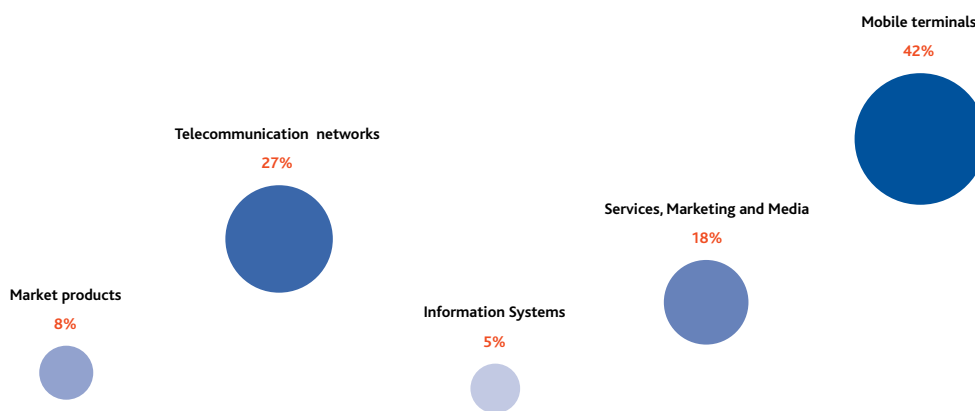
Internationally, PT Compras adjudicated 375 processes in 2008 at an adjudicated value of Euro 3,342 million.

Just like at national level, also in this context, networking and terminal equipment projects determined the results.

Evolution of adjudicated values compared to previous year



The percent distribution of national and international adjudications by negotiation area is as follows



Among customer companies operating in national territory, the global number of adjudicated suppliers represents circa 30% of companies registered as suppliers of the PT Group. Among suppliers, 89% is national and 11% is of foreign origin.

Supplier Verification

In the scope of the Sustainable Model for Supplier Selection and Hiring in 2008, the 40 largest suppliers were subject to a more rigorous analysis through a telephone contact centred on the existence of current certifications (or underway) enabling the verification of their adherence to principles of environmental criteria and human rights.

Segmentation of Suppliers by Volume of Adjudications



Future perspectives

The continuous improvement of the supplier selection and hiring model led PT Compras to the identification of the following challenges:

- > **Electronic Communication:** more intensive use of the supplier electronic communication module, so as to allow a growing agility of Procurement Processes, with significant impacts on paper consumption, energy and gases with greenhouse effect.
- > **Supplier Evaluation System:** This evaluation system includes all processes adjudicated at the 'Procurement Board' with values equal or superior to Euro 100,000.

Based on the pilot initiated in 2007, PT Compras has been systematically applying and testing the model, its effective implementation is expected by the 2nd semester of 2009.

The evaluation obtained allows assessing the weak points and vulnerabilities resulting from the supplier interaction processes, subsequently generating an opportunity for the introduction of improvements in the model of support for this activity.

- > **Development of the Integrated Supplier Management System:** With the objective of strengthening the transparency and equality of opportunities to all the potential suppliers at the time of the launch of a tender request, PT Compras intends to develop its Supplier Management System, in order to incorporate an algorithm of decision based on a set of information, namely that taken from the Sustainability and Quality Questionnaire, the consultation of the market, the technical evaluation of the supplier proposals, the negotiation, the adjudication and the supply evaluation, allowing the classification and selection of the most adequate suppliers considering the diverse characteristics of the products and services to acquire in each consultation of the market.

Regulatory and Supervisory Bodies

PT, besides the rigorous compliance with the legal framework in force, maintains an attitude of dialogue and proactivity with the regulatory bodies, by participating at the meetings to which it is invited, cooperating with duly-grounded opinions and suggestions and complying with the determinations issued.

Areas with impact on our activity:

- > New Generation Networks
- > Digital Terrestrial Television
- > Relevant Broadband Markets
- > Retail offers and tariffs
- > Radioelectric Spectrum
- > Numbering and Portability
- > Wholesaler offer
- > Call Termination and Origination on mobile networks
- > Roaming Regulation
- > Universal Service
- > Telephone Directories and Services in the scope of Universal Service

In Portugal, the electronic communications sector has been completely liberalised since 2000. Therefore, the legal framework applicable to the sector is oriented to a free competition environment, which along 2008 was accrued with a new operator on the Portuguese market.

In 2002, a new regulatory framework applicable to the electronic communications networks and services comprising of a set of European directives that affect the telecommunications sector has been adopted. These directives have been transposed to the national legal system through law 5/2004, of 10th of February (Law of Electronic Communications). It is a regulatory framework that uses the analysis methods associated with the principles of defence of competition, applied to a certain set of relevant markets, in order to determine the entities with dominant position and to adopt a set of ex-ante obligations.

Due to technological evolution and the integrating characteristics of the new generation networks, the European Commission initiated, in 2005, the regulatory framework revision process - designated Revision 2006, seeking to change the current Directives and the Relevant Markets Recommendation. The revision process will last until 2010.

Entities regulating the markets and commercial relations in the electronic communications sector, in Portugal:

- > **National Communications Authority – ANACOM** – whose regulatory function has the following objectives: promotion of competition in the offer of electronic communications networks and services; contribution to the development of the domestic European Union market and, also, the defence of citizens' interests.
- > **Competition Authority** – whose main objective is to ensure the respect for competition rules towards an efficient market, the efficient distribution of resources and consumers' interests.
- > **Regulatory Body for Social Communication – ERC** – whose scope of intervention and regulation is the supervision of all entities pursuing social communication activities in Portugal

PT has corporative organic units whose goal is to interpret the recommendations and determinations of the Regulatory Bodies, as well as stimulate the dialogue among all. The Group has maintained an attitude of dialogue and cooperation with these entities, participating actively in their various initiatives.

The subjects that may have an impact on PT's activity, can be further researched on the sites of the respective entities.

ANACOM – www.icp.pt

Competition Authority – www.autoridadedaconcorrencia.pt

ERC – www.erc.pt

Throughout 2008, the relationship with ANACOM was especially relevant, marked by the existence of:

- > 75 deliberative Processes
- > 600 formal requests

Throughout 2008, there were several lawsuits against several PT subsidiaries classified as probable loss and whose amounts were provisioned pursuant to legal advice, in order to face the probable loss of resources from the Group with these proceedings, and which assumed the following profile:

Euro	2008	2007
Civil liability	34,248,013	45,080,214
Labour-related liability	16,443,937	18,964,920
Other liabilities	3,110,758	5,438,968
Total	53,802,708	69,484,102

In 2008, there were no fines or sanctions of monetary nature regarding lack of compliance with any applicable rules.

Media

PT's activity originated 35,300 news items published throughout the year.

Portugal Telecom is one of the Portuguese companies with greatest impact on the economy and on society nationally. The businesses that surround it, its contribution to the GNP, the number of employees, its customer base, the capacity for innovation that it has demonstrated, the social corporate responsibility that characterises it, the internationalisation strategy pursued and its exposure as a listed company maintain the interest of the media that follow it and regularly publish information about its activity.

In 2008, the most popular issues in the news about PT had to do with the new IPTV commercial offering, characterised by innovative features and packages on the market – and with the DTT tender request (licence later attributed to PT) and the synergies established by PT with the subsidiaries overseas in the areas of innovation, education, portal creation and digital inclusion.

Working Model

Taking into account that the media representatives have revealed throughout time a need for responsible interlocutors available, for information gathering about the Group's activity, PT formed a specialized team for this purpose.

Therefore, the relationship with the media is ensured by a specialised team – Media Relations - at corporate level and representatives of this area in each one of the PT subsidiaries.

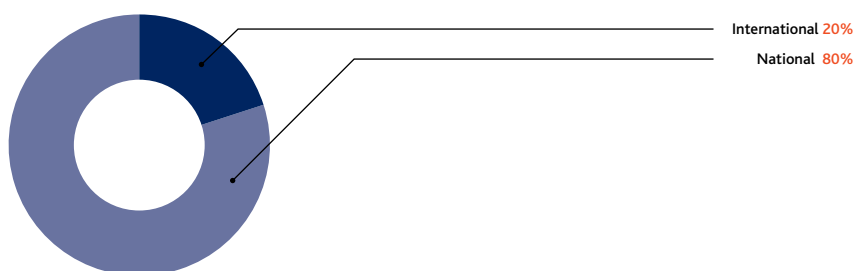
This team's function is to guarantee the coordination between the media and the various structures of the PT Group, so as to ensure a permanent communication channel and accurate information in timely manner.

Quantification of the relationship with the media

Being aware that messages conveyed by the media significantly influence the reputation of any entity, PT keeps a daily relationship of proximity, rigour, transparency and impartiality with the media, be they international, national and regional, ensuring information collection, processing and diffusion on the Group's activities – either proactively, or clarifying the questions raised by the media.

The media universe that PT interacts with most has the following profile:

Written press



Characterisation of the universe PT interacts with



The interaction between PT and the media is done by electronic mail, telephone, press conferences, press releases, face-to-face meetings and through www.telecom.pt website. Throughout 2008, PT organised:

- > **Press conferences** – 45
- > **Press releases on activities** – 137
- > **Press releases for investors** – 76

On PT's website, there is an area dedicated to the media, where all the press releases can be found, as well as the main presentations describing its activity, an image bank and the direct contacts of the media relations team. There is also another specific area geared to investors' relations, where all the press releases of relevant financial information are available. The result of this interaction originated the following news panorama on PT:

Themes of news items published about PT _ Total news items published – 35,300



Financial Community

The financial community that PT has a relationship with incorporates shareholders and investors (major investors and small shareholders), and the analysts from the investment banks and consultancy companies who support them through studies and national or international benchmarks.

The dialogue established with this community is permanent and based on the accuracy and transparency of the information disclosed, be it of strictly economic-financial nature or of a social or environmental nature.

Throughout 2008, PT proceeded with its relationship activities in this domain, by organising several events, namely road-shows, presentations to investors and analysts, meetings and conference calls, having also participated in conferences in Europe and the United States and in several national and international benchmarks.

Relationship with the financial community

Segments

- > **Shareholders and investors**
 - > Reference investors
 - > Small shareholders
- > **Analysts**
 - > Financial
 - > Sustainability

Forms of relationship

- > **General Shareholders Meeting**
- > **Website – www.telecom.pt**
- > **Annual Report**
- > **Sustainability Report**
- > **Surveys**
- > **Road shows**
- > **Teams specialized in dialogue**
- > **Press releases**

The financial community's expectations have undergone a change over the last few years, with an added need for more information contributing to explain PT's financial and operational performance.

Therefore, besides the Annual Report and the quarterly reports, PT has started to disclose information about its direct and indirect impacts on society, publishing information about its economic, environmental and social responsibility performance through the Sustainability Report and the surveys in which it participates.

Globally, in 2008, PT held over 160 meetings with analysts and investors. Additionally, PT promoted on a regular basis, meetings and conference calls at the company's headquarters with investors and analysts.

The quality of our Investor Relations continued to be recognised by the financial community at national and international level.

Principles, duties and norms of behaviour in the relationship with the market

The behaviour pattern assumed in the relationship with the market is aligned with PT Group's principles and values, identified and published in its codes of conduct.

Code of Ethics

The code formalises the principles orienting employees' behaviour. The following aspects should be highlighted:

- > Behaviour following rigorous principles of honesty, integrity, dignity, professional correction and diligence, exemption and equity;
- > Observance of a duty of loyalty to the PT Group company to which one is attached, committing to safeguard its credibility and good image in every situation, safeguarding its prestige. Employees must still act with verticality, exemption and objectivity in the analysis of business decisions taken on behalf of their companies;
- > Scrupulous fulfilment of the legal and regulatory rules applicable to the activity of the group, namely those relative to the secrecy of the communications and the information one has access to;
- > Principle of loyalty to PT Group's companies, having employees to commit to safeguard its prestige and the scrupulous fulfilment of the legal and regulatory rules applicable to the activity of the group, namely in what concerns the obligation of secrecy regarding relevant information that has not yet been publicly disclosed and that may influence the stock quotes;
- > Fulfilment of the limits of the responsibilities assigned;
- > Fulfilment of certain rules in the relationship with suppliers, competitors, shareholders and regulatory entities.

The Code of Ethics is available at www.telecom.pt website.

Code of Ethics for Financial Officers

Approved since 2004, the Code of Ethics for Financial Officers came to consolidate the importance of the specific ethical norms applicable to all PT's employees who are, directly or indirectly involved in the elaboration, analysis and disclosing of financial demonstrations, press releases or any other information to disclose to the markets related to any of the entities integrating the PT Group.

This Code strengthens the principles of honesty and responsibility and regulates aspects such as the report of the conflict of interests, capability and professionalism, professional secrecy, the fulfilment of the laws applicable to PT Group and responsibility for the disclosing of information. Its scope was made known to all the relevant employees, by means of annual signature of a declaration of compliance.

This Code is also available at www.telecom.pt website.

Investment banks and analysts who issue opinions about PT

Banif	Teresa Martinho
Banesto	José Brito Correia
BBVA	Ivon Leal
Bernstein	Mark Cardwell
BPI	Ricardo Seara
Caixa BI	João Fidalgo
Cazenove	Mitchell Collett
Cheuvreux	Javier Marin
Citigroup	James Rivett
Credit Suisse	David George
Dresdner	Georgios Ierodiaconou
Espirito Santo	Cristina Fonseca
Exane BNP Paribas	Mathieu Robilliard
Execution	Andrew Hogley
Fidentiis	James Mckenzie
Goldman Sachs	Tim Boddy
HSBC	Steve Scruton
Ibersecurities	Agustin Alberti
ING	Javier Borrachero
Kepler Capital Markets	Nahum Sanchez De. Lamadrid
Natixis Securities	Benoit Maynard
Lisbon Brokers	John dos Santos
Macquarie Capital Securities	Guy R. Peddy
Merrill Lynch	Jesus Romero
Morgan Stanley	Luis Prota
New Street	James Ratzer
Santander Investments	Pablo Eguiron
UBS	Argiro Papadopoulou

Social corporate responsibility analysts who issue opinions about PT

BNP Paribas	Javier Juin
ECPI	
Goldman Sachs	Christian Reinecke
Heidrick & Struggles	Francisco Balsemao
KPMG	Cristina Tomé
INNOVEST STRATEGIC VALUE ADVISORS	Christian Mead
Oekom Research	Kristina Reuter
SIRI	Iliyana Hristova
TRIOS BANK	Íris Leather
TRUCOST	Gregory Elders
VIGEO	Thomas Gerard
EURONATURA	Hugo Costa
EIRIS	Aranzanzu Romero
SAM	Christophe Churet

Main indices including PT

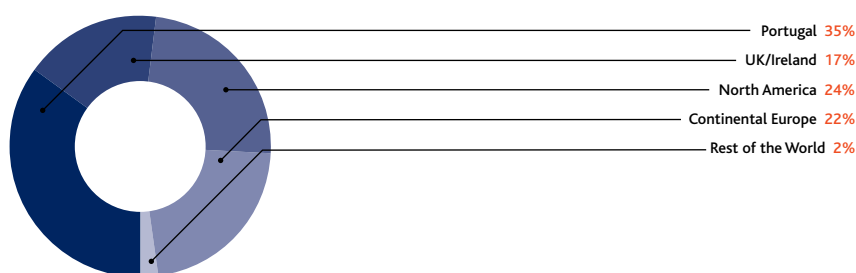
Euronext100
PSI 20
PSI Geral
FTSEurofirst 80
FTSEurofirst 300
FTSEurofirst 300 Telecom
FTSEurofirst 300 Eurozone
FTSEurofirst 300 Euro Telecom
Dow Jones STOXX 600
Dow Jones STOXX 600 Telecom
Dow Jones STOXX Large 200
Dow Jones STOXX Total Market Index (TMI)
Dow Jones STOXX TMI Fixed Line Telecom
Dow Jones STOXX TMI Large
Dow Jones STOXX TMI Telecommunications
Dow Jones STOXX TMI Value
Dow Jones STOXX TMI Value Large
Dow Jones EURO STOXX
Dow Jones EURO STOXX Large
Dow Jones EURO STOXX Telecom
Dow Jones EURO STOXX TMI
Dow Jones EURO STOXX TMI Fixed Line Telecom
Dow Jones EURO STOXX TMI Large
Dow Jones EURO STOXX TMI Telecom
Dow Jones EURO STOXX TMI Value
Dow Jones EURO STOXX TMI Value Large
S&P Global 1200
S&P Global 1200 Telecom
S&P Europe 350
S&P Europe 350 Telecom
S&P Euro 350
S&P Euro 350 Plus
MSCI Pan-Euro
MSCI Euro
WisdomTree International Communications
ECPI - Ethical Index Global
ECPI - Ethical Index Euro – EMU
ECPI - Ethical Index Euro

The dialogue with the financial community has been demonstrating a much more integrated concern in terms of economic-financial performance and of ethical, environmental and social performance.

Shareholder structure

PT has a diversified shareholder base, with approximately two thirds of its share capital being held by foreign shareholders, divided mainly among United States and Europe. The Portuguese market has been increasing its weight in PT's share capital, representing 35% of the total shareholder base, with Continental Europe and the US market representing approximately 22% and 24%, respectively, of PT's outstanding capital.

Shareholder structure



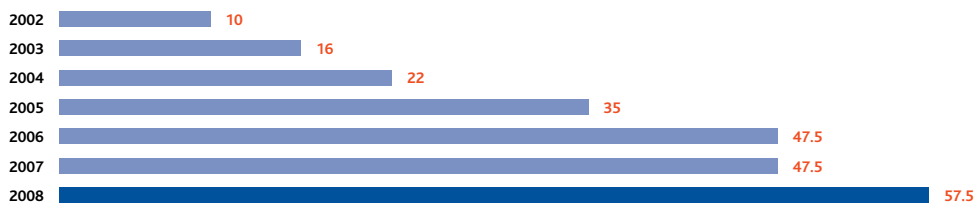
As at the end of 2008, the holdings of qualified shareholders represented more than 50% of PT's share capital, as is evidenced in the following table.

Qualified holdings				
Date of report	Institutions	No. of shares	% of capital	% of voting rights
17-Dec-08	Telefónica	89,651,250	10.00%	10.00%
31-Dec-08	Brandes Investments Partners	84,975,020	9.48%	7.52%
31-Dec-08	Grupo Espírito Santo	83,694,971	9.34%	9.34%
31-Dec-08	Grupo Caixa Geral de Depósitos	65,298,917	7.28%	7.28%
12-Mar-07	Ongoing Strategy Investments ⁽¹⁾	60,404,969	5.35%	5.35%
15-Dec-08	Grupo Barclays ⁽²⁾	23,924,243	2.54%	2.54%
26-Dec-08	BBVA ⁽³⁾	23,089,754	2.58%	2.58%
05-Jun-07	Grupo Visabeira ⁽¹⁾	22,667,473	2.01%	2.01%
04-Apr-08	Controlinvest Comunicações ⁽⁴⁾	20,421,247	2.17%	2.17%
10-Apr-08	Taube Hodson Stonex Partners ⁽⁴⁾	19,401,182	2.06%	2.06%
30-Dec-08	Ontario Teachers' Pension Plan Board	17,938,889	2.00%	2.00%

⁽¹⁾ Reported before share capital reductions occurred on 20 December 2007, 24 March 2008 and 10 December 2008. ⁽²⁾ Information regarding the holding on 5 December 2008, i.e. before the share capital reduction occurred on 10 December 2008. ⁽³⁾ In January 2009, BBVA reduced its holding to 0.76% of PT's share capital and corresponding voting rights. ⁽⁴⁾ Reported before share capital reduction occurred on 10 December 2008.

Shareholder Remuneration

Dividend per share (Euro cents)



(1) Subject to Shareholders' approval at the AGM.



Social Responsibility



The fundamental assumption of Portugal Telecom's social responsibility is respect for the values of the societies where it operates and bases its activity on the commitment to contribute to social balance, notably through support programs for the digital inclusion of the population and the inherent promotion of knowledge, health, and security of people, goods and environment. This conduct is essentially geared towards underprivileged sections of the population and among these, youngsters and senior citizens.

PT's social responsibility policy is disseminated across its subsidiaries, both national and international. Therefore, we will present not only the initiatives in Portugal, through the PT Foundation, but also the initiatives of our subsidiaries overseas, notably in Africa.

Portugal Telecom Foundation

The PT Foundation is the embodiment of the social responsibility commitment assumed by the PT subsidiaries with society.

The Portugal Telecom Foundation, is a private not-for-profit institution, of public utility and whose mission is the implementation of partnerships and programs that contribute to the promotion of education, technological and cultural training and combat against info-exclusion, as well as those promoting innovation and development in the health, culture and sports domains.

In 2008, the initiatives of the PT Foundation amounted to Euro 5.2 million.

Patronage

Support for patronage initiatives and projects – Euro 2.2 million.

Aligned with its goals of support for development, the Foundation stimulated and supported important institutions and organisations, as well as culture and knowledge-oriented initiatives and projects among which the following stand out:

Scholarships

SigMa Temática

Project promoted by the Department of Pure Mathematics of the Sciences Faculty of the University of Porto, consists of a program of excellence for the best students of Mathematics in the 11th school year. This program is sponsored by the Portugal Telecom Foundation and Gulbenkian Foundation and seeks to contribute to the intellectual training and mathematical aptitudes of the students involved, from which 4 receive scholarships from those Foundations. 20 students coming from educational establishments from 12 different localities have been included, all of them with an average equal or superior to 19/20 in the tenth school year.

Other scholarships and support for cultural projects

- > ACL (American Club of Lisbon)/ PT Foundation Scholarship;
- > City of Lisbon Foundation Scholarships – (2);
- > Constitution of a Scholarship Fund to attend the Lisbon MBA, management post-graduation program launched by the 'Universidade Nova de Lisboa' and 'Universidade Católica Portuguesa' in partnership with the MIT;
- > Institute of Economic, Financial and Fiscal Law of the Lisbon Faculty of Law – Support for international conference with subject: "Portugal, the European Union and USA – New Economic Perspectives in a Context of Globalisation";
- > League of Friends of the Military Historic Archive –support for the publication "Military Transmissions – From the Peninsular War to the 25th April";
- > Institute of Legal-Political Science of the Faculty of Law of Lisbon – support for the post-graduation course in Telecommunications Law;
- > Orient Institute – support for international conference "China in the Developing World: South and Southeast Asia, Africa and Latin America";
- > Mário Soares Foundation – support for the initiatives of this Foundation;
- > National Culture Centre – support for e-culture channel of this institution;
- > Espírito Santo Culture – Support for the meeting promoted by this institution with the theme: "1808-2008 and the Future of Economic Relations Portugal – Brazil";
- > Musical Association / Metropolitan Orchestra of Lisbon – support for the concert season of this institution.

Portuguese Communications Foundation

This Foundation, the institutor of which is Portugal Telecom, seeks to promote the study, the maintenance and the diffusion of the historical, scientific and technological heritage in the domain of communications, making use of a museum dedicated to communications, its evolution and promoting meetings.

Social Support

Support for organisations and institutions amounted to Euro 1 million.

2008 saw the donation of goods, services or financial incentives to various organisations and institutions, topping Euro 1 million in important areas such as:

Within the scope of healthcare

- > IPO Porto – renovation and extension of the Oncology-Haematology service
- > League of Friends of S. João Hospital– support for this association
- > Institute of Molecular Medicine– support for the acquisition of a multi-photon microscope
- > Portuguese Foundation Community against AIDS
- > Portuguese Association of the Asperger Syndrome
- > Rehabilitation Medicine Centre of Alcoitão
- > Alfredo da Costa Maternity Hospital (BabyCare Project)

Within the scope of environmental protection

- > ECO Project – Foundation PT has equipped the 40 aeronautical Centres of the country managed by the National Civil Protection Authority with computing equipment and internet access, contributing to an efficient management of the necessary information to fight forest fires.

Within the scope of childhood and youth support

- > New Future (youngsters at risk)
- > Aboim Ascensão Refuge – Shelter Home for children at risk
- > Ajuda de Berço –Shelter Home for children at risk
- > Association for Newborn Support
- > APPDA Madeira – Portuguese Association for Development Disturbances and Autism;
- > New Future Association
- > Acreditar
- > T Space – Association for the support for social and community integration through artistic activities
- > Imaculada Conceição Deaf-Mute Institute
- > UTAAC (Cerebral Palsy Centre)
- > Children's Villages of Cape Verde

Within the scope of social solidarity and human rights organisations

- > Cais
- > Entrajuda
- > Portuguese Association for Victim Support;
- > 'Dar a Mão' Association;
- > Raríssimas;
- > ACNUR – High Commissariat of the United Nations for Refugees;
- > Life and Peace Community;
- > Doctors of the World;
- > OIKOS;
- > New Future of Sao Tome and Principe Association
- > Pró Dignitate
- > Évora Seminar
- > Portuguese Firemen League
- > Support for National Combatants Meeting
- > Portal of Disabled Citizens – support for the building and hosting of this portal
- > Integra Platform – support for the building and co-management of this portal for the disabled artists from AFID – National Association of Families for the Integration of Disabled People.

Within the scope of fight against drug-addiction

- > Portuguese Drug Addiction Institute;

Within the scope of promotion and dissemination of social support practices and projects, and incentive for debate:

- > Social Responsibility Forum of RSE;
- > Happy Hours, seminars in the scope of e-Change (Program supported by Equal) that took place at the Andrade Corvo Space;
- > Mask Exhibition of Cedema that took place at Forum Telecom in Lisbon;
- > Renascer Association Congress;
- > Constitution of the Portuguese League of Mental Hygiene;
- > Organisation of the General Meeting of Special PT Projects at Forum Telecom, with the presence of all entities and institutions involved in projects of the responsibility of the PT Foundation, in parallel with training actions with a 7 hour duration, on GRID2 and Digital Stories.
- > ADFA Institution
- > S. Nicolau Parish Centre

Group History and Heritage Group History and Heritage

This program amounted to Euro 200,000.

The “History and Heritage of the Portugal Telecom Group” program consists essentially of the inventory, study and preservation of the historical, technological and documentary heritage of the PT Group and its diffusion, as well as the elaboration and publication of the “History of Telecommunications in Portugal – from the General Directorate of Telegraphs of the Realm to Portugal Telecom”, as an essential contribution to the history of communications in Portugal.

Vilar Museum

In 2008, the Vilar Museum continued its activity, a space that follows a museum inaugurated in 1983 by TLP, in a building meant to house, in 1974, the telephone switchboard of Vilar, which was operated manually.

This place is a historical testimony to what manual switchboard were (assisted by telephone operators) and how they operated, dated from the first half of the 20th century and still in operation.

This space has several models of old telephones on show, enabling visitors to follow the evolution of communications, since its introduction in Portugal until the 1950s.

The Museum receives visitors by appointment on Tuesdays and Thursdays. In 2008, it was visited by 574 people, mostly students, from various levels of education and from various associations as well.

Art and Culture

The Portugal Telecom Foundation possesses a Contemporary Art Collection with around 160 pieces, including paintings, sculptures, drawings, photographs, installations and videos. The formation of the collection obeyed choice criteria related to the aesthetic and historical quality of the works, besides the curricula of the artists, so as to provide a broad and continued vision of Portuguese contemporary art.

In 2008, there were contacts with several municipalities so as to reach agreements for the exhibition of these works, thus making this collection known and enjoyed by as many people as possible. As of the date of this report, PT had set up agreements with two municipalities.

Volunteer Work

The volunteer work programs amounted to Euro 520,000.

Aurora (Dawn) Program

The Aurora Program, coordinated by the PT Foundation, is a bank of hours of voluntary work of PT employees, who are given the opportunity of donating 5 days per annum during normal working time in social development projects, without affecting their remuneration or attendance.

89 PT employees participated in the 11 initiatives developed in 2008, totalling 592 working hours and benefiting 13 institutions.

Partilhar (Sharing) Program

A long-term company voluntary work project, born out of a protocol with Santa Casa da Misericórdia de Lisboa, according to which computing equipment and respective training actions are made available to 39 youngsters and senior citizens supported by that institution. There were 2 participants who used 24 working hours.

Mão-na-Mão (Hand in Hand) Project

Promoted by PT, this company volunteer work movement was a pioneer in Portugal as it involved the contribution of several Portuguese companies.

This project focusses on private social solidarity institutions, as well as hospitals and schools, which operate in the domain of info-excluded citizens.

In 2008, there were 6 initiatives, with 74 volunteers, totalling 410 working hours and 11 institutions benefited.

Social responsibility in international subsidiaries

PT's international subsidiaries stimulated social intervention programs, so as to contribute to the sustainability of the respective communities. A few of these programs result from partnerships and synergies between these subsidiaries and PT at national level.

Despite the subsidiaries not being part of the annual sustainability report, we considered that in our report, it was important to share both common and differentiating practices within the range of companies with which we maintain a relationship. It is Portugal Telecom's goal to be influenced by good practices and thus contribute to sustainable development.

Cape Verde – CV Telecom

Digital inclusion

Aware of the importance of the massification of the new information and communication technologies in a country with the characteristics of Cape Verde, CV Telecom has sought to bridge, through concrete measures, the digital divide still existing in the archipelago. This is the reason why a growing number of Schools, Associations and Professional Associations have benefited from preferential conditions in terms of internet access. Additionally, the company has contributed to the creation of multimedia centres with special emphasis on less favoured rural areas.

Considering the partnerships established, there are 42 institutions, among which we highlight:

- > Association of support for Disabled Children – (AADICD)
- > Association of Support for Convicts and Children of the Streets– (AAPR)
- > Association of Cape Verdean Journalists (AJOC)
- > Association of Promotion of Mental Health – (APONTE)
- > Association of Cape Verdean Magistrates
- > SOS Children's Village
- > Basic, Secondary schools, university colleges and social centres
- > Cape Verdean Lawyers/Architects/Doctors/Engineers Association

Computers assigned and internet accesses:

15 institutions received support, covering a great deal of beneficiaries

Healthcare

Screening programs

The most important are:

- > Baptista de Sousa Hospital – offer of 6 electrocardiographs (device for cardiac rhythm control) and 6 secretion vacuum extractors (device to remove secretions and other liquids from the thorax cavity)

Beneficiaries: Population of Sao Vicente and periphery islands (around 100,000 people).

- > Association of diabetics of Praia

Beneficiaries: Diabetics without resources from the city of Praia

- > APONTE Association

Beneficiaries: Mentally disabled people

Prevention campaigns:

- > Association of Visual Disabled (Sao Vicente)
- > Association of the Disabled of Sao Miguel –

Art and culture

CVTelecom has been, over the years, an important partner in the development and affirmation of Cape Verdean culture. This is mirrored in its policy of sponsorship projects aiming to divulge, promote and preserve national culture: edition of literary works, music festivals, music recordings and event organisation.

In 2008, the following sponsorships to cultural activities on every island stand out:

- > Support for Carnival groups – 28 institutions, essentially compulsory education schools and kindergartens
- > Municipal festivities – 19
- > Music/Book events – 21
- > Entertainment /Associations – 11

Apoio Social

CV Telecom has supported several social and educational institutions, namely schools and community centres. Supports have translated themselves into an offer of materials and furniture to benefit the spaces aiming at a better quality and well-being of the benefited population.

Supported institutions– Kindergartens/Compulsory education schools/Community Associations representing hundreds of benefited people

Sponsorship

In the framework of the Sponsorship Law, there are a few protocols in the areas of sports and culture.

Supported Institutions (most significant):

- > Cape Verde Basketball Federation
- > Entertainment and Sports Association Prédio
- > Music Group Ferro e Gaita

Benefits achieved by institutions through our support – Development of activity plans and participation in international competitions such as the case of the Cape Verde Basketball Federation that narrowly missed the classification for the Olympic Games in Peking, during the pre-Olympic tournament in Athens.

Morocco – Meditel

Digital Inclusion

One of Meditel's main concerns is to promote digital inclusion and literacy.

The company financed computing equipment for a classroom of a periphery neighbourhood (Hay Mohamadi) in Casablanca – as part of Intilaka project, promoted by the General Enterprise Confederation of Morocco.

Healthcare

In the area of healthcare, the company focused its support on the following areas:

- > Oncology – donation of specific equipment for CHU Ibn Rochd Hospital
- > AIDS – support for ALCS – Association for AIDS Combat

Art and culture

Meditel globally supports cultural events in several localities of the country, such as:

- > International Video Art Festival (organised by the Faculty of Letters and Human Science of Mohammedia)
- > Music Festival of Chefchouen
- > World Sacred Music Festival
- > Spring Festival of Azemmour
- > Haifa Wehbe Concert
- > Music Festival of Rabat
- > World Gnaoua Festival

Social Support

The company has supported associations for protection of people with special needs, notably:

- > L'Amicale Marocaine des Handicapés
- > Association Cercle Diplomatiques

Sport

In the area of sport, Meditel focused its involvement on the following activities:

- > Support for football tournaments of the Hassan II University.
- > Selection of Meditel's sports ambassadors – several sports disciplines

Namibia – MTC

Literacy

In the area of literacy, MTC supported the following initiatives:

- > Scholarships – MTC assumed the commitment of supporting high-potential students, but who could not afford to continue their studies. Therefore in 2008, MTC awarded 11 scholarships for students in different areas. This training will be useful in the future not only for MTC, but also for Namibia at large.
- > Support for underprivileged children in terms of studies on Information and Communication Technologies of the University of Namibia and the Polytechnic of Namibia.

Healthcare

Healthcare promotion for company employees and for the Namibian population at large is one of the major areas of social intervention of MTC.

At internal MTC level, healthcare programs are related to:

- > Specific training about HIV prevention
- > Cholesterol, diabetes and arterial pressure control
- > Voluntary donation of blood for several healthcare units

At external level, healthcare programs are related to support for institutions for prevention, support and combat against Cancer and AIDS, notably

- > Hope Namibia
- > Phillip Namibia
- > Cancer Association of Namibia
- > Namibian Red Cross

Safety

Road safety is another area of intervention of MTC that has supported actions and developed projects to mitigate the large quantity of traffic accidents and related deaths.

For such purpose, MTC supports training programs on traffic safety and citizenship and provides a mobile traffic information system (NaTIS) enabling the identification of stolen and/or illegal vehicles and of drivers without a driver's licence.

MTC set up an agreement in this domain with Xupifa Eemwenyo (save lives) Campaign of the Motor Vehicle Accident Fund.

Sport

MTC is one of the major sports supporters in the country: football, rugby, cricket and golf

The supported entities are:

- > First Football League of Namibia
- > Namibia Rugby Association
- > Namibia Cricket Association
- > Amateur Golf Association
- > Professional Golf Association

Kenya – Postel – Kenya Telephone Directories

Environment

Environmental preservation was the target of this company, which is responsible for the telephone directories in Kenya. Collecting old directories, recycling the respective paper and planting trees to compensate for the consumed paper has been the focus of its responsible activity for society.

Sao Tome and Principe (STP) – CST

Digital inclusion

- > In its quality as telecommunications operator, CST defined as one of its missions to bring people closer together through information. In today's world, one cannot speak about information without internet. In this way, this company in partnership with other social actors, promoted the internet in the remotest districts. Internet access points were created in the Cantagalo district on the island of Principe and through the Net-Escola project, in several compulsory education and secondary schools. More schools will be connected throughout this year.
- > Also within the scope of Digital Inclusion is the major sponsorship of several digital newspapers, such as "Tela Non", "O Parvo" and "Correio da Semana that receive support in terms of hosting and monetary help.

Healthcare

- > It is worth highlighting the launch of the PNLs website – AIDS Combat Program – that has received full support for its conception and hosting.

Art and culture

CST sponsored various groups and cultural activities in the scope of music, dance, fine arts and programs in the associated mass media.

It is worth mentioning a big event that marked the cultural activity of the country in 2008 and that brought many prominent figures to this country, the Biennial of Art and Culture. The supported actions were as follows:

Culture Groups

- > Sponsorship for Carnival 2008
- > Crazy Girls
- > Biennial of Art and Culture 2008
- > TVS CLIP
- > Top Jovem

Social Support

Several organisations have been supported aiming:

- > To help the injured
- > To ensure trade union activity
- > To support underprivileged social classes
- > To stimulate not-for-profit associations

We detail the supported organisations in the following table:

Institutions

- > SINCOTEL
- > Compass Group
- > IDF Student Association
- > Group of Support for the Therese wreck
- > Solidary Youngsters
- > Child's Antenna

Sports

Sport is also a priority area for CST. Therefore, the company has its own Football_5 team that participates in the respective National championship, having achieved good results, always occupying a prominent position in the ranking.

It is worth mentioning that each year, on occasion of its anniversary, sport occupies a prominent position, notably Football, Athletics, and Cycling. Other disciplines sponsored by CST are:

- > Volleyball
- > Tennis
- > Handball
- > Basketball

Brazil – VIVO

Vivo supports a number of social responsibility actions, described in the respective sustainability report, accessed via www.vivo.com.br website.

Participation in national and international organizations

International Associations Connected to the Information Society	Mission
ETNO – European Telecommunication Network Operator's Association	To establish a constructive dialogue between the associated companies and other economic agents involved in the development of the information society. It also aims to contribute to the development of policies that may lead to an efficient regulating environment for the European telecommunications market, promoting the development and implementation of the information society.
ETSI – European Telecommunications Standards Institute	A not-for-profit and independent organisation, whose mission is to produce telecommunications standards. It is officially responsible for the development of a set of norms and technical documentation, which constitute a European contribution contribution for ICT's world norms. It is officially recognised by the European Commission and by the EFTA's secretariat.
EUROTEAM – Telefonica Euroteam	Promotion of international cooperation in terms of training in management, with special focus on telecommunications
EUSIDIC – The European Association of Information Services	Forum for knowledge research, debate and exchange among information industry professionals
FORINO – Associação para a Escola de Novas Tecnologias	Training in the areas of: Telecommunications and Networks, Industrial Organisation, Energy and Automation, Electricity/ Electronics, and Administration and Management
ICANN – Internet Corporation for Assigned Names and Numbers	World body responsible for establishing the rules of internet use. With international remit, it is a not-for-profit entity responsible for the distribution of the "Internet Protocol" (IP) numbers, naming protocol identification, control of the system that names first level domains with generic codes (gTLD) and countries (ccTLD). Since it is a mixed capital society, the ICANN is dedicated to the maintenance of internet's operating stability, the promotion of competition, having a wide representation from the global communities congregated on the internet.
IEP – Instituto Electrotécnico Português	Organism that acts in the areas of standardisation, quality control, certification, metrology, scientific and technological development and investigation.
IT – Instituto de Telecomunicações	To create and disseminate scientific knowledge in the area of telecommunications, which implies the development of fundamental and applied investigation activities applied to an international context, in order to raise the level in teaching and training, graduate and post-graduate, and to increase the competitiveness of Portuguese industry and telecommunications' operators.
Telemanagement Fórum	Identification, development and implementation of practical solutions oriented to the automation and coherence of the operational operational activities of the telecommunications operators, in particular in the area of network management and telecommunications services.
UIT – União Internacional das Telecomunicações	Independent and international organisation that promotes joint work between governments and the private sector for the exploitation of of networks and telecommunications' sectors, and the development of communication technologies. The ITU's objectives are: maintain and expand international cooperation between member-states and improve the rational use of all telecommunications' classes; promote technical support for the developing countries in the telecommunications area and encourage the development of technical means, in order to increase telecommunications services' profitability and promote the extension of telecommunications benefits to all the inhabitants on the planet.
WWRF – Wireless World Research Forum	To contribute to the development of an integrated vision of a wireless world, concentrate efforts on the definition of investigation relevant for the future of wireless mobile communications.
Portuguese Associations Connected to the Information Society	Mission
Associação Aveiro Digital	To promote the creation of a digital community, congregating all the agents, aiming at sustained development in social, economic and cultural axes, and contributing to the improvement of the citizen's quality of life and well being.
ADSI – Associação Distrital para a Sociedade de Informação (Guarda Digital)	Promotion and demonstration of the benefits of new technologies in the companies and institutions in the region; promotion and support support to the launching of projects regarding information society.
ADT – Associação Portuguesa Desenvolvimento da Telemedicina	To promote ICT and communications' perspectives and demonstrate the problems and techniques regarding telemedicine and telematics applied to health.
AFCEA PORTUGAL - Associação para as Comunicações e Electrónica nas Forças Armadas	Ensures connections to NATO's headquarters, as well as the respective commands and agencies; ensures the connections to telecommunication community's organisations.
AICEP – Associação dos Operadores de Correios e Telecomunicações dos Países de Língua Oficial Portuguesa	To promote close relations between associates, in order to contribute to the harmonisation, development and modernisation modernisation of communications regarding the respective organisations.
ANETIE – Associação Nacional das Empresas das Tecnologias de Informação e Electrónica	To defend the interests of the corporate sector of information and electronic technologies and promote its sustained growth.
APCT-P – Associação para Parque de Ciência e Tecnologia do Porto	Promotion, installation and development of a park for science and technology in the Oporto region, that contributes to scientific investigation and development of the country, with special focus on the area it is part of.

Portuguese Associations Connected to the Information Society	Mission
APDC – Associação Portuguesa para o Desenvolvimento das Comunicações	To promote and contribute to the promotion of the reality and perspectives of the communications' sector, for study, debate and dissemination dissemination of problems and techniques regarding communication and other such sciences and techniques, for the professional a scientific perfecting of the associates, , social gathering and exchange of experiences between the associates and, finally, establish the exchange exchange of activities and services with similar associations.
APDSI – Associação para a Promoção e Desenvolvimento da Sociedade da Informação	Promotion and development of knowledge and information society in Portugal
APDT – Associação Portuguesa para o Desenvolvimento do Tele-trabalho	To promote telework in a balanced and socially sustainable way, regarding economic growth and job creation.
APCC – Associação Portuguesa das Empresas de Contact Center	Sponsoring association aimed at promoting the sustainable development of the contact centres' market.
APGC – Associação Portuguesa de Gestão do Conhecimento	Study and promotion of knowledge management, contributing to the improvement of organisation's performance the country's competitiveness and people's quality of life.
APIDEA	Association of companies and laboratories participating in the PIDEA Programme and give a "label" to the R&D projects that apply for national or community funds.
APRITEL – Associação dos Operadores de Telecomunicações	To promote the dialogue and exchange of experiences between the several telecommunication' operators and between these and public bodies, namely ANACOM and DGCC; promote the creation of conditions that help to have an efficient connection between operators and a fair competition.
ASSOFT – Associação Portuguesa de Software	Promotion, defence and dissemination of legality, quality and integrity of software in Portugal.
CITMA – Centro de Ciência e Tecnologia da Madeira	Support for activities of technological research and development, at a regional level.
EGIDE – Economia e Gestão, Associação para a Investigação e Desenvolvimento do Ensino Electrotécnica, Electrónica e dos Computadores	Research and development in teaching economy and development.

National Corporate Associations	Mission
AIP – Associação Industrial Portuguesa	Development of Portuguese economic activities and, in particular, of its associates, in the technical, economic, commercial, associative and cultural domains.
AEP – Associação Empresarial de Portugal	Promotion, development and defence of the corporate and associative activities.
APQ – Associação Portuguesa para a Qualidade	Promote and disseminate theoretical knowledge and the experience in quality, making all agents aware of the need for continuous continuous improvement of the Portuguese economy's competitiveness.
BCSD PORTUGAL – Conselho Empresarial para o Desenvolvimento Sustentável	To disseminate the principles that characterise sustainable development; coordinate the cooperation between corporate community, management and civil society, with a view to promoting sustainable development; promote educational and training actions to divulge the principles of sustainable development; participate in or promote other initiatives that contribute for the sustainable development of the Portuguese corporate world.
COTEC PORTUGAL – Associação Empresarial para a Inovação	To stimulate the relationship between any entities that take part in the National Innovation System, determine innovation policies, stimulate and encourage companies to invest in research and development, as well as take all the necessary steps that are legally possible, to achieve this associative objective.
ELO – Associação Portuguesa para o Desenvolvimento Económico e a Cooperação.	To promote and develop economic, social, scientific and cultural exchange between Portugal and developing countries, especially Portuguese-speaking ones.
ICAP – Instituto Civil da Autodisciplina da Publicidade	Defence of its associates' interests; support for legal, economic and financial consultancy; establishment of protocols to obtain special conditions for its associates.

G3 Indicators: List and performance of the Company

Indicator	page
1. Strategy and Analysis	
1.1 Declaration of the person with greater decision power in the organization (ie. General-Director, Chairman of the Board or position of equivalent importance) on the relevance of the sustainability for the organization and its strategy	4, 5, 6, 7
1.2 Description of main impacts, risks and opportunities, related to the activity of the company	4, 5, 6, 7
2. Organizational Profile	
2.1 Name of the reporting organization	1
2.2 Main brands, products and/or services	12
2.3 Operational structure of the organization, including main departments, participated companies in operation and joint ventures	12
2.4 Location of the headquarters of the company	2
2.5 Countries where it is present and name of those with significantly relevant operations for the sustainability issues handled in the report	10, 11, 12
2.6 Type and legal nature of ownership	2
2.7 Markets covered (including a detailed geographic analysis, the sectors covered and the types of beneficiaries/ customers).	1, 10, 11, 12
2.8 Dimension of the organization, including number of employees, net sales (for organizations of the private sector) or net revenue (for organizations of the public sector) and the amount of products provided and services rendered.	12, 16, 100
2.9 Main changes occurred, during the period covered by the report, in terms of dimension, organizational structure or the shareholder structure	1
2.10 Prizes received during the period of the report	22, 23
3. Parameters of the Report	
3.1 Period covered (ie civil/ fiscal year) for the information presented in the report.	1
3.2 Date of the latest published report (if applicable).	1
3.3 Report Publication cycle (annual, biennial, among others)	1
3.4 Person(s) to be contacted for clarifications relative to the report or its content, including electronic address and the Internet site	2
3.5 Process for the definition of the report content, including: the process to determine the relevance, the definition of priority issues in the scope of the report and the identification of the interested people that are potential users of the report	1
3.6 Boundaries of the report (countries or regions, products or services, departments, installations, joint ventures or participated companies, as well as other limitations of specific scope)	1
3.7 Mention of any relative specific limitations to the scope and the boundaries of the report	1
3.8 Base for report elaboration in what concerns joint ventures, participated, partially controlled companies, leasehold installations, subcontracted operations and other situations that can significantly effect the comparability between distinct periods or with reports from other organizations	1
3.9 Data measurement techniques and calculation bases, including underlying hypotheses and techniques to the estimates applied to the compilation of the indicators and other information contained in the report	1
3.10 Explanation of the effect of any reformulations of existing information in previous reports and the reasons for such reformulations (ie fusions/ acquisitions, change of period or year, nature of the business, methods of measurement)	1
3.11 Significant changes, in relation the previous reports, in terms of scope, boundary or applied methods of measurement	1
3.12 Table that identifies the place of the standard-information in the report	148-150

Indicator	page
3.13 Policy and current practice relative to the search of an independent process of reliability assurance for the report. If it is not to be enclosed in the reliability assurance report that follows the sustainability report, explain the scope and the base of any independent verification that has taken place as well as the nature of the existing relationship between the organization and the auditor(s).	
4. Governance, Commitments and Involvement	
4.1 Structure of governance of the organization, including committees subordinated to the hierarchically highest governance body and with responsibility for specific tasks, such as the definition of the strategy or the supervision of the organization	29-44
4.2 Indicate if the Chairman of the hierarchically highest governance body is simultaneously an executive director (and in this case which are its functions in the scope of the management of the organization and the reasons for this composition).	33
4.3 Indicate, in the case of organizations with a unitary administration structure, the number of members of the hierarchically highest governance body who are independent and/or non-executive members	33
4.4 Mechanisms that allow the shareholders and employees to transmit recommendations or orientations to the hierarchically highest governance body	29-30,127-131
4.5 Relationship between the remuneration of the members of the hierarchically highest governance body, top directors and executives (including decision making agreements) and the organization's performance (including social and environmental performance)	41-43
4.6 Processes available to the hierarchically highest governance body to prevent the occurrence of interest conflicts	29-30, 40, 49-53
4.7 Process for the determination of the qualifications and skills demanded to the members of the hierarchically highest governance body to relatively define the strategy of the organization relative to the issues connected to the economic, environmental and social performance	36-37
4.8 The internal development of declaration of principles or mission, codes of conduct and principles considered relevant for the economic, environmental and social performance, as well as the implementation phase	29-30
4.9 Processes of the hierarchically highest governance body, to supervise the form how the organization carries out the identification and the management of the economic, environmental and social performance, the identification and the management of relevant risks and opportunities as well as the adhesion or compliance with the internationally accepted standards, codes of conduct and principles	29-32; 34-40, 48-53
4.10 Processes for the evaluation of the performance of the hierarchically highest governance body, especially in relation to the economic, environmental and social performance	33, 36-37, 40
4.11 Explanation on whether the precaution principle is handled by the organization and how it is done	29-30, 48-53
4.12 Letters, principles or other initiatives developed externally of economic, environmental and social nature that the organization subscribes to or defends	29
4.13 Significant participation in associations (such as industrial associations) and/or national/international defense organizations where the organization: holds positions in the governance bodies; participates in projects and committees; contributes with substantial financings, that exceed the normal obligations of the participants; faces the participation as strategic	146-147
4.14 Relation of the groups that constitute the interested parties involved by the organization	13, 92
4.15 Base for the identification and selection of the interested parties to be involved	92
4.16 Methods used to involve the interested parties including the frequency of the involvement, by type and groups, of the interested parties	93-98, 99-100, 103-112,117-118, 123-131,135-139

Indicator	page
4.17 Main issues and concerns identified through the involvement of the interested parties and the measures adopted by the organization in their treatment, namely through the reports	13, 54-57
Economic	
Economic Performance	
EC1. Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.(Core)	16-23, RC
EC2. Financial implications and other risks and opportunities for the organization's activities due to climate change. (Core)	87-89
EC3. Coverage of the organization's defined benefit plan obligations. (Core)	RC
EC4. Significant financial assistance received from government. (Core)	14
Aspect - Market Presence	
EC5. Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation. (Additional)	15
EC6. Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation. (Core)	117-122
EC7. Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation. (Core)	Not relevant
Aspect - Indirect Economic Impacts	
EC8. Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. (Core)	65-73
EC9. Understanding and describing significant indirect economic impacts, including the extent of impacts. (Additional)	14-15, 65-73
Environmental	
Materials	
EN1. Materials used by weight or volume. (Core)	77-86
EN2. Percentage of materials used that are recycled input materials. (Core)	77-86
Energy	
EN3. Direct energy consumption by primary energy source. (Core)	77-86
EN4. Indirect energy consumption by primary source. (Core)	77-86
EN5. Energy saved due to conservation and efficiency improvements. (Additional)	77-86
EN6. Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives. (Additional)	77-86
EN7. Initiatives to reduce indirect energy consumption and reductions achieved. (Additional)	77-86
Water	
EN8. Total water withdrawal by source. (Core)	77-86
EN9. Water sources significantly affected by withdrawal of water. (Additional)	Not relevant
EN10. Percentage and total volume of water recycled and reused. (Additional)	Not relevant
Biodiversity	
EN11. Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. (Core)	86
EN12. Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. (Core)	77-86
EN13. Habitats protected or restored. (Additional)	Not relevant
EN14. Strategies, current actions, and future plans for managing impacts on biodiversity. (Additional)	77-78, 87-89
EN15. Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. (Additional)	Not relevant
Emissions, Effluents, and Waste	
EN16. Total direct and indirect greenhouse gas emissions by weight. (Core)	77-86
EN17. Other relevant indirect greenhouse gas emissions by weight. (Core)	77-86
EN18. Initiatives to reduce greenhouse gas emissions and reductions achieved. (Additional)	77-86
EN19. Emissions of ozone-depleting substances by weight. (Core)	no reply
EN20. NOx, SOx, and other significant air emissions by type and weight. (Core)	no reply

Indicator	page
EN21. Total water discharge by quality and destination. (Core)	no reply
EN22. Total weight of waste by type and disposal method. (Core)	77-86
EN23. Total number and volume of significant spills. (Core)	Not relevant
EN24. Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. (Additional)	Not relevant
EN25. Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff. (Additional)	Not relevant
Products and Services	
EN26. Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. (Core)	77-86
EN27. Percentage of products sold and their packaging materials that are reclaimed by category. (Core)	77-86
Compliance	
EN28. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. (Core)	77
Transport	
EN29. Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce. (Additional)	77-86
Overall	
EN30. Total environmental protection expenditures and investments by type. (Additional)	no reply
Social Performance: Labor Practices & Decent Work	
Employment	
LA1. Total workforce by employment type, employment contract, and region. (Core)	100-101
LA2. Total number and rate of employee turnover by age group, gender, and region. (Core)	100-101
LA3. Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations. (Additional)	99-100
Labor/Management Relations	
LA4. Percentage of employees covered by collective bargaining agreements. (Core)	100-102
LA5. Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements. (Core)	99-100
Occupational Health and Safety	
LA6. Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs. (Additional)	99
LA7. Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region. (Core)	100-102
LA8. Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. (Core)	109-116
LA9. Health and safety topics covered in formal agreements with trade unions. (Additional)	99-100
Training and Education	
LA10. Average hours of training per year per employee by employee category. (Core)	104-106
LA11. Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. (Additional)	106-109
LA12. Percentage of employees receiving regular performance and career development reviews. (Additional)	no reply
Diversity and Equal Opportunity	
LA13. Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity. (Core)	100-102
LA14. Ratio of basic salary of men to women by employee category. (Core)	99-100
Social Performance: Human Rights	
Investment and Procurement Practices	
HR1. Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening. (Core)	Not relevant

Indicator	page
HR2. Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken. (Core)	120-122
HR3. Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. (Additional)	105-106
Non-Discrimination	
HR4. Total number of incidents of discrimination and actions taken. (Core)	101
Freedom of Association and Collective Bargaining	
HR5. Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights. (Core)	Not relevant
Child Labor	
HR6. Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor. (Core)	Not relevant
Forced and Compulsory Labor	
HR7. Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor. (Core)	Not relevant
Security Practices	
HR8. Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations. (Additional)	Not relevant
Indigenous Rights	
HR9. Total number of incidents of violations involving rights of indigenous people and actions taken. (Additional)	Not relevant
Social Performance: Society	
Community	
SO1. Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting. (Core)	49-53
Corruption	
SO2. Percentage and total number of business units analyzed for risks related to corruption. (Core)	49-53
SO3. Percentage of employees trained in organization's anti-corruption policies and procedures. (Core)	101-102
SO4. Actions taken in response to incidents of corruption. (Core)	30, 101
Public Policy	
SO5. Public policy positions and participation in public policy development and lobbying. (Core)	29-30
SO6. Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country. (Additional)	29-30
Anti-Competitive Behavior	
SO7. Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes. (Additional)	123-124
Compliance	
SO8. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations. (Core)	123-124
Social Performance: Product Responsibility	
Customer Health and Safety	
PR1. Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. (Core)	93-98
PR2. Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes. (Additional)	93-98
Products and Service Labeling	
PR3. Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. (Core)	93-98
PR4. Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes. (Additional)	93-98
PR5. Practices related to customer satisfaction, including results of surveys measuring customer satisfaction. (Additional)	93-98

Indicator	page
Marketing Communications	
PR6. Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. (Core)	93-98
PR7. Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes. (Additional)	93-98
Customer Privacy	
PR8. Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. (Additional)	93-98
Compliance	
PR9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services. (Core).	123-124

ICT Supplement: List and performance of the Company

Internal Operations	
Investment	
IO 1 Capital investment in telecommunication network infrastructure broken down by country/region.	18
IO 2 Net costs for service providers under the Universal Service Obligation when extending service to geographic locations and low-income groups, which are not profitable. Describe relevant legislative and regulatory mechanisms.	No reply
Health and Safety	
IO 3 Practices to ensure health and safety of field personnel involved in the installation, operation and maintenance of masts, base stations, laying cables and other outside plant. Related health and safety issues include working at heights, electric shock, exposure to EMF and radio frequency fields, and exposure to hazardous chemicals.	110-116
IO 4 Compliance with ICNIRP (International Commission on Non-Ionising Radiation Protection) standards on exposure to radiofrequency (RF) emissions from handsets	77-89
IO 5 Compliance with ICNIRP (International Commission on Non-Ionising Radiation Protection) guidelines on exposure to radiofrequency (RF) emissions from base stations.	77-89
IO 6 Policies and practices with respect to Specific Absorption Rate (SAR) of handsets.	77-89
Infrastructure	
IO 7 Policies and practices on the siting of masts and transmission sites including stakeholder consultation, site sharing, and initiatives to reduce visual impacts. Describe approach to evaluate consultations and quantify where possible.	77-89
IO 8 Number and percentage of stand-alone sites, shared sites, and sites on existing structures.	65-66
Providing Access to Telecommunication Products and Services: Bridging the Digital Divide1	
PA 1 Policies and practices to enable the deployment of telecommunications infrastructure and access to telecommunications products and services in remote and low population density areas. Include an explanation of business models applied.	65-73
PA 2 Policies and practices to overcome barriers for access and use of telecommunication products and services including: language, culture, illiteracy, and lack of education, income, disabilities, and age. Include an explanation of business models applied.	65-73
PA 3 Policies and practices to ensure availability and reliability of the telecommunications products and services and quantify, where possible, for specified time periods and locations of down time.	60-73
PA 4 Quantify the level of availability of telecommunications products and services in areas where the organisation operates. Examples include: customer numbers/market share, addressable market, percentage of population covered, percentage of land covered.	60-73
PA 5 Number and types of telecommunication products and services provided to and used by low and no income sectors of the population. Provide definitions selected. Include explanation of approach to pricing, illustrated with examples such as price per minute of dialogue/bit of data transfer in various remote, poor or low population density areas.	60-73

Indicator	page
PA 6 Programmes to provide and maintain telecommunication products and services in emergency situations and for disaster relief.	60-73
Access to content	
PA 7 Policies and practices to manage human rights issues relating to access and use of telecommunications products and services. For example: a) Participation in industry initiatives or individual initiatives related to Freedom of Expression b) Legislation in different markets on registration, censorship, limiting access, c) Interaction with governments on security issues for surveillance purposes d) Interaction with national and local authorities and own initiatives to restrict criminal or potentially unethical content e) Protecting vulnerable groups such as children. Explain how such policies and practices are adapted and applied in different countries.	110-116
Customer relations	
PA 8 Policies and practices to publicly communicate on EMF related issues. Include information provided at points of sales material.	77-89, 93-98
PA 9 Total amount invested in programmes and activities in electromagnetic field research. Include description of programmes currently contributed to and funded by the reporting organisation.	77-89, 93-98
PA 10 Initiatives to ensure clarity of charges and tariffs.	93-98
PA 11 Initiatives to inform customers about product features and applications that will promote responsible, efficient, cost effective, and environmentally preferable use.	93-98
Technology applications	
TA 1 Provide examples of the resource efficiency of telecommunication products and services delivered.	60-73
TA 2 Provide examples of telecommunication products, services and applications that have the potential to replace physical objects (e.g. a telephone book by a database on the web or travel by videoconferencing)	60-73
TA 3 Disclose any measures of transport and/or resource changes of customer use of the telecommunication products and services listed above. Provide some indication of scale, market size, or potential savings.	No reply
TA 4 Disclose any estimates of the rebound effect (indirect consequences) of customer use of the products and services listed above, and lessons learned for future development. This may include social consequences, as well as environmental.	No reply
TA 5 Description of practices relating to intellectual property rights and open source technologies.	62

GRI index justifications

EC 7	The scope of PT's report concerns only the activities developed within the Portuguese territory; the Group's employees are mostly of Portuguese nationality.
EN 9	The non-relevance of this indicator is justified by the fact that water withdrawal comes from the public network and is used for administrative purposes
EN 10	PT considers that its water consumption is not high enough to justify the investment in water recycling and reuse mechanisms.
EN 13	Most of the properties used by PT are located in urban areas. The company does not have a precise inventory of the protected habitats derived from the practices implemented to protect and minimize impacts on biodiversity.
EN 15	Most of the properties used by PT are located in urban areas, being small the proportion of telecommunications infrastructures (antennas and cabling) located in natural parks. Even though not being significant the impact on changes to natural habitats, PT has developed several programs for protection and upgrade of natural ecosystems and species in some more degraded zones. An example of measures to minimize these impacts is the development of infrastructures of support to nest building.
EN 19	The company does not have a systematic data gathering system for these indicators.
EN 20	
EN 21	The water discharges made by PT are associated with the existing sanitation drain pipes in its buildings. The water used in such a way by PT, enters the urban sanitation system. PT does not take this water into account, nor has identified the form as it is later treated or discharged. As PT's main activity does not have direct implications on the level of significant water discharges, this indicator was considered as not relevant.
EN 23	This indicator is not considered relevant considering the main activity of the Group's companies
EN 24	This indicator is not considered relevant considering the main activity of the Group's companies
EN 25	This indicator is not considered relevant considering the main activity of the Group's companies
EN 30	This indicator is not considered relevant considering the main activity of the Group's companies
LA 12	PT does not have a systematic information gathering system for this indicator. Performance evaluation is a reported and necessary practice in the whole organisation.
HR 1	This indicator is not relevant for PT's activity in the Portuguese market that defines the scope of this report, where the national legislation includes all the main international conventions in the area of the Human Rights
HR 5	The Portuguese legislation, as well as PT's Company Agreement foresee the free exercise of the freedom of association
HR 6	This indicator is not relevant for PT's activity in the Portuguese market that defines the scope of this report, where the national legislation includes all the main international conventions in the area of child labor
HR 7	This indicator is not relevant for PT's activity in the Portuguese market that defines the scope of this report, where the national legislation includes all the main international conventions in the area of forced or compulsory labor
HR 8	This indicator is not considered relevant considering the main activity of the Group's companies
HR 9	This indicator is not considered relevant for PT's activity in the home market, which defines the scope of this report.
IO 2	Although PT makes investments to fulfill its universal service obligations, it was not possible to calculate this value, which will be presented in the next Sustainability Report
IO 8	In the scope of the universal service, PT's public payphones from PT are available for sharing. TMN shares antennas with the other market operators, although this information is not quantified.
TA 3	Although impacts derived from PT's activity are material by changing the behavior of its customers in the use of transportation and in the reduction of resource consumption, PT has not carried out any study to quantify those impacts.
TA 4	Although impacts derived from PT's activity are material by changing the behavior of its customers in the use of transportation and in the reduction of resource consumption, PT has not carried out any study to quantify those impacts.

SGS ICS

To the Board of Directors of Portugal Telecom, SGPS, SA

Nature and Scope of the Verification

By request of Portugal Telecom SGPS, SA, SGS ICS performed an independent verification of the Sustainability Report 2008. The scope of the verification, based on SGS' methodology for Sustainability Reports Verification, included the text, data, charts and declarations contained herein. Data from legally certified financial reports were not verified at the source, throughout this verification.

Responsibility

The Board of Directors of the Portugal Telecom Group is responsible for the information disclosed and for setting evaluation criteria. The Board is also responsible for establishing the systems for gathering, classifying, validating and reporting the information. SGS ICS did not participate in the treatment of any information comprised in the Sustainability Report 2007. It is the responsibility of SGS ICS to issue an opinion regarding the suitability of the aforementioned information, based on the independent verification protocol, which was carried out with regards to the scope and the purpose of the verification commitment.

Independence and Competence Statement

SGS Group is a world leader in inspection, assessment and verification services, operating in over 140 countries, with an offer that includes the certification of services, of quality, environmental and social management systems, and auditing procedures concerning ethical issues, as well as the verification of environmental, social and sustainability reports. SGS ICS asserts its independence before favours, outside influence and conflicts of interests related to PT Group, its subsidiaries and interested parties.

The members of the verification team were selected according to their knowledge, experience and qualifications regarding the proposed verification. The team included auditors registered with the Institute of Environmental Management and Assessment (IEMA), the International Register of Certified Auditors (IRCA), Social Accountability International (SAI) and also EMAS Verifiers. The participating verifiers have coordinating auditor qualifications for the performance of certification audits to ISO 9001 quality management systems, ISO 14001 environmental management systems, OSHAS 18001 occupational safety and health management systems, and SA8000 social responsibility management systems.

Verification Criteria and Methodology

SGS Group developed a set of protocols for the verification of sustainability reports (Sustainability Report Assurance) based on best practices established by the 2006 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) and the AA1000 Assurance Standard (2003). These protocols are classified into different verification levels, according to the reporting history and the capacity of the reporting organization.

The Sustainability Report 2008 was verified in accordance with the level 2 protocol, consisting of (i) the identification of the existence of management control systems supported by organisational policies and resources, (ii) the

assessment of the efficiency of the procedures and systems for gathering, classifying, validating and reporting the information contained herein, including, whenever necessary, corroborative statements and/or evidence from external interested parties, (iii) carrying out a sample of certain procedures for consolidating the information concerning the reported environmental and social performance, (iv) comparing the included financial information with the information contained in the financial reports from where it was retrieved, (v) interviewing the managers responsible for preparing the information (vi) providing evidence that the fundamental principles of the GRI reporting guidelines (2006) have been considered and applied, and (vii) verifying the fulfilment of the terms required for stating that this report was prepared "in accordance with" Level A GRI guidelines (2006).

Conclusions

Based on the methodology identified above and the work carried out, it is the opinion of SGS ICS that the information and data included in the verified report are accurate, comprehensive, reliable and provide an adequate representation of the activities of the Portugal Telecom Group, in Portugal, throughout a period of twelve months ended as at 31 December 2008.

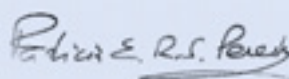
SGS ICS states that the Sustainability Report 2008, the object of this verification, was prepared in accordance with GRI Guidelines (2006), fulfilling the Level A+ requirements necessary for that purpose.

Recommendations

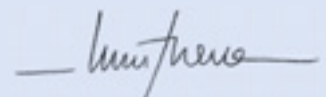
Based on the verification carried out, we identified areas of progress as compared to previous reports, and areas for improvement that allow for the strengthening of the Social Responsibility context of the Portugal Telecom Group. The observations identified will be object of the Internal Management Report directed at the Board of Directors of the Portugal Telecom Group.

SGS ICS has accompanied the path of the Portugal Telecom Group in the strategic implementation of sustainability in its business model. The commitments assumed in the Sustainability Report 2007 and their projection for the coming years consolidate this path, considering the dialogue with the interested parties as essential for the implementation of suitable, innovative solutions so as to create economic, environmental and social value. The relevance of the Portugal Telecom Group in terms of economy and society should reinforce its responsible activity as a fruitful example, inducing good practices.

In representation of SGS ICS



Patrícia Pereira
Certification department
Lisbon, 25 de March de 2009
www.pt.sgs.com



Luís Neves