



**CHARTER OF THE BOARD OF DIRECTORS OF
PORTUGAL TELECOM, SGPS, S.A.**

Considering that:

- a) Following the amendment to the Portuguese Companies Code (“Companies Code”) on corporate governance as well as on the reinforcement of the oversight, in particular, of issuers of securities admitted to trading on a regulated market, on June 22, 2007, the General Meeting of Portugal Telecom, SGPS, S.A. (“Portugal Telecom” or the “Company”) has approved several changes to its bylaws in order to ensure the Company’s compliance with said amendments and to adopt an Anglo-Saxon corporate governance model;
- b) In September 2007, the Portuguese Securities Exchange Commission (“CMVM”) approved the Regulation no. 1/2007 on Listed Companies’ Corporate Governance, as well as new recommendations in this respect (designated “Corporate Governance Code”);
- c) In this context, as an issuer of securities admitted to trading on the Portuguese market and on the New York Stock Exchange (“NYSE”), the Company intends to adopt several rules and procedures that contribute towards the improvement of its corporate governance structure and principles, as well as progressively and considering the Companies’ particularities, accommodating the best national and international practices on this matter.

Article One

Board of Directors’ Principles and Rules of Conduct

The Board of Directors shall develop its functions according to the corporate interest and to the applicable legal and bylaws’ provisions, considering the general objectives and fundamental principles of the Company, to the long-term interests of its shareholders and to the sustainable development of Portugal Telecom Group’s corporate activity.

Article Two

Composition and Qualifications

1. The Board of Directors of the Company consists of the elected members in accordance to the applicable legal and bylaws’ provisions.
2. The Directors shall develop its qualifications, knowledge and experience with a view to exercise their attributions and powers and to fulfill their duties and functions.

Article Three

Attributions and Powers

1. The Board of Directors is responsible to manage the Company’s businesses and to carry out all actions in respect to the corporate purpose that are not comprised in the powers of other corporate bodies, as well as to establish the strategic guidance of Portugal Telecom Group, including management and supervision powers regarding corporate businesses.



2. Regardless of any other powers foreseen in the applicable legal and bylaws' provisions and of each delegation of powers into the Executive Committee¹, the Board of Directors is responsible, in particular, for:
- a) Establishing the general objectives and the fundamental principles of the Portugal Telecom Group's policies, to be submitted to the approval of the General Meeting;
 - b) Approving the general policies and the strategy for Portugal Telecom Group, considering the objectives and principles approved by the General meeting;²
 - c) Establishing and resolving on eventual amendments to the business structure of Portugal Telecom Group, whenever those do not constitute mere internal restructurings of such Group within the general objectives and fundamental principles approved by the General Meeting;³
 - d) Resolving on important extensions or reductions of Portugal Telecom Group's business;
 - e) Adopting any other decisions deemed as strategic for Portugal Telecom Group considering its amount, risk or special characteristics⁴;
 - f) Annually evaluating the Company's corporate governance model, on the basis of a evaluation of its efficiency by the Corporate Governance Committee, and disclosing such evaluation within the Annual Governance Report, identifying eventual constraints to its functioning and proposing adequate measures to overcome them⁵;
 - g) Ensuring that the Company has efficient internal control, risk management and internal audit systems⁶;
 - h) Proceeding, trough co-optation, to the replacement of the Directors which have a definitive absence;
 - i) Appointing and establishing the day to day management powers of the Executive Committee as well as supervising its performance;
 - j) Designating and exonerating the General-Secretary and the Company's Secretary and their substitute(s).

¹ *Vide* delegation of powers attached hereto.

² Recommendation II.2.2. of the Corporate Governance Code approved by CMVM ("Corporate Governance Code").

³ Recommendation II.2.2. of the Corporate Governance Code.

⁴ Recommendation II.2.2. of the Corporate Governance Code.

⁵ Recommendation II.1.1. of the Corporate Governance Code.

⁶ Recommendation II.1.1.3. of the Corporate Governance Code.



Article Four Chairman of the Board of Directors

1. Without prejudice of any other powers foreseen in the applicable legal and bylaws' provisions, the Chairman of the Board of Directors is especially responsible for:
 - a) Convening and directing the meetings of the Board of Directors;
 - b) Coordinating the activity of the Board of Directors and proceeding to the distribution of matters to Directors, whenever convenient for the management;
 - c) Promoting the adoption of resolutions on the matters referred in paragraph 2 of the previous article by the Board of Directors;
 - d) Promoting the due execution of the Board of Directors' resolutions;
 - e) Representing the Board of Directors and promoting the communication between the Company and its shareholders.
2. If the Chairman of the Board of Directors of the Company does not discharge the functions of Chief Executive Officer, he shall also be responsible for:
 - a) Monitoring and consulting the Executive Committee on the performance of the its delegated powers⁷;
 - b) Contributing to the effective performance of its functions and powers by the non-executive Directors and by the specialized committees of the Board of Directors, as well as ensuring the mechanisms required for the latter to receive in due time the information they deem adequate to an informed and independent decision taking⁸;
 - c) Chairing the Evaluation Committee referred to in Article Five below.
3. Should the Chairman of the Board of Directors discharge the functions of Chief Executive Officer, the attributions referred in the previous paragraph shall be performed by a non-executive member of the Board designated by this corporate body for such purpose.

Article Five Delegation of powers

1. The Board of Directors shall delegate the day to day management of the Company in an Executive Committee, under the terms and with the limits set forth in the applicable legal and bylaws' provisions as well as in its delegation of powers⁹. The members of the Executive Committee shall be appointed further to a proposal of its chairman.

⁷ Recommendation II.2.3. of the Corporate Governance Code.

⁸ Recommendation II.2.3. of the Corporate Governance Code.

⁹ Recommendation II.2.1. of the Corporate Governance Code.



2. Without prejudice of what is set forth hereto and in the respective delegation of powers, the Executive Committee and its members shall timely and adequately provide the information requested by the members of the Company's corporate bodies¹⁰.
3. Under the terms and with the limits set forth in the applicable legal and bylaws' provisions, the Board of Directors may also specially instruct one or more of its Directors to deal with certain management matters and delegate powers in specialized committees as set forth in their internal charters, including:
 - a) The Corporate Governance Committee with powers to assist the Board of Directors on matters related to corporate governance, conduct principles and rules and the evaluation and supervision of the corporate governance practices¹¹;
 - b) The Evaluation Committee with powers to assist the Board of Directors on the evaluation of the global performance of the Board of Directors and of the Company's executive directors based on the criteria defined by the Compensation Committee, as well as of the other existing internal committees within the Board of Directors, and consulting powers in regard to the selection criteria of the members of the management bodies of direct or indirect affiliates at each moment deemed relevant for such purpose by the Board of Directors and of the Board of Directors' internal committees¹².
4. Without prejudice of what is foreseen hereto and/or in its internal charters, the committees referred to in the previous paragraph shall, in each meeting of the Board of Directors or whenever necessary, inform summarily and adequately the other Directors of the most relevant facts regarding the performance of its delegated powers, and timely and adequately provide any additional information requested.
5. The information provided solely to one or more Directors, by any of the committees referred in the previous paragraphs or by any of its members, shall be transmitted summarily and adequately to the other Directors in the following meeting of the Board of Directors.
6. Whenever any information or clarifications are requested solely to one or to several members of any of the committees referred to in the previous paragraphs, those should bring up the question in the following meeting of the relevant committee for such committee to provide a complete and adequate answer to the request, or whenever this is not timely possible, said committees should be informed as soon as possible of the question brought up and of the provided clarifications.

¹⁰ Recommendation II.3.1. of the Corporate Governance Code.

¹¹ Recommendation II.5.1. of the Corporate Governance Code.

¹² Recommendation II.5.1. of the Corporate Governance Code.



Article Six Non-Executive Directors¹³

1. In addition to the performance of its powers not delegated in the Executive Committee, the non-executive members of the Board of Directors are responsible for supervising the performance of the executive management.
2. The Board of Directors is responsible for promoting that its non-executive members correspond at least to the majority of the Directors in office, conferring them an effective capacity to monitor, evaluate and supervise the executive management of the Company, namely, including an adequate number of independent non-executive Directors and performing those functions within the committees referred to in paragraph 3 of the preceding article.
3. For the purposes of the statement to be included in the Annual Government Report and of the evaluation of the applicable independence, incompatibilities and expertise requirements, each Director shall provide updated information to the Company, by reference to the provisions in each moment in force and according to the rules to be adopted for this purpose by the Board of Directors and/or by the Audit Committee.¹⁴
4. Without prejudice of any *ad hoc* meetings for these or other purposes among non-executive Directors, these shall meet at least annually with the Chairman of the Evaluation Committee with a view to proceed to the description and self-evaluation of the performance of its functions, including eventual constraints, and to the drafting of a report on their activities to be included in the annual management report.¹⁵

Article Seven Audit Committee

1. For the purpose of discharging its attributions and powers, the Board of Directors shall take into account, under the terms and with the limits foreseen in the applicable legal and bylaws' provisions, the powers of the Audit Committee in what concerns to the oversight of the corporate activity of Portugal Telecom.
2. The Board of Directors and the Executive Committee, within the scope of its delegation of powers, shall regularly cooperate with the Audit Committee directly and through the members of the corporate bodies or through the employees of Portugal Telecom Group and of Portugal Telecom's affiliates, for purposes of the performance in accordance with the applicable legal and bylaws' provisions, of the powers, duties and responsibilities attributed to the Audit Committee, in particular, providing the information and clarifications and promoting the diligences necessary or convenient for such purposes, in a timely and adequate manner.

¹³ Recommendation II.1.2.1. and II.1.2.2. of the Corporate Governance Code.

¹⁴ Chapter 0.4 of the Annex of Regulation no. 1/2007 of CMVM.

¹⁵ Recommendation II.2.4. of the Corporate Governance Code.



3. Without prejudice of the assessment by the Audit Committee and by its members of the applicable requirements under the Companies Code and Regulation no. 1/2007 of CMVM, following their appointment, the Board of Directors is competent to ascertain whether the requirements regarding incompatibilities, independence and expertise applicable to the issuers of securities admitted to trading on the NYSE are satisfied according to the rules and proceedings approved by the Audit Committee.

Article Eight General Duties and Responsibilities of the Directors

1. For the purpose of performing its attributions and powers and discharging its duties and functions, each Director shall act in accordance with standards of professional diligence, care and loyalty.
2. The Directors are bound to a secrecy duty regarding the matters discussed in the meetings of the Board of Directors or information acknowledged by virtue and/or in the performance of its functions, even after its termination, except when said corporate body considers that it should be internal or publicly disclosed or when disclosure by the Director is imposed by legal provision, decision of a competent administrative authority or by judicial decision not subject of appeal.
3. The Directors cannot use information or knowledge obtained by virtue of their presence in the Board of Directors in order to pursue any purposes other than the corporate interest of Portugal Telecom.

Article Nine Conflicts of Interests

1. Each Director shall timely inform the Chairman of the Board of Directors and the Corporate Governance Committee of any direct or indirect interest, for its own account or for the account of a third party, potentially or effectively in conflict with the Company's interest in respect to a certain resolution or any other situation regarding the Director or a third party related to the Director able to limit, by any means and in such context, its impartiality, describing the nature and extension of such interest or situation.
2. In the cases referred in the previous number, if the Chairman of the Board of Directors, the Corporate Governance Committee or the relevant Director deems that there is a conflict of interests the latter may not participate in the discussion nor exercise its voting rights in the resolutions in question.



Article Ten Right to information of the Directors¹⁶

1. The Directors may obtain the information they deem as necessary or convenient to the performance of their functions, powers and duties, by request to the Chairman of the Board of Directors.
2. Without prejudice of any other information duties of the executive Directors and of the Executive Committee before Portugal Telecom's corporate bodies foreseen in its delegation of powers and hereto, the Executive Committee shall also provide timely and adequately the additional information regarding the status of the management requested by the Board of Directors or by the Audit Committee.
3. So as to allow them to take independent and informed decisions and to the extent required for the performance of its oversight function referred in Article Six above, the non-executive Directors may also, jointly or separately, have access to information on the matters delegated in the Executive Committee, related to its activity or resolutions, requesting such information through the Chairman of the Board of Directors and/or the Chief Executive Officer, being the answer provided on a timely and adequate basis.

Article Eleven Meetings

1. The Board of Directors shall meet at least monthly or whenever convened by the Chairman, by two Directors or by the Audit Committee.
2. The meetings of the Board of Directors shall be convened in writing, including by fax or by email with reading receipt. Without prejudice of the cases of recognized urgency, these meetings shall be convened with a prior notice of 5 days and the agenda and supporting documentation to the resolutions shall be made available 3 days in advance.

Article Twelve Resolutions

1. The Board of Directors shall not meet without the presence of the majority of its members in office, although the Chairman of the Board of Directors may, in cases of recognized urgency, dismiss the presence of said majority if it is assured by postal or proxy vote, under the terms foreseen in the applicable legal and bylaws' provisions.
2. The members of the Board of Directors shall attend the meetings or, if admitted by the Chairman of the Board of Directors, participate through video-conference or conference call.

¹⁶ Recommendation II.3.1. of the Corporate Governance Code.



3. The resolutions of the Board of Directors shall be taken by majority of the votes cast and the Chairman has casting vote.
4. The minutes of each meeting of the Board of Directors shall be submitted to approval in the subsequent ordinary meeting.

Article Thirteen
Final Provisions

This Charter enters into force in the date of its approval by the Board of Directors of the Company.