

PORTUGAL TELECOM

Code of Ethics



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Foreword

The PT Group principles comprise a set of fundamental ethical values that mark its identity, distinguish it amidst the corporate universe and permanently guide its entire activity.

At a moment when the PT Group faces important challenges in the field of technological transformations, in terms of market internationalisation and in the structure of its governance, it is believed that the respective process of change should be lived in an environment of solid commitment to the tradition represented by its code of ethical values.

It is thus in the context of the changes and updates occurred in the governance of the PT Group that it is considered appropriate to carry out this revision of the Code of Ethics.

The revised Code, having maintained all essential values of its original version, was subject to a few relevant updates and was drawn up in such a manner as to make the respective standards of conduct clearer and more concise.

The values contained in the Code of Ethics cannot be viewed as mere components of a declaration of good intentions. They should be felt on the contrary as principles and rules that as they are observed, lived and ensured by all PT Group employees they become inseparable of their identity, of their activity and of their social responsibility thus constituting a necessary condition for their success.

With the revision of the Code of Ethics, the PT Group aims to reach three fundamental goals:

- To consolidate the trust-based relations that the PT Group has established with its employees, shareholders, customers, suppliers and community at large;
- To clarify amongst employees the standards of conduct that the latter are to follow, both in reciprocal relations and in relations that, on behalf of the PT Group, they establish with shareholders, customers, suppliers, and regulatory and supervisory authorities;
- To reinforce, amongst all PT Group companies and its employees, an experience and sharing of common values that will enable to strengthen the identity elements of the PT Group culture.

The current Code of Ethics is based on principles and values essential to the PT Group and its scope of application comprises all companies controlled by the PT Group. These dispositions should however be included as much as possible in the Codes of Ethics of the subsidiaries in which the PT Group does not have a controlling stake, doing Portugal Telecom its best to have these same principles and values contained within respected as well.

More than a tool for Man, the Code of Ethics
should be adapted to the aims of each company.
These objectives are fundamental
for the mission of the
economic and social institution.

Goals and Fundamental Values

1. The Code of Ethics as a component of the PT Group culture

The goals, values and standards contained in the current Code of Ethics are part of the culture of the Portugal Telecom Group and of all its subsidiaries (hereafter called PT Group), which should rule the professional conduct of all those who work in these companies and which is to be disclosed amongst investors, customers, suppliers, regulating authorities and competitors.

2. Fundamental goals

The fundamental goals pursued by the PT Group are based on the creation of conditions for a good level of remuneration of its investors, on the offer of the highest quality standards in the delivery of goods and services to its customers, on the recruitment, motivation and promotion of the best professionals and human talent and on the positioning of the PT Group in a high-ranking position amongst the leading European telecommunications operators.

3. Values

The values that determine the principles and standards of conduct of the PT Group Code of Ethics consist, namely, of:

- a) Protection of shareholders' interests and rights and of the safeguard and valuation of the assets that compose the PT Group property;
- b) Observance of the duties of loyalty and confidentiality and guarantee of the princi-

ple of responsibility as PT Group employee by the way how the respective functions are performed;

- c) Good governance of the PT Group companies;
- d) Rigorous compliance with legal and regulatory standards applicable to the PT Group activity;
- e) Solution of conflicts of interests and the compliance of PT Group employees with the relevant limits relative to economic transactions;
- f) Institutional and individual observance of high standards of integrity, loyalty and honesty, both in relations with investors, customers and regulatory bodies and in inter-personal relations amongst PT Group employees;
- g) Good faith in negotiation and rigorous compliance with contract obligations concerning customers and suppliers;
- h) Observance of effective and loyal competitive practices;
- i) Recognition of equality of opportunities, individual merit and the need to respect and value the dignity of people in professional relations;
- j) Justice and equality of treatment, ensuring non-discrimination based on race, gender, age, sexual orientation, creed, marital status, physical impairment, political orientation or any other opinions, ethnical, social origin, or naturality.
- k) Guarantee of safety and well-being at the work place;
- l) Social responsibility in the communities where it develops its business activities.

The Code of Ethics is a tool created
to orientate the performance
of companies in their actions and
interactions with the public.

General Standards of Conduct

Section I

Scope of application and breach of general standards of conduct

1. Scope of application

The general standards of conduct of the Code of Ethics are applicable to PT Group employees, irrespective of the company they work for, including all the members of the governing bodies and remaining top-ranking officers, managers, permanent staff and remaining employees.

2. Breach of the general standards of conduct

The disregard of the general standards of conduct by PT Group employees that the Code of Ethics aims to clarify, leads to the responsibility of offenders under the terms of the legal and regulatory dispositions, in accordance with the applicable procedures.


Section II

Principles and Standards

1. Protection of shareholder interests and rights

PT Group employees shall always behave so as to protect shareholder interests.

PT Group companies shall guarantee the protection of interests of minority shareholders, namely:



a) By including independent directors in the governing bodies and by complying with the duty to inform these governing bodies, in order to ensure a just and equal treatment for everyone;

b) By introducing and maintaining safeguard mechanisms and by facilitating voting rights of minority shareholders at General Shareholder Meetings in the different companies of the PT Group.

2. Safeguard of property

All PT Group employees are entrusted with the protection and conservation of physical, financial and intellectual property of companies they work for, which must be used in an efficient manner towards the persecution of the defined goals in each company.

The resources of PT Group companies shall not be used by employees as a rule for personal purposes, but possible exceptions are to be authorised by the respective superiors and shall be limited to economically irrelevant and ethically non-reprehensible situations that may arise from common use practices carried out outside their normal duties at Portugal Telecom.

3. Loyalty

PT Group employees shall assume loyalty behaviour towards the PT Group and the respective company where they carry out their professional activity, being committed to safeguarding its credibility and image in every situation, as well as ensuring its prestige.

4. Confidentiality and professional secrecy

All PT Group employees are subject to professional secrecy, even after having ceased functions in their respective companies, especially in matters that due to their objective importance and in view of internal decision or due to the legislation in force are not to be publicly disclosed.

Employees shall be, within or without the PT Group, discreet as to facts and information that they have knowledge of during the exercise of their functions and shall respect the rules established as to confidential information.

5. Responsibility

Employees shall behave in strict compliance with the limits of responsibility conferred, namely as concerns the budgetary objectives of the company where they work and the tolerance to defined business risks as communicated by the Board of Directors.

All PT Group employees shall use the power conferred to them in a non-abusive manner, oriented towards the achievement of the company objectives and not to obtain personal favours, thus being responsible for the way how they perform their duties.

6. Good governance

The management of the PT Group companies shall be carried out with diligence and transparency, creating conditions for dialogue within the management bodies on objectives, strategy, risk analysis and performance assessment and observing high standards of corporate governance.

7. Compliance with legal procedures

PT Group companies as well as all their employees shall ensure strict compliance with legal and regulatory rules applicable to their activity and shall not infringe any such norm.

8. Declaration of conflict of interests

Whenever in the course of their activity, irrespective of the dispositions of the no. 14 below, PT Group employees are called to intervene in decision processes that involve, directly or indirectly, organisations with which they work or have worked, or that involve people who are or have been connected to them by ties of kinship, they shall inform their superiors of such connections.

PT Group employees shall abstain from performing any duties outside PT Group companies whenever these activities are deemed prejudicial to the execution of their duties whilst PT Group employees, or at entities whose objectives may collide with or interfere with those of PT Group companies.

9. Unauthorised offers

PT Group companies or its employees shall not accept or resort to offers, payments or other favours from customers or suppliers.

Offers to third parties are acceptable as long as the latter do not lead to illegitimate advantages within the corporate activity or may be interpreted as such, and as long as they are not made for personal reasons, but instead according to the standards normally adopted within the PT Group.

Offers received from third parties in the exercise of their functions or because of them may be acceptable as long as they may not be reasonably be understood as an attempt to obtain illegitimate advantages for the enterprise activity of such third parties or be interpreted as such, and they must always be communicated to superiors in case of doubt, and refused whenever there is suspicion of doubtful intentions.

10. Limits to transactions of financial assets

Any employee bearing sensitive or privileged information, which is still not public and which may influence stock exchange listings of securities belonging to PT Group companies, may not transact, during the period prior to its disclosure, any financial assets of PT Group companies or of Portugal Telecom, of strategic partners or of companies involved in transactions or relations with the PT Group nor order its subscription, acquisition, sale or exchange, directly or indirectly, to himself or third parties, nor advise anyone to make such transactions, nor disclose said information to third parties outside the normal scope of his functions.

Estimates of results, decisions concerning acquisition of own shares, acquisitions or significant partnerships, and the celebration or loss of relevant contracts for the activity of the PT Group are forms of privileged information.

11. Private transactions carried out by employees

Employees of PT Group companies shall abstain from participating or maintaining any contracts or transactions with entities with which the PT Group maintains commercial relations, in conditions different from normal market conditions, which would not be

applicable if such commercial relations with the PT Group did not exist, namely in the negotiation of loans, obtaining of discounts, negotiation of payment deadlines, or in the sale of goods and services that may interfere with institutional or commercial relations between those companies and the PT Group or between PT Group employees who are beneficiaries of these transactions and those companies.

12. Inter-personal relations

All employees shall contribute towards the creation and maintenance of a good working atmosphere, namely through mutual co-operation. No employee shall seek to obtain personal advantages at the cost of colleagues, implementing the decisions of superiors which are taken in accordance with company policies, or encouraging and supporting subordinates in their application.

PT Group employees shall maintain cordial, respectful and professional relationships within the company.

No form of individual discrimination, incompatible with human dignity, namely relative to race, sex, age, sexual orientation, creed, marital status, physical impairment, political convictions or opinions of any other nature, ethnical, social or geographic origin shall be accepted. Behaviour such as moral or sexual harassment, or any other attitudes that may be considered abuse of power shall be tolerated.

13. Customer relations

Employees shall demonstrate high level of professionalism, respect, honesty, good faith and courtesy when dealing with customers and shall always deliver an efficient customer support service, providing him with information on products, services and prices so as to help him decide.

The observance of the principles of honesty and good faith assume that the conditions of sales ought to be clearly defined and unambiguous.

The PT Group companies and their employees shall ensure the strict compliance with agreed conditions in terms of the quality of products, services, or guarantees.

14. Supplier relations

PT Group companies shall always negotiate in accordance with the principle of good faith and shall thoroughly honour its commitments with suppliers of products and services and at the same time shall verify the thorough compliance of these latter with the dispositions established by contract.

Contracts shall be clearly drawn up, without ambiguities or relevant omissions, complying with the Law and internal norms of the PT Group in force on the matter.

The selection of suppliers or service providers shall be carried out in compliance with market conditions, considering not only economic and financial indicators, commercial conditions and quality of products and services proposed, but also the ethical behaviour and environmental awareness of the supplier or service provider.

PT Group companies shall also alert their suppliers and service providers to the compliance with the ethical values of the PT Group, namely in terms of confidentiality of information concerning the PT Group and the preclusion of conflicts of interests that may occur, whenever suppliers or service providers also work for competitors of the PT Group. To ensure the transparency of processes, PT Group employees competent or empowered to propose or decide on the hiring of services or acquisition of goods to third parties shall abstain from doing so whenever the transaction involves spouses, relatives or closely related persons, in direct or collateral line up to the 4th degree (thus including parents, stepmothers and stepfathers, grandparents, children, stepchildren, siblings, brothers-in-law, sisters-in-law, cousins, aunts and uncles, and nephews and nieces) or companies where they or the mentioned spouses, relatives or closely related persons are the proprietors, own a share, manage, work for, or with which maintain any other form of contractual tie, or the respective controlled or controlling entities (i.e. subsidiaries, agencies, shareholders, outsourcers, etc.). When it is deemed objectively convenient for certain company of the PT Group to consider a specific proposal, the hiring of services or the acquisition of goods to any entity mentioned in the previous paragraph, the process shall be initiated and handled by the competent or empowered employee who will add a declaration of conflict of interests; its appreciation will be done by his hierarchy, communicating the result to the Board of the respective company and obtaining the relevant decision.

15. Rules on competition and competitor relations

In the course of its enterprise activity, the PT Group has a loyal and robust competitive practice.

The PT Group companies shall observe the rules and criteria of the market, opposing disloyal competition, namely through sharing or price fixing agreements, complicities aimed at obtaining advantages over competitors as well as commercial information through illegal means; rights of material and intellectual property shall be respected.

16. Relations with regulatory bodies

The PT Group companies shall cooperate fully with the regulatory and supervisory authorities within their reach, fulfilling any requests they may receive, refraining from adopting any behaviour that may obstruct the work of supervision of the competent authorities.

17. Valuation of careers and professional merit

The PT Group companies respect the principle of equality of opportunities and evaluate the performance of their employees based on individual merit effectively demonstrated, seeking to value the respective careers in accordance with these criteria and assign a remuneration suited to the skills, degree of responsibility and performance demonstrated. PT Group employees shall seek to improve and update their knowledge continuously, so as to maintain or improve their professional skills and the delivery of an excellent service to customers.

18. Safety and well-being at the workplace

The PT Group ensures the compliance with all applicable occupational safety, health, hygiene and well-being standards at the workplace, but its employees shall follow strictly any laws, regulations and internal instructions on this issue.

The observance of all safety rules is a mandatory rule for everyone, being a duty for every PT Group employee to report in due time to his superiors or to the relevant services any anomalous occurrence that might compromise the safety of people, premises or equipment of any PT Group company.



19. Media relations and advertising

Information conveyed to the media and through advertising should:

- a) Be of informative and true nature;
- b) Respect cultural and ethical parameters of the community and human dignity;
- c) Contribute to the image of cohesion, and to the creation of value and dignification the PT Group.

The opportunity of such information shall be validated by the relevant hierarchy, when carried out by an employee who has not a mandate to normally act as media representative of the PT Group.

20. Social responsibility

The PT Group assumes its social responsibility towards its stakeholders and communities where it develops its enterprise activities, aiming to become an active agent towards its progress and well-being.

PT Group's commitments in terms of social responsibility comprise namely the defence of ethics in the relationship with all stakeholders, the respect for human rights, for labour, freedom of association, rejection of forced labour and child labour, adoption and promotion of environmental sustainability and participation in social and cultural initiatives developed by competent and credible entities that tend to contribute to the digital inclusion of the population and to the development of the knowledge society.



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