



CORPORATE  
GOVERNANCE REPORT

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# OUR GOVERNANCE

## 1.0 INTRODUCTION

### I) MESSAGE TO SHAREHOLDERS

Dear shareholder,

Sonaecom is fully compliant with the legal requirements of the Portuguese Securities Commission (CMVM), being also compliant with the vast majority of their recommendations on corporate governance. This commitment is assumed throughout our organization, in which our values and disclosure principles are widely disseminated. Also, in the interests of total transparency, we also publish our governance regulations and guidelines on our website ([www.sonae.com](http://www.sonae.com)).

We could not fail to indicate that we are particularly proud of the solid and objective principles that support our remuneration policy. Our principles clearly reflect our commitment in this area. The remuneration policy is competitive, linked to performance, aligned with shareholder interests, transparent, reasonable and fair and the remuneration awarded is disclosed in detail.

We want to be one step ahead by creating a “best in class” governance model and communicating our governance culture to all stakeholders. Our governance has been adopting the best practices in compliance with the legal, regulatory and recommendatory framework, both national and international. Totally focused on continuously improving our practices going forward, we will persist seriously committed on creating long-term shareholder value.

### II) CORPORATE GOVERNANCE PRINCIPLES

Our corporate governance practices are based on the following main principles:

- Transparency
- Independence
- Oversight
- Risk management
- Shareholder engagement
- Governance model adaptation - One size does not fit all (we “comply or explain”)<sup>(1)</sup>

### WHAT CORPORATE GOVERNANCE MEANS TO SONAECOM?

By governance we mean our decision-making processes and the way in which our decisions are implemented, as well as the formal structures and different bodies that are involved in

preparing, challenging, approving, implementing and reporting on these decisions.

For Sonaecom, corporate governance is about making sure that:

- Our management is leading the business in the right direction and is acting in the interest of the company and its shareholders;
- We protect our ethical standards and respect stakeholder interests;
- We comply with our statutes, and applicable laws and regulations;
- We pursue our corporate strategy in order to accomplish our performance objectives;
- We have the appropriate controls and procedures in place to manage risks effectively;
- Our management and our governance are assessed and monitored, by having the right structures and processes in place.

<sup>(1)</sup> Having into consideration the “comply or explain” principle, CMVM has been considering as compliant those recommendations for which the issuers provides an effective justification for non-compliance.

### HOW DOES SONAECOM MAKE CORPORATE GOVERNANCE HAPPEN?

At Sonaecom, our governance happens throughout our organisational structure, our principles and our communication with and disclosure to stakeholders, which together create a governance culture.

Our Board & Corporate Governance Officer supports the Sonaecom Chairman and the CEO, in keeping our governance under review to ensure that the right processes and procedures are in place to protect shareholder interests. Moreover, we have organised ourselves so that the different governing bodies, both statutory and non-statutory, take responsibility for assuring that we follow best practice in terms of corporate governance and optimise the alignment between management and shareholders.



## 1.1 STATEMENT OF COMPLIANCE

As required by Portuguese regulations and in line with the recommendations on corporate governance issued in January 2010 by the CMVM, the following section explains the roles, responsibilities and composition of our principal statutory and non-statutory governing bodies. This section also includes detailed disclosure and an explanation of our remuneration policy and of Directors' shareholdings.

### DISCLOSURE OF THE AVAILABILITY OF INFORMATION

The full text of the corporate governance guidelines currently adopted by Sonaecom, whether published by specific regulation, recommendation or voluntarily, including our Code of Conduct and, in particular, our guidelines covering Share Dealing and Conflicts of Interest – are made publicly available on our website [www.sonae.com](http://www.sonae.com) <<http://www.sonae.com>> and also at [www.cmvm.pt](http://www.cmvm.pt) <<http://www.cmvm.pt>>.

### I) CMVM RECOMMENDATIONS ON CORPORATE GOVERNANCE

The table below sets out all of the CMVM's recommendations on Corporate Governance (as issued in January 2010) and our assessment of our compliance as at 31 December 2012:

CMVM recommendations	Sonaecom compliance	Comments
<b>1 Shareholders' General Meetings</b>		
<b>1.1 Board of the Shareholders' General Meeting</b>		
1.1.1 The Chairman of the Board of the Shareholders' General Meeting shall be given adequate human and logistical resources, taking into consideration the financial position of the Company.	Yes	All resources requested have been made available by Sonaecom, via the relevant departments: Legal, Facilities, Finance, and others.
1.1.2 The remuneration of the Chairman of the Board of the Shareholders' General Meeting shall be disclosed in the annual Corporate Governance Report.	Yes	The remuneration is disclosed (see '5.2. Shareholders' General Meeting - Remuneration').
<b>1.2 Participation at the meeting</b>		
1.2.1 The requirement to deposit or block shares before Shareholders' General Meetings, contained in the Articles of Association, shall not exceed five working days.	Yes	The blocking of shares is not required. (see '5.2. Shareholders' General Meeting - Blocking of shares').
1.2.2 Should the Shareholders' General Meeting be suspended, the Company shall not require share blocking during the full period until the meeting is resumed, but shall apply the same period as for the first session.	Yes	The blocking of shares is not required (see '5.2. Shareholders' General Meeting - Rules applicable to the blocking of shares in case of suspension of the General Meeting').
<b>1.3 Voting and exercising voting rights</b>		
1.3.1 Companies should not impose any statutory restriction on postal voting and, whenever adopted or admissible, on electronic voting.	Yes	There are no restrictions on postal or electronic voting (see '5.2. Shareholders' General Meeting - Postal voting').
1.3.2 The statutory advance deadline for receiving voting ballots by post shall not exceed three working days.	Yes	Our statutory deadline is three working days (see '5.2. Shareholders' General Meeting - Deadline for receiving postal votes').
1.3.3 Companies shall ensure the level of voting rights and the shareholder's participation, ideally through the statutory provision that obliges the one share-one vote principle. The companies that: i) hold shares that do not confer voting right; ii) establish non-casting of voting rights above a certain number, when issued solely by a shareholder or by shareholders related to former, do not comply with the proportionality principle.	Yes	Sonaecom's Articles of Association comply with the one share-one vote principle (see '5.2. Shareholders' General Meeting - Number of shares corresponding to one vote').
<b>1.4 Quorum and resolutions</b>		
Companies shall not set a deliberative quorum that exceeds the minimum required by Portuguese Company Law.	Yes	Our quorum corresponds to the minimum required by law.
<b>1.5 Attendance lists, minutes and information on resolutions adopted</b>		
The minutes of the Shareholders' General Meetings shall be made available to Shareholders on the Company's website within a five days period, irrespective of the fact that such information may not be legally classified as material information. The information disclosed shall cover the resolutions passed, the represented capital and the voting results. Said information shall be kept on the company's website for no less than a 3 year period.	Yes	All required elements are made and remain available on the Company's website.

CMVM recommendations		Sonaecom compliance	Comments
<b>1.6</b>	<b>Measures relating to changes in control</b>		
1.6.1	In accordance with the principle established in the previous sub-paragraph, any Company that has Articles of Association with clauses that restrict or limit the number of votes that may be held or exercised by a single shareholder, either individually or acting in concert with other shareholders, shall also require that, at least once every five years, the continuation of such clauses must be ratified at a Shareholders' General Meeting, at which the quorum shall not exceed the legal minimum and all votes cast shall count, without applying any restriction.	Yes	There are no clauses that restrict or limit the number of votes.
1.6.2	Defensive measures that automatically lead to serious erosion in the value of the Company's assets should not be adopted when there has been a change in control or a change in the Company's management, as this prevents the free transmission of shares and the ability of shareholders to effectively evaluate those responsible for managing the Company.	Yes	No such measures exist (see '5.2. Shareholders' General Meeting – Defensive measures in case of change of control or changes in the Board of Directors').
<b>2</b>	<b>Management and audit boards</b>		
<b>2.1</b>	<b>General points</b>		
<b>2.1.1</b>	<b>Structure and duties</b>		
2.1.1.1	In the Corporate Governance Report, the Board of Directors shall assess the governance model adopted by the Company, by identifying any restrictions that are holding back performance and by proposing actions to be taken that are judged to be appropriate to resolve them.	Yes	The Board of Directors has assessed the impact of the corporate governance model adopted and has not encountered any restrictions susceptible of affecting its overall performance, as described in section 5.1.2. of this report.
2.1.1.2	Companies shall set up internal control and risk management systems in order to safeguard the company's worth and which will identify and manage the risk. Said systems shall include at least the following components: i) setting of the company's strategic objectives as regard risk assumptions; ii) identifying the main risks associated to the company's activity and any events that might generate risks; iii) analyse and determine the extent of the impact and the likelihood that each of said potential risks will occur; iv) risk management aimed at aligning those actual incurred risks with the company's strategic options for risk assumption; v) control mechanisms for executing measures for adopted risk management and its effectiveness; vi) adoption of internal mechanisms for information and communication on several components of the system and risk-warning; vii) periodic assessment of the implemented system and the adoption of the amendments that are deemed necessary.	Yes	These systems are in place and are further described in this report (see '5.5. Risk Management').
2.1.1.3	The Board of directors shall ensure the establishment and functioning of the internal control and risk management systems. The Statutory Audit Board shall be responsible for assessing the functioning of said systems and proposing the relevant adjustment.	Yes	These systems are in function and are assessed by our Supervisory Bodies, with responsibility for supervision of the Statutory Audit Board, supplemented by the additional control performed by the Board Audit and Finance Committee. See '5.5.a) Internal control and risk management system - Report to management and supervisory bodies'.
2.1.1.4	Companies shall: i) identify the main economic, financial and legal risks that the company is exposed to during the exercise of its activity and; ii) describe the performance and effectiveness of the risk management system in its Annual Corporate Governance Report.	Yes	See '5.5.b) Risk Management - Main risks and control actions'.
2.1.1.5	The Board of Directors and Statutory Audit Board shall establish internal regulations, which shall be disclosed on the Company's website.	Yes	These internal regulations are available on the Company's website. See '5.3.b) Management and auditing Bodies – Corporate structure organization - Roles and competencies'. See complementary information on other regulations on '5.5.c) Risk management – Risk management policies for Ethics and Disclosure'.
<b>2.1.2</b>	<b>Incompatibility and independence</b>		
2.1.2.1	The Board of Directors shall include a sufficient number of non-executive members to ensure that there is the capacity to effectively supervise, audit and assess the activity of the executive members.	Yes	Out of total of eleven members, there are seven non-executive members on Sonaecom's Board of Directors (see '5.3.a) Management and auditing Bodies – Identification and composition').

CMVM recommendations	Sonaecom compliance	Comments	
2.1.2.2	Non-executive members shall include an adequate number of independent members, taking into account the size of the Company and its shareholder structure, but this shall never be less than one quarter of the total number of Board members.	Yes	There are currently three independent non-executive members on our Board of Directors (corresponding to more than one quarter of the total number of Board members authorised by the Articles of Association) (see '5.3.a) Management and auditing Bodies – Identification and composition').
2.1.2.3	The independence assessment of its non-executive members carried out by the Board of Directors shall take into account the legal and regulatory rules in force concerning the independence requirements and the incompatibility framework applicable to members of other corporate boards, which ensure orderly and sequential coherence in applying independence criteria to all the Company. An independent executive member shall not be considered as such, if in another corporate board and by force of applicable rules, may not be an independent executive member.	Yes	The Board of Directors carries out annually an assessment of the independence of its non-executive members, requesting the update of the information previously provided to qualify the independence status. The Board of Directors assessment for the 2012 year can be found in section 5.1.3. of this report.
2.1.3	Eligibility criteria for appointment		
2.1.3.1	Depending on the governance model adopted, the Chairman of the Statutory Audit Board, the Board Audit Committee or Financial Matters Committee shall be independent and possess the necessary skills to perform their duties.	Yes	Compliance with legal requirements on independence and necessary skills for the members of our Statutory Audit Board was confirmed through specific questionnaires implemented by Sonaecom (see '5.3.f) Management and auditing bodies – Identification of the members of the Statutory Audit Board').
2.1.3.2	The selection process of candidates for non-executive members shall be conjured so as prevent interference by executive members.	Yes	Sonaecom selection process of candidates for non-executive members fully meets this recommendation. Given the clear separation between Sonaecom Board Nomination and Remuneration Committee and Sonaecom Shareholders' Remuneration Committee, Sonaecom executive members do not have any kind of interference in the selection of non-executive members. (see '5.3.b) Management and auditing Bodies – Corporate structure organization - Roles and competencies').
2.1.4	Policy on the reporting of irregularities		
2.1.4.1	The Company shall adopt a policy on reporting any irregularities that have allegedly occurred, which includes the following information: i) the means through which any irregularities may be reported internally, including the persons who are entitled to receive the reports; ii) how the report is to be handled, including confidential treatment, should this be requested by the reporter.	Yes	Sonaecom has adopted a policy that fully meets this recommendation. See '5.5.c) Risk management policies for Ethics and Disclosure - Whistle-blowing policy'.
2.1.4.2	General guidelines from this policy should be disclosed in the Corporate Governance Report.	Yes	Sonaecom discloses the general guidelines in this report and on the company's website. See '5.5.c) Risk management policies for Ethics and Disclosure - Whistle-blowing policy'.
2.1.5	Remuneration		
2.1.5.1	The remuneration of the Members of the Board of Directors shall be structured so that the formers' interests are capable of being aligned with the long-term interests of the Company. Furthermore, the remuneration shall be based on performance assessment and shall discourage taking on extreme risk. Thus, remunerations shall be structured as follows:  (i) The remuneration of the Board of Directors carrying out executive duties shall include a variable element which is determined by a performance assessment carried out by the Company's competent bodies according to pre-established quantifiable criteria. Said criteria shall take into consideration the Company's real growth and the actual growth generated for the shareholders, its long-term sustainability and the risks taken on, as well as compliance with the rules applicable to the Company's activity.	No	Alignment with the interests of the Shareholders is ensured and this recommendation is met (see 'Group Remuneration Policy and Remuneration of Management and Audit Bodies') with the exception of 2.1.5.1 i).  Although António Bernardo Aranha da Gama Lobo Xavier is a member of the Executive Committee, his remuneration package does not include any variable component. This is an exception to the general rule for members of the Executive Committee of Sonaecom and is not in compliance with particular recommendation. However, as António Lobo Xavier is member of the Sonaecom Ethics Committee and has responsibilities in terms of Governance, it was considered that it was not advisable for his remuneration package to include any variable component.

CMVM recommendations	Sonaecom compliance	Comments
(ii) The variable component of the remuneration shall be reasonable overall as regard the fixed component of the remuneration and maximum limits shall be set for all components.		Sonaecom's remuneration Structure combines fixed and variable components, in alignment with European pay standards. In comparable terms, fixed remuneration is close to the median and total compensation is close to the third quartile of the standards. Variable pay represents more than 40% of the component. The minimum and maximum of the variable component are established as percentage of fixed component (thus, establishing objectively the maximum limits).
(iii) A significant part of the variable remuneration shall be deferred for a period not less than three years and its payment shall depend of the Company's steady positive performance during said period.		See '5.4.b) Directors Remuneration'.
(iv) Members of the Board of Directors shall not enter into contracts with the Company or third parties that will have the effect of mitigating the risk inherent in the variability of the remuneration established by the Company.		No such contracts have been identified.
(v) The Executive Directors shall hold, at least twice the value of the total annual remuneration, the Company shares that were allotted by virtue of the variable remuneration schemes, with the exception of those shares that are required to be sold for the payment of taxes on the gains of said shares.		Sonaecom implemented since 2008 a Share Holding and Retention Policy that fully complies with this recommendation.
(vi) When the variable remuneration includes stock options, the period for exercising same shall be deferred for a period of not less than three years.		The variable remuneration does not include stock options.
(vii) The appropriate legal instruments shall be established so that in the event of a Director's dismissal without due cause, the envisaged compensation shall not be paid out if the dismissal or termination by agreement is due to the Director's inadequate performance.		Sonaecom applies for the appropriate legal instruments available in law to this type of situations. There are no individual contracts with Directors to define how compensations would be calculated. Moreover, Sonaecom has never attributed or estimated to attribute to the Directors any compensation in case of dismissal or termination due to inadequate performance.
(viii) The remuneration of Non-Executive Board Members shall not include any component the value of which is subject to the performance or the value of the Company.		Non-Executive Directors do not receive annual performance bonuses nor do they participate in the Sonaecom MTIP.
2.15.2 The statement on the remuneration policy of the management and audit bodies referred to in Article 2 of Law No. 28/2009 of 19 June, shall contain, in addition to the content therein stated, adequate information on: i) which groups of companies the remuneration policy and practices of which were taken as a baseline for setting the remuneration ii) the payments for the dismissal or termination by agreement of the Directors' duties.	Yes	2012 AGM remuneration proposal includes such information.
2.15.3 The remuneration policy statement referred to in Article 2 of Law No. 28/2009 shall also include the persons discharging managerial responsibilities' remuneration which contain an important variable component, within the meaning of Article 248-B/3 of the Securities Code. The statement shall be detailed and the policy presented shall particularly take the long-term performance of the Company, compliance with the rules applicable to its business and restraint in taking risks into account.	Yes	2012 AGM remuneration proposal includes such information.
2.15.4 A proposal shall be submitted at the General Meeting on the approval of plans for the allotment of shares and/or options for share purchase or further yet on the variations in share prices, to members of the management and audit bodies and other managers within the context of Article 248/3/B of the Securities Code. The proposal shall mention all the necessary information for its correct assessment. The proposal shall contain the regulation plan or in its absence, the plan's conditions. The main characteristics of the retirement benefit plans established for members of the management and audit bodies and other managers within the context of Article 248/3/B of the Securities Code, shall also be approved at the General Meeting.	Yes	Sonaecom's Medium Term Incentive Plan (MTIP) was approved at the 2012 Shareholders' General Meeting and the format of the MTIP has not changed since that date. No retirement benefit plans are in place. (see '5.4.a) Group remuneration policy').



CMVM recommendations		Sonaecom compliance	Comments
2.1.5.5	At least one of the Remuneration Committee's representatives shall be present at the Annual General Meeting for Shareholders.	No	At the 2012 Annual General Meeting, none of the representatives was present.
2.1.5.6	The amount of remuneration received, as a whole and individually, in other Companies of the Group and the pension rights acquired during the financial year in question shall be disclosed in the Annual Report on Corporate Governance.	Yes	This disclosure is made. See '5.4.b) Directors remuneration'.
<b>2.2 Board of Directors</b>			
2.2.1	Within the limits established by Portuguese Company Law for each management and audit governance structure, and unless the Company is restricted by its size, the Board of Directors shall delegate the day-to-day running of the Company and the powers and terms of the delegation should be set out in the Corporate Governance Report.	Yes	The day-to-day running of the Company is delegated to an Executive Committee (see '5.3.b) Management and auditing Bodies – Corporate structure organization - Roles and competencies'.
2.2.2	The Board of Directors shall ensure that the Company acts in accordance with its objectives, and should not delegate its own responsibilities, including: i) definition of the Company's strategy and general policies; ii) definition of the corporate structure of the Group; and iii) decisions that are considered to be strategic due to the amounts, risks and special circumstances involved.	Yes	Such responsibilities are not delegated (see '5.3.b) Management and Auditing Bodies – Corporate structure organization - Roles and competencies').
2.2.3	Should the Chairman of the Board of Directors have an executive role, the Board of Directors shall set up efficient mechanisms to co-ordinate the work of the non-executive members, to ensure that they may take decisions in an independent and informed manner, and shall also explain these mechanisms to the Shareholders in the Corporate Governance Report.	Not Applicable	The Chairman of the Board of Directors does not have an executive role at Sonaecom (see '5.3.a) Management and auditing Bodies – Identification and composition').
2.2.4	The Annual Management Report shall include a description of the activity carried out by the non-executive Board Members and shall, in particular, report any restrictions that they encountered.	Yes	This description is included in Section 4 of the Annual Management Report
2.2.5	The company shall expound its policy of portfolio rotation on the Board of Directors, including the person responsible for the financial portfolio, and report on same in the Annual Corporate Governance Report.	Yes	Sonaecom policy is not to adopt a formal and mandatory policy of rotation. We defend that forcing the adoption of such principle could translate into a harm measure for the company and its shareholders. See '5.3.b) Management and auditing Bodies – Corporate structure organization - Roles and competencies'.
<b>2.3 Chief Executive Officer (CEO), Executive Committee and Executive Board of Directors</b>			
2.3.1	When Directors who carry out executive duties are requested by other Board Members to supply information, they shall provide answers in a timely manner with information that adequately responds to the request made.	Yes	Sonaecom Executive Directors meet this recommendation.
2.3.2	The Chairman of the Executive Committee shall send the notices convening meetings and minutes of the respective meetings to the Chairman of the Board of Directors and, when applicable, to the Chairman of the Statutory Audit Board or the Audit Committee.	Yes	The Chairman of the Executive Committee meets this recommendation.
2.3.3	The Chairman of the Executive Board of Directors shall send the notices convening meetings and minutes of the respective meetings to the Chairman of the General and Supervisory Board and to the Chairman of the Financial Matters Committee.	Not Applicable	Sonaecom has not adopted this governance model.
<b>2.4 General and Supervisory Board, Financial Matters Committee, Audit Committee and Statutory Audit Board</b>			
2.4.1	In addition to fulfilling its supervisory and verification roles, the General and Supervisory Board shall fulfil the role of advisor, as well as monitor and continually assess the management of the Company by the Executive Board of Directors. Amongst the other matters on which the General and Supervisory Board should form an opinion are the following: i) definition of the strategy and general policies of the Company; ii) the corporate structure of the Group; and iii) decisions that are considered to be strategic due to the amounts, risks and special circumstances involved.	Not Applicable	Sonaecom has not adopted this governance model.
2.4.2	The annual reports on the activity of the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Statutory Audit Board shall be disclosed on the Company's website together with the financial statements.	Yes	The annual report of the Statutory Audit Board is disclosed on the Company's website.

CMVM recommendations		Sonaecom compliance	Comments
2.4.3	The annual reports on the activity of the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Statutory Audit Board shall include a description of the supervisory and verification work completed and shall, in particular, report any restrictions that they encountered.	Yes	The Statutory Audit Board's report includes such a description.
2.4.4	The General Supervisory Board, the Audit Committee or the Statutory Audit Board (depending on the governance model adopted) shall represent the Company, for all purposes, in the relationship with the external auditor. This shall include proposing who will provide this service, their respective remuneration, and ensuring that the Company provides adequate conditions to allow them to deliver their service, and also acting as the point of contact with the Company and being the first recipient of their reports.	Yes	Sonaecom fully complies with Portuguese Company Law in terms of the role and functioning of the Statutory Audit Board. The Statutory Audit Board liaises with the Board Audit and Finance Committee in this area as described later in this report.
2.4.5	The General Supervisory Board, the Audit Committee or the Statutory Audit Board (depending on the governance model adopted), shall assess the external auditor on an annual basis and should propose to the Shareholders' General Meeting that the external auditor be discharged, should justifiable grounds exist.	Yes	The Statutory Audit Board makes this annual assessment.
2.4.6	The internal audit services and those that ensure compliance with the rules applicable to the Company (compliance services) shall functionally report to the Audit Committee or the Statutory Audit Board or, in the case of Companies adopting the Latin model, an independent director or Statutory Audit Board, regardless of the hierarchical relationship that these services have with the executive management of the company.	Yes	Internal Audit services report functionally and in separate to the Statutory Audit Board and to the Board Audit and Finance Committee. Sonaecom confirms that Internal Audit functionally reports in an effective manner to the Statutory Audit Board, so the reporting to an independent statutory body is guaranteed. The reporting to the Board Audit and Finance Committee, as a specialized committee of the Board of Directors, is an additional way of strengthening the levels of control and does not override the functions of the Statutory Audit Board. See also comments given to Recommendation 2.1.1.3. See '5.5. a) Internal Control and Risk Management System - Report to Management and Supervisory Bodies'.
2.5	<b>Special purpose or specialised committees</b>		
2.5.1	Unless the Company is restricted by its size, the Board of Directors and the General and Supervisory Committee, depending on the governance model adopted, shall set up the necessary committees in order to: i) ensure that a robust and independent assessment of the performance of the Executive Directors is carried out, as well as of its own overall performance and including the performance of all existing committees; and ii) consider the governance system adopted, assess its efficiency and propose measures to make improvements to the relevant bodies; and iii) in due time identify potential candidates with the high profile required for the performance of director's duties.	Yes	Board Audit and Finance Committee and, especially, the Board Nomination and Remuneration Committee were set up for these purposes (see '5.3.b) Management and auditing Bodies - Corporate structure organization - Roles and competencies').
2.5.2	Members of the Shareholders' Remuneration Committee or similar, shall be independent from the members of the Board of Directors and include at least one member with knowledge and experience in matters of remuneration policy.	Yes	See explanations below in respect of the effective independence of Paulo Azevedo (see 'CMVM Recommendations compliance').
2.5.3	Any natural or legal person which provides or has provided, over the past three years, services to any structure of the Board of Directors, to the Board of Directors of the Company or that has to do with the current consultant of the company shall not be recruited to assist the Remuneration committee. This recommendation also applies to any natural or legal person who has an employment contract or provides services.	Yes	The Board Nomination and Remuneration Committee, made up of independent members, supports the Compensation Committee to carry out its duties. It is supported by international consultants of recognized competence, whose independence is assured by the fact that they are not bound in any way to the Board of Directors and through their broad experience and recognized status in the market place.
2.5.4	All committees shall draw up minutes of the meetings they hold.	Yes	Our Board committees draw up minutes.
3.	<b>Information and auditing</b>		
3.1	<b>General disclosure requirements</b>		
3.1.1	Companies shall ensure that permanent contact is maintained with the market, upholding the principle of equal treatment for all Shareholders and avoiding any asymmetry in the access to information by investors. To achieve this, the Company shall set up an Investor Relations Office.	Yes	Sonaecom has set up an Investor Relations Office (see 5.6. Other information - Investor Relations').

CMVM recommendations	Sonaecom compliance	Comments
3.1.2 The following information disclosed on the Company's Internet website, shall be available in English: a) The Company, its listed company status, registered office and the remaining information set out in Article 171 of Portuguese Company Law; b) Articles of Association; c) Identification of the members of the Statutory Governing Bodies and of the Representative for Relations with the Market; d) Investor Relations Office - its functions and contact details; e) Financial Statements; f) Half-yearly Calendar of Company Events; g) Proposals presented to Shareholders' General Meetings; h) Notices convening Shareholders' General Meetings.	Yes	All the information indicated is available in English on the Company's website.
3.1.3 Companies shall advocate the rotation of auditors after two or three terms in accordance with four or three years respectively. Their continuance beyond this period must be based on a specific opinion from the Statutory Audit Board to formally consider the conditions of the auditor's independence and the benefits and costs of replacement.	Yes	In 2012 it was mandatory the election of the corporate bodies. The Statutory Audit Board issued a specific opinion, complying with this recommendation, which was approved by the Shareholders.
3.1.4 The external auditor must, within its powers, verify the implementation of remuneration policies and systems, the efficiency and functioning of internal control mechanisms and report any shortcomings to the company's Statutory Audit Board.	Yes	The work performance of the statutory external auditor during 2012 is disclosed in the annual auditor report, available on the Company's website.
3.1.5 The Company shall not recruit the external auditor for services other than audit services, nor any entity with which same takes part or incorporates the same network. Where recruiting such services is called for, said services should not be greater than 30% of the total value of services rendered to the company. The hiring of these services must be approved by the Statutory Audit Board and must be expounded in the Annual Corporate Governance Report.	Yes	Sonaecom policy is to adopt services other than audit not greater than 30% of the total value of services rendered to the Company. Particularly in 2012, this percentage of services totaled 17%.
<b>4. Conflicts of Interest</b>		
<b>4.1 Shareholder Relationship</b>		
4.1.1 Where deals are concluded between the company and shareholders with qualifying holdings or entities with which same are linked in accordance with Article 20 of the Securities Code, such deals shall be carried out in normal market conditions.	Yes	Sonaecom policy is to conduct these deals according with the normal market conditions. <i>See '5.5.c) Risk management policies for Ethics and Disclosure - Conflicts of Interest policy'.</i>
4.1.2 Where deals of significant importance are undertaken with holders of qualifying holdings, or entities with which same are linked in accordance with Article 20 of the Securities Code, such deals shall be subject to a preliminary opinion from the Statutory Audit Board. The procedures and criteria required defining the relevant level of significance of these deals and other conditions shall be established by the Statutory Audit Board.	Yes	Sonaecom policy is to report such deals to the SAB and obtain a preliminary opinion for deals higher than 10 million euros, as defined by the SAB. <i>See '5.5.c) Risk management policies for Ethics and Disclosure - Conflicts of Interest policy'.</i>



### 1.1.1 NOTES ON CMVM RECOMMENDATIONS COMPLIANCE

On what concerns CMVM's Recommendations on Corporate Governance, we would like to add that concerning recommendation 2.5.2. (Independence of the members of the Shareholders' Remuneration Committee), we consider that we are compliant with this recommendation in terms of substance, although formally we do not comply as one of the members of this Committee (Duarte Paulo Teixeira de Azevedo) is also the Chairman of our Board of Directors.

Our opinion is based on the following considerations: (i) Duarte Paulo Teixeira de Azevedo represents our major reference Shareholder at the Shareholder's Remuneration Committee in his capacity of CEO of Sonae - SGPS, S.A., which is fully consistent with the purpose of this committee; (ii) he is a Non-Executive Chairman of our Board; (iii) he does not take part in any discussion where a conflict of interest might arise with his role as Chairman of our Board (for example, he does not discuss his own remuneration at Sonaecom, which is decided by the other independent member of our Shareholders' Remuneration Committee); and (iv) additionally, his remuneration at Sonaecom is not a significant value, being 60,500 euros in 2012.

In relation to independence, one further point to stress is that our Board Nomination and Remuneration Committee liaises with our Shareholders' Remuneration Committee to ensure that the latter has all the necessary information to assess the performance of our Directors (especially the Executive Directors), as the Shareholders' Remuneration Committee does not closely monitor their activity throughout the year. This support does not in any way impair the independence of the members of the Shareholders' Remuneration Committee but facilitates the assessments they make and the remuneration decisions they approve on behalf of our Shareholders.

### 1.1.2 DECLARATION OF THE BOARD OF DIRECTORS ON ITS ASSESSMENT OF THE GOVERNANCE MODEL ADOPTED (ISSUED FOR THE PURPOSE OF CMVM RECOMMENDATION II.1.1.1)

Sonaecom's governance model has enabled the Board of Directors and its specialized committees to function normally, and none of the other statutory bodies have reported the existence of any constraints to their normal functioning.

The Statutory Audit Board has exercised its supervisory powers, having received all the required support of the Board to that effect, through information provided on a regular basis by

the Board and Audit Finance Committee, as well as by the Executive Commission.

The Statutory External Auditor has analysed the Company's activity and has conducted the examinations and verifications deemed necessary to the proper audit and legal certification of the accounts, in conjunction with the Statutory Audit Board, and with the full cooperation of the Board of Directors.

The Board of Directors, through its Board Audit and Finance Committee and Executive Committee, has been carrying out its duties and cooperating with the Statutory Audit Board and the Statutory External Auditor, when so requested, in a transparent and rigorous manner and in compliance with its Terms of Reference and best corporate governance practices.

In order to provide a cumulative record of how the Board of Directors and the supervisory entities have functioned and interacted under the current governance model during the course of the Board's current mandate, an internal document has been prepared by the bodies involved detailing the procedures as to how the Statutory Audit Board interacts with the Board of Directors, the Executive Committee and the Board Audit and Finance Committee.

These procedures, developed during the Board's mandate, facilitate:

- the manner in which the Statutory Audit Board carries out its duties, formalizing the exchange and flow of information to and from the Board of Directors, with the active involvement of the Board Finance and Audit Committee and Executive Committee in reporting information concerning risk management procedures, the Company's internal audit activities as well as the preparation and disclosure of financial information;
- the involvement of the Statutory Audit Board through opinions and recommendations given to the Board of Directors and Executive Committee, concerning namely the functioning of internal control and risk management systems and, if relevant, transactions with related parties.

### 1.1.3 ASSESSMENT OF INDEPENDENCE OF THE MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors did not identify any fact or circumstance that would have caused any loss of independence by any of its independent non-executive members during the term to which this report refers. This conclusion was based on written statements issued by each of the independent members at the request of the Board.

## 1.2 SHAREHOLDERS' GENERAL MEETING

### COMPOSITION OF THE BOARD OF SHAREHOLDERS' GENERAL MEETING

João Augusto Esmeriz Vieira de Castro	Chairman
António Agostinho Cardoso da Conceição Guedes	Secretary

### MANDATES

The current mandate of the members of the Board of the Shareholders' General Meeting covers the period from 2012 to 2015.

### REMUNERATION

The Chairman of the Shareholders' General Meeting receives a fixed annual fee of 5,000 euros and the Secretary a fixed annual fee of 1,500 euros.

### BLOCKING OF SHARES

The blocking of shares is no longer required as the law has changed. The Shareholders' General Meeting is composed of shareholders that on the record date, meaning at 00:00 hours (GMT) of the fifth trading day before the date of the general meeting hold shares that entitled them to at least one vote, provided confirmation of their intention of attending the General Meeting under Portuguese Company Law and the Articles of Association.

### RULES APPLICABLE TO THE BLOCKING OF SHARES IN CASE OF SUSPENSION OF THE GENERAL MEETING

The blocking of shares is no longer required as the law has changed. Shareholders may participate in Shareholders' General Meeting under the terms established by Portuguese Company Law.

### NUMBER OF SHARES CORRESPONDING TO ONE VOTE

Each share corresponds to one vote.

### STATUTORY RULES ON LIMITATIONS OF THE NUMBER OF VOTES

The Articles of Association do not include any restrictions on the number of votes that may be counted nor do they allow for the existence of shares that do not grant the right to vote.

### POSTAL VOTING

Postal voting is allowed in respect of all proposals for discussion and decision at a Shareholders' General Meeting, according to the terms and conditions set out in the Company's Articles of Association. The Chairman of the Board of the Shareholders' General Meeting is responsible for the authenticity and confidentiality of such votes.

### FORM USED FOR POSTAL VOTING

Printed postal voting forms are available and may also be downloaded from Sonaecom's website.

### DEADLINE FOR RECEIVING POSTAL VOTES

Postal voting bulletins must be received at least three days before the Shareholders' General Meeting at the Company's Registered Office by means of registered mail or electronically and must be addressed to the Chairman of the Board of the Shareholders' General Meeting.

### ELECTRONIC VOTING

Electronic voting is allowed for under Sonaecom's Articles of Association, provided the requirements imposed by the Chairman of the Shareholders' General Meeting, in the notice convening the respective General Meeting, in order to assure an equivalent level of security and authenticity, are respected.

### POSSIBILITY OF ACCESS TO THE EXTRACTS OF THE MINUTES OF THE GENERAL MEETINGS ON THE WEBSITE OF THE COMPANY

All shareholders have access to the extracts of the minutes on Sonaecom's website within the following five days.

### APPROVAL OF REMUNERATION POLICY AND ASSESSMENT OF THE MANAGEMENT OF THE COMPANY

The Shareholders' Remuneration Committee (elected by the Shareholders' General Meeting) is responsible for approving the remuneration and other compensation of members of Sonaecom's Statutory Governing Bodies, including Executive and Non-Executive Directors and following the remuneration and other compensation policies already approved by Shareholders at Shareholders' General Meetings.

As required by Portuguese Company Law, the agenda for each AGM includes a point covering the assessment of the management and audit of the Company, under which the Shareholders have the opportunity to make this assessment. In line with the CMVM's Recommendations on Corporate Governance, such point include persons discharging managerial responsibilities' remuneration in 2012.

### APPROVAL OF SHARE PLANS

Sonaecom's share plans are approved by the General Meeting and all relevant information is provided to the Shareholders in detail, in order to enable them to decide on a fully informed basis. The current plan was approved at the 2012 AGM and all relevant data is available on the Company's website.

### APPROVAL OF RETIREMENT BENEFITS

Sonaecom does not have any retirement benefits in place.

**EXISTENCE OF A STATUTORY PROVISION REGARDING  
THE RESOLUTION OF THE GENERAL MEETING AIMING  
AT MAINTAINING OR REVOKING A STATUTORY PROVISION  
REFERRING TO THE LIMITATION ON THE NUMBER OF VOTES  
THAT MAY BE COUNTED**

No such provision exists, as there are no limitations on the number of votes that may be counted.

**DEFENSIVE MEASURES IN CASE OF CHANGE OF CONTROL  
OR CHANGES IN THE BOARD OF DIRECTORS**

None of the so-called defensive measures exist.

**AGREEMENTS WITH OWNERSHIP CLAUSES**

A change in control of Sonaecom would allow France Télécom to terminate the Strategic Partnership Agreement entered into on 9 June 2005, which was renewed on 24 October 2008. A new agreement between the two parties was signed on 1 March 2012.

**AGREEMENTS WITH MEMBERS OF THE BOARD  
OF DIRECTORS AND OTHER PERSONS DISCHARGING  
MANAGERIAL RESPONSIBILITIES ('DIRIGENTES')  
IN CASE OF TERMINATION OF THE MANDATE**

Please refer to 5.4.c), Compensation for Board members on termination of office.



## 1.3 MANAGEMENT AND AUDITING BODIES

### A) IDENTIFICATION AND COMPOSITION

#### BOARD OF DIRECTORS

##### COMPOSITION

Under Sonaecom's Articles of Association, the Board of Directors may be composed of any number of members between three and twelve, elected at a Shareholder's General Meeting. Board mandates are of four years, with the possibility of re-election. The current Board mandate covers the period from 2012 to 2015. The Board of Directors shall elect its Chairman.

	Members
Duarte Paulo Teixeira de Azevedo	Chairman
António Sampaio e Mello	Independent Non-Executive Director
David Charles Denholm Hobley	Non-Executive Director *
Gervais Gilles Pellisser	Non-Executive Director
Jean-François René Pontal	Independent Non-Executive Director
Franck Dangeard	Independent Non-Executive Director
Nuno Manuel Moniz Trigos Jordão	Non-Executive Director
Ângelo Gabriel Ribeirinho dos Santos Paupério	Executive – CEO
António Bernardo Aranha da Gama Lobo Xavier	Executive Director
Maria Cláudia Teixeira de Azevedo	Executive Director and CEO of SSI and Online & Media
Miguel Nuno Santos Almeida	Executive Director and CEO of Optimus

\*See 'Independence Criteria'.

Sonaecom's Board of Directors exhibits a healthy balance between the total number of Non-Executive Directors and the number of Independent Non-Executive Directors.

#### STATUTORY AUDIT BOARD

##### COMPOSITION

Sonaecom's Statutory Audit Board is composed of the following members:

	Members
Arlindo Dias Duarte Silva	Chairman
Armando Luís Vieira de Magalhães	Member
Óscar José Alçada da Quinta	Member
Jorge Manuel Felizes Morgado	Substitute

#### STATUTORY EXTERNAL AUDITOR

##### COMPOSITION

Sonaecom's Statutory External Auditor is Deloitte & Associados, SROC, S.A. represented in 2012 by António Manuel Martins Amal, who may be substituted, if required, by João Luís Falua Costa da Silva

#### COMPANY SECRETARY

##### COMPOSITION

Sonaecom's Secretary is Filipa Santos Carvalho, who may be substituted, if required, by Célia Sá Miranda.

### OTHER COMMITTEES WITH MANAGEMENT AND AUDITING COMPETENCIES

In order to improve the operational efficiency of the Board and to meet best practices in Corporate Governance, Sonaecom's Board has created three Board Committees: the Executive Committee, the Board Audit and Finance Committee and the Board Nomination and Remuneration Committee.

#### EXECUTIVE COMMITTEE

##### COMPOSITION

Under Sonaecom's Articles of Association, the Executive Committee is selected from the members of the Board of Directors. The Group's CEO and the three other Executive Directors comprise the Executive Committee.

	Members
Ângelo Gabriel Ribeirinho dos Santos Paupério	Executive Director – CEO
Miguel Nuno Santos Almeida	Executive Director – Deputy CEO and CEO of Optimus
Maria Cláudia Teixeira de Azevedo	Executive Director – CEO of SSI and CEO of Online & Media
António Bernardo Aranha da Gama Lobo Xavier	Executive Director

#### BOARD AUDIT AND FINANCE COMMITTEE

##### COMPOSITION

Sonaecom's Board Audit and Finance Committee (BAFC) consists of three members who are appointed by and from among the members of the Board. The fourth member is the Board and Corporate Governance Officer. The Committee currently includes three Non-Executive Directors, two of whom are independent, and is chaired by an Independent Non-Executive Director.

	Members
Jean-François René Pontal	Chairman – Independent Non-Executive Director
António Sampaio e Mello	Independent Non-Executive Director
David Charles Denholm Hobley	Non-Executive Director*
David Graham Shenton Bain	Board and Corporate Governance Officer

\*See 'Independence Criteria'.

#### BOARD NOMINATION AND REMUNERATION COMMITTEE

##### COMPOSITION

Sonaecom's Board Nomination and Remuneration Committee (BNRC) consist of three members and includes the Chairman of the Board of Directors and two Independent Non-Executive Directors. The current composition is shown in the table below.

	Members
Duarte Paulo Teixeira de Azevedo	Chairman – Non-Executive Director
Jean-François René Pontal	Independent Non-Executive Director
Franck Emmanuel Dangeard	Independent Non-Executive Director



**ETHICS COMMITTEE****COMPOSITION**

Sonaecom's Ethics Committee consists of four members appointed by the Board of Directors, including one Independent Non-Executive Director, as Chairman of the Committee, an Executive Director, the Board and Corporate Governance Officer and the head of the Human Resources department. The current composition is shown in the table below.

	Members
Jean-François René Pontal	Chairman – Independent Non-Executive Director
António Bernardo Aranha da Gama Lobo Xavier	Executive Director
David Graham Shenton Bain	Board and Corporate Governance Officer
Anabela Magalhães	Head of the Human Resources Department

**BOARD AND CORPORATE GOVERNANCE OFFICER****COMPOSITION**

Sonaecom's Board and Corporate Governance Officer (BCGO) is David Graham Shenton Bain.

**SHAREHOLDERS' REMUNERATION COMMITTEE****COMPOSITION**

Sonaecom's Shareholders' Remuneration Committee ('Comissão de Vencimentos') comprises two members:

Sonae - SGPS, S.A. represented by	Duarte Paulo Teixeira de Azevedo
Sontel, BV, represented by	Francisco de La Fuente Sánchez



## B) CORPORATE STRUCTURE ORGANISATION – ROLES AND COMPETENCIES

Sonaecom's Corporate Governance structure sets out clearly the roles, duties and responsibilities of its different governing bodies.



We highlight below the key duties and responsibilities of Sonaecom's governing bodies:

### BOARD OF DIRECTORS

The Board of Directors is responsible for assuring the management of the Company's business, monitoring risks, managing conflicts of interests and developing the organisation's goals and strategy.

Sonaecom's Articles of Association permit the Board to delegate day-to-day Company business, duties and responsibilities, as considered appropriate, to an Executive Committee (as described in more detail under the Executive Committee section) but do not allow the Board to approve share capital increases, which must be approved at a Shareholders' General Meeting.

The full Terms of Reference of the Board of Directors are available on the company's website ([www.sonae.com](http://www.sonae.com)).

### POLICY OF ROTATION

Sonaecom policy is not to adopt a formal and mandatory policy of rotation. Executive Commission roles at Sonaecom are rotated based on matching the skills and competencies required for the role, at any point in time, with the capabilities, experience and career plans of the individuals currently serving. Alternative candidates are identified and considered, as part of the Company's annual succession and contingency planning processes.

Sonaecom does not have a formal policy in relation to the rotation of the executive roles of the Board of Directors, in the sense that no rotation of any of the executive roles is mandatory. Sonaecom does not agree with rotation for rotation's sake, which to the best of our knowledge does not exist in any other international Corporate Governance Code or in any of the Best Practice Guidelines issued by institutional investors or their advisors. We believe that there would be no benefit to Shareholders or to the Company from forcing the rotation of a competent and successful CFO or the holder of any other Executive Commission role.

### STATUTORY AUDIT BOARD

The Statutory Audit Board, while performing its functions, statutory and legally assigned, including the ones set out in Art. 420 of the Commercial Companies Code has the following main duties, among others:

- (i) To oversee the Company's management;
- (ii) To oversee compliance with legal and regulatory requirements and the Company's Articles of Association;
- (iii) To verify that the books of account, accounting records and supporting documentation are correctly maintained and kept up to date;
- (iv) To verify the accuracy of the documents used in the presentation of the accounts;
- (v) To verify if the accounting policies and accounting criteria used by the Company are suitable to showing a true and fair view of the financial position and the results of its operations;
- (vi) To prepare an annual report on the supervisory work performed and express an opinion on the management report, accounts and other proposals submitted by the Board of Directors, in which it should express its agreement or not, with the management report and the accounts of the year;
- (vii) To evaluate if the corporate governance report disclosed, includes the information listed in Art. 245.a of the Portuguese Securities Code;

- (viii) To convene the Shareholders' General Meeting, should the Chairman of the General Meeting fail to do this in circumstances when it is necessary;
- (ix) To assess the risk management systems, internal control system and internal audit system and to monitor the effectiveness of them, and receive the respective reports;
- (x) To oversee the independence of the internal audit function, particularly with regard to restrictions to its organizational independence and any lack of resources for internal audit activity;
- (xi) To receive communications of alleged irregularities occurring in the Company and presented by the Company's shareholders, employees or others;
- (xii) To appoint and hire services from experts to help one or more members in the exercise of their duties. The hiring and fees of these experts should take into consideration the complexity of the matters involved and the financial position of the Company;
- (xiii) To oversee the preparation and disclosure of financial information;
- (xiv) To propose the appointment of the Statutory External Auditor to the Shareholders' General Meeting and their remuneration;
- (xv) To oversee the Company's financial statements, and to assess the Statutory External Auditor on an annual basis and recommend to the Shareholders' General Meeting their dismissal, if there is due case to do so;
- (xvi) To assure that the Company provides the Statutory External Auditor the necessary conditions for carrying out their duties, to intermediate between them and the Company, as well as, be a receiver of their reports;
- (xvii) To consider and oversee the independence of the Statutory External Auditor, namely in relation to any additional services they may provide;
- (xviii) To issue a prior opinion on relevant business activities (higher than 10 million euros) with qualified shareholders, or entities with whom they are in any relationship, according to Art. 20 of the Portuguese Securities Code;
- (xix) To carry out any other supervisory duties required by law.

The SAB obtains from the Board of Directors, namely through the Board of Audit and Finance Committee, all the necessary information to carry out its duties, namely relating to the operational and financial progress of the Company, changes to its business portfolio, the terms of any transactions that have occurred and the details of the decisions taken.

The SAB is the global supervision body of the Company for matters of internal control and risk management, acts in an independent manner and has primacy over other bodies regarding the supervision of those matters.

The full Terms of Reference of the Statutory Audit Board are available on the Company's website ([www.sonae.com](http://www.sonae.com)).

#### SHAREHOLDERS' REMUNERATION COMMITTEE

The Committee is responsible for approving the remuneration and other compensation of members of Sonaecom's Board of Directors and of its other Statutory Governing Bodies, on behalf of the Shareholders, in accordance with the remuneration and other compensation policies approved by Shareholders at a Shareholders' General Meeting.

#### COMPANY SECRETARY

The Company Secretary is responsible for:

- (i) Keeping the formal minute books and attendance lists at Shareholders' General Meetings;
- (ii) Forwarding the legal documentation to convene Shareholders' General Meetings;
- (iii) Supervising the preparation of supporting documentation for the Shareholders' General Meetings and meetings of the Board of Directors and preparing the respective formal minutes;
- (iv) Responding to Shareholders' requests for information within the scope of the law;
- (v) Legal registration of any act or resolutions of the Company's Statutory Governing Bodies.



### EXECUTIVE COMMITTEE

The Executive Committee may deliberate on matters that relate to general management and not on matters that are exclusively within the powers of the Board of Directors. Powers and the responsibility to manage and carry out Sonaecom's day-to-day operations are delegated to the Executive Committee, except as follows:

- (i) To appoint the Chairman of the Board;
- (ii) To co-opt a substitute to replace a member of the Board;
- (iii) To convene Shareholders' General Meetings;
- (iv) To approve the Annual Report and Accounts;
- (v) To grant any pledge, guarantee or charge over Sonaecom's assets, if those are in excess of an accumulated value of 500,000 euros in any financial year;
- (vi) To decide to change the registered office or to approve any share capital increases;
- (vii) To decide on mergers, demergers, modifications to the corporate format and any other projects relating to association with other legal entities to form new companies;
- (viii) To approve Sonaecom Group's Business Plan and Annual Budget;
- (ix) To define the key features of personnel compensation policies, including stock incentive plans and variable compensation plans applicable to Executives (Sonaecom Group Management Levels G3 and above), in areas that do not require decisions from the Shareholders' Remuneration Committee ('Comissão de Vencimentos') or deliberations at Shareholders' General Meetings;
- (x) To define or change major accounting policies of any company included in the consolidation perimeter of the Group;
- (xi) To approve Sonaecom's quarterly Accounts and half-year Report and Accounts;
- (xii) To sell, acquire directly or by long-term lease or transact, in any other way, investments classified as tangible fixed assets where the individual transaction value is in excess of 1,000,000 euros, unless covered by the Group's Annual Budget or Business Plan duly approved by the Board;
- (xiii) To purchase or subscribe for new shares in the share capital of any subsidiary companies where the accumulated amount exceeds 5,000,000 euros in any financial year, unless covered by the Group's Annual Budget or Business Plan duly approved by the Board;
- (xiv) To invest in any other companies or in other financial assets when the accumulated value is in excess of 1,000,000 euros in any financial year, unless covered by the Group's Annual Budget or Business Plan duly approved by the Board;
- (xv) To make any other financial investments which exceed the accumulated amount of 1,000,000 euros in any financial year, unless covered by the Group's Annual Budget or Business Plan duly approved by the Board;
- (xvi) To dispose of assets or make other divestments, if such transaction has a significant effect on Sonaecom's operating results (defined as equal to or greater than 5%) or affects the jobs of more than 100 employees, unless covered by the Group's Annual Budget or Business Plan duly approved by the Board.

The full Terms of Reference of the Executive Committee are available on the Company's website ([www.sonae.com](http://www.sonae.com)).

To ensure that the Board of Directors is kept well informed by the Executive Committee, all significant decisions taken by the Executive Committee are systematically extracted from the minutes of their meetings and are reported, in writing, to the Board of Directors.

### BOARD AUDIT AND FINANCE COMMITTEE (BAFC)

The BAFC operates under Terms of Reference approved by the Board and is responsible for monitoring and supervising Sonaecom's financial reporting processes, reviewing accounting policies and for evaluating risk associated with its activities on behalf of the Board, and additionally for overseeing Corporate Governance within the Company. The BAFC also meets directly with the Group's Statutory External Auditors and the Internal Audit Team. The duties of the BAFC are:

- (i) To review the Company's annual and interim financial statements and reports to the market, and report its findings to the Board, before these documents are approved or signed by the Board;
- (ii) To advise the Board on its reports to Shareholders and financial markets to be included in the Company's annual and half-year Accounts and in the quarterly Earnings Announcements;
- (iii) To advise the Board on the adequacy and appropriateness of internal information provided by the Executive Committee, including systems and standards on internal business controls and risk management activities applied by the Executive Com-

mittee, allowing to strengthen the Company's levels of self-control in addition to the independent, sovereign and dominant supervision role performed by the Statutory Audit Board;

- (iv) To advise the Board on the appointment of, the assignments to and the remuneration of the Statutory External Auditor; to advise the Board on the quality and independence of the Internal Audit function and to be consulted by management in relation to the appointment and removal of the Chief Audit Executive;
- (v) To review the scope of the Internal Audit Function and its relation to the scope of the Statutory External Audit; to discuss with the Statutory External Auditor and the Internal Auditor their reports, and advise the Board thereon; these reports are issued both to the Statutory Audit Board and BAFC. It should be emphasized that these reports are previously analysed by the Statutory Audit board, being subsequently discussed by the Board Audit and Finance Committee.

The full Terms of Reference of the BAFC are available on the Company's website ([www.sonae.com](http://www.sonae.com)).

Sonae's BAFC reports in writing, on a regular basis, to the Board of Directors concerning the work accomplished, results obtained and concerns identified, thus ensuring the effectiveness of the Committee's work.

### BOARD NOMINATION AND REMUNERATION COMMITTEE (BNRC)

The BNRC operates under Terms of Reference approved by Sonae's Board and is responsible for identifying candidates for appointment to the Board of Directors or Senior Management positions within the Group, for supervising the preparation of proposals on remuneration and other compensation on behalf of the Board of Directors, for the succession planning and for monitoring Sonae's talent management and contingency planning processes. The BNRC reports in writing to the Board, whenever necessary, and liaises with Sonae's Shareholders' Remuneration Committee ('Comissão de Vencimentos') to obtain their approval, on behalf of shareholders, for the remuneration and other compensation of the Board of Directors and other Statutory Governing Bodies. The BNRC may receive assistance from external entities, which are required to ensure absolute confidentiality in relation to all the information obtained.

The full Terms of Reference of the BNRC:

- (i) The Sonae Board Nomination and Remuneration Committee (BNRC) consists of up to three members: the Chairman of the Sonae Board and up to two independent Non-Executive Directors (NEDs) appointed by the Board. The Sonae Chairman will chair the BNRC, provided he or she is not remunerated as an Executive by the Company. Otherwise, the senior independent NED appointed will chair the BNRC.
- (ii) Members shall be appointed to serve on the BNRC for a period of four years (following the Board mandates).
- (iii) The Sonae Chief Executive Officer (CEO) will attend the meetings of the BNRC, unless the BNRC on an ad hoc basis decides otherwise.
- (iv) The Secretary to the BNRC will be the Sonae Board & Corporate Governance Officer.
- (v) The BNRC is responsible for the succession planning and nomination processes for Board members, for reviewing all remuneration and other compensation policies and proposals for Board members and other Sonae Senior Executives (covering Management Levels G2 and above), for supervising the Sonae Medium Term Incentive Plan ("MTIP") and for monitoring Sonae's talent management and contingency planning processes.
- (vi) The BNRC will normally meet at least twice a year (in late February or early March, preferably before the annual meetings of the Sonae SGPS and Sonae Shareholder Remuneration Committees – "Comissão de Vencimentos" (See Notes A and B below) and in late October or early November). Other meetings may be called by the Chairman or the Board, as necessary.
- (vii) The BNRC will report and, when necessary, propose to the full Sonae Board and will also liaise with the Sonae SGPS and Sonae Shareholder Remuneration Committees through the Sonae Chairman.
- (viii) The BNRC may take advice from external experts at the expense of the Company. Such experts will be held to absolute secrecy on the topics upon which they opine.
- (ix) The agenda of the February/March meeting will always include the review of proposals for the remuneration and other compensation of Executive and Non-Executive Directors of Sonae and other Sonae Senior Executives. The Sonae CEO and other members will withdraw individually from the meeting, when their own remuneration is discussed.
- (x) Remuneration and other compensation proposals, which are submitted to the BNRC for review on behalf of the Sonae Board, are prepared based on proposals made by the Sonae Chairman (for NEDs and for the CEO) and by the CEO (for other Executive Directors and for Senior Executives), are supported by market and Sonae Group comparisons and are derived

from individual appraisals and KPI analyses.

(xi) The remuneration and other compensation of the Sonaecom Chairman is decided directly by the independent member of the Sonaecom Shareholders' Remuneration Committee.

(xii) Minutes of BNRC meetings will be prepared and extracts of these will be circulated to all Board Members.

Note: Under Article 27 of the Company Statutes, Sonaecom has a Shareholders Remuneration Committee ("Comissão de Vencimentos") with 2 members, being: Paulo Azevedo (representing Sonae SGPS) and Francisco de La Fuente Sánchez (representing Sontel BV). All remuneration and other compensation proposals involving the Officers of the Company ("Órgãos Sociais"), including the Board of Directors, must have the agreement of and be formally approved by this Body on behalf of Sonaecom SGPS shareholders.

The full Terms of Reference of the BNRC are available on the Company's website ([www.sonae.com](http://www.sonae.com)).

During 2012, Sonaecom BNRC hired external advisory services in remuneration policy benchmarking and best practices.

### **ETHICS COMMITTEE**

The Ethics Committee is responsible for supervising and maintaining the Company's Code of Conduct and for monitoring its application and ensuring compliance by all Officers and employees of Sonaecom companies.

The Committee is also responsible for reporting to the Company's Board of Directors on compliance with the Code of Conduct, at least once a year, and additionally, whenever requested.

By delegation of the Statutory Audit Board, it is the responsibility of the Ethics Committee to receive, discuss, investigate and assess any alleged irregularities that are reported, in accordance with Sonaecom's 'whistle-blowing' policy. The Committee decides the appropriate measures that should be taken in each case reported.

The full Terms of Reference of the Ethics Committee are available on the Company's website ([www.sonae.com](http://www.sonae.com)).

### **BOARD AND CORPORATE GOVERNANCE OFFICER (BCGO)**

The BCGO reports to the Board of Sonaecom as a whole, through the Chairman, and also, when appropriate, through the senior Independent Non-Executive Director.

In particular, the main duties of the BCGO are:

- (i) Ensuring the smooth running of the Board and Board Committees;
- (ii) Participating in Board Meetings and relevant Board Committee Meetings and, when appointed, serving as a member;
- (iii) Facilitating the acquisition of information by all Board and Committee members;
- (iv) Supporting the Board in defining its role, objectives and operating procedures; Taking a leading role in organising Board evaluations and assessments;
- (v) Keeping under close review all Legislative, Regulatory and Corporate Governance issues; Supporting and challenging the Board to achieve the highest standards in Corporate Governance;
- (vi) Ensuring that the Board is conscious of the concept of stakeholders and the need to protect minority interests, when important business decisions are being taken;
- (vii) Helping to ensure that the procedure to nominate and appoint Directors is properly carried out and assist in the induction of new Board Members;
- (viii) Acting as a primary point of contact and source of advice and guidance for, particularly, Non-Executive Directors as regards the Company and its activities; Facilitating and supporting the Independent Non-Executive Directors in the assertion of their 'independence';
- (ix) Helping to ensure compliance with the continuing obligations of the Portuguese Listing Rules;
- (x) Participating in making arrangements for and managing the whole process of Shareholders' General Meetings;
- (xi) Participating in the arrangement of insurance cover for Directors and Officers;
- (xii) Participating, on behalf of the Company, in external initiatives to debate and improve Corporate Governance regulations and practices in Portugal.

## C) GOVERNING BODIES – TERMS OF REFERENCE, NOMINATION AND SUBSTITUTION

The terms of reference of the corporate bodies and the established committees are available on the Company's website. There is neither an internal definition of incompatibilities nor a maximum number of offices held by members of the Board of Directors in other companies.

Members of the Board of Directors and of the Statutory Audit Board are elected and removed by the Shareholders' General Meeting, without prejudice to legal rules applicable to the appointment of members of the Board of Directors.

According to our Articles of Association, if Shareholders representing at least 10% of the share capital of the Company have voted against the successful proposal for the appointment of the members of the Board of Directors, then there will be an election of an additional Director, which will be voted on by the respective minority Shareholders, at the same General Meeting, and the Director so elected shall automatically replace the least voted Director from the successful list or, in case of even voting, shall automatically replace the last person mentioned on that list. In these circumstances, should candidates be proposed by more than one group of Shareholders, there will be a vote taken to choose between them.

If Shareholders representing at least 19% of the share capital of the Company have voted against the successful proposal for the appointment of the members of the Board of Directors, then there will be an election of a second Director, which will be voted on only by the Shareholders of the second minority, at the same General Meeting, and the Director so elected shall automatically replace the second least voted Director from the successful list or, in case of even voting, shall automatically replace the second last person mentioned on that list. In these circumstances, only Shareholders or a group of Shareholders holding shares representing more than 19% and less than 30% of the share capital of the Company may propose candidates.

## D) INFORMATION ON THE NUMBER OF MEETINGS HELD DURING 2012

### BOARD MEETINGS

Sonaecom's Board of Directors meets at least four times a year, as required by its Articles of Association, and whenever the Chairman or two Board members call for a meeting. During 2012, there were five Board meetings and the attendance rate was 93%.

Sonaecom's Non-Executive Directors (Non-Executive Directors) also hold separate meetings to discuss their ability to assert their independence within the Board and to make suggestions to improve Board procedures and Corporate Governance in general. During 2012, there were two Non-Executive Director meetings and the attendance rate was 79%. The Non-Executive Directors have confirmed, at these meetings, that there have been no restrictions on the scope of their activities during 2012.

### STATUTORY AUDIT BOARD MEETINGS

The Statutory Audit Board meets at least once every quarter. There were six formal Statutory Audit Board meetings during 2012 and the attendance rate was 100%.

### EXECUTIVE COMMITTEE MEETINGS

Sonaecom's Executive Committee normally meets once every two weeks and whenever the CEO or a majority of its members call for a meeting. There were 17 meetings of the Executive Committee in 2012 and the attendance rate was 99%.

### BAFC MEETINGS

The BAFC meets at least five times a year and whenever the Chairman, the Board of Directors, the Executive Committee or, exceptionally, the Statutory External Auditor believe a meeting is necessary. Between meetings, the BAFC follows projects and monitors activity by conference calls. During 2012, the Committee met five times with an attendance rate of 100% and also held four conference calls.



**BNRC MEETINGS**

The BNRC meets at least twice a year and whenever the Chairman or the Board of Directors deem necessary. There were two formal BNRC meetings during 2012 and the attendance rate was 100%.

**SHAREHOLDERS' REMUNERATION COMMITTEE MEETINGS**

This Committee meets at least once a year. There were three meeting during 2012 and the attendance rate was 100%.

**ETHICS COMMITTEE MEETINGS**

The Ethics Committee normally meets once per semester and whenever its Chairman or two of its members deem necessary. There was one meeting during 2012 and the attendance rate was 100%.

**E) EXECUTIVE AND NON-EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS**

The list below identifies again the members of the Board of Directors, with a distinction between executive and non-executive members and, among the latter, the identification of independent members, who fulfil the independence criteria set out in Article 414º nº 5 of Portuguese Company Law and are not subject to any of the circumstances foreseen in Article 414-A, 1 of that Law:

Duarte Paulo Teixeira de Azevedo	Chairman – Non-Executive
António Sampaio e Mello	Independent Non-Executive
David Charles Denholm Hobley	Non-Executive*
Gervais Gilles Pellisser	Non-Executive
Jean-François René Pontal	Independent Non-Executive
Franck Dangeard	Independent Non-Executive
Nuno Manuel Moniz Trigo Jordão	Non-Executive
Ângelo Gabriel Ribeirinho dos Santos Paupério	Executive – CEO
António Bernardo Aranha da Gama Lobo Xavier	Executive
Maria Cláudia Teixeira de Azevedo	Executive
Miguel Nuno Santos Almeida	Executive

\*See 'Independence Criteria'.

**INDEPENDENCE CRITERIA**

During 2012, three Independent Non-Executive Directors served on Sonaecom's Board of Directors: António Sampaio e Mello, Jean-François René Pontal and Franck Dangeard.

To the best of the Board of Directors' knowledge and belief, the independence of these three non-executive members has not been affected, since their election, by any subsequent events. The assessment of the independence was made by reference to the legal requirements and, especially, as a result of the enquires addressed to them, that have confirmed that these Directors are not associated with any special interest groups connected to Sonaecom nor are they affected by any circumstance which might threaten the independence of their analysis or restrict their decision making capabilities.

Sonaecom considers David Hobley to be an Independent Non-Executive Board member, as he effectively acts as such. His nomination was based on a proposal presented by Sonaecom SGPS (and not by France Télécom) and his independence was assessed and accepted by Sonaecom's Board Nomination and Remuneration Committee prior to his election. However, David Hobley is not formally classified as Independent, due to the fact that he also serves as an Independent Non-Executive Director within the France Télécom Group, which owns a 20% stake in Sonaecom.

It should also be noted that all the members of the Statutory Audit Board fulfil the independence criteria set out in Article 414º nº 5 of Portuguese Company Law and are not subject to any of the circumstances foreseen in Article 414-A, 1 of that Law.



## F) QUALIFICATIONS, EXPERIENCE AND OFFICES HELD BY MEMBERS OF THE MANAGEMENT BODIES

### BOARD OF DIRECTORS

A description of the qualifications, professional experience and responsibilities during the preceding five-year period and the number of Sonaecom shares held by each member of Sonaecom's Board of Directors are disclosed in the Appendix to this Report.

The month and the year of first appointment of each member of the Board of Directors is as follows:

Duarte Paulo Teixeira de Azevedo	September 1998
António Sampaio e Mello	July 2006
David Charles Denholm Hobley	September 2005
Gervais Gilles Pellisser	July 2006
Jean-François René Pontal	July 2003
Franck Dangeard	July 2008
Nuno Manuel Moniz Trigos Jordão	April 2008
Ângelo Gabriel Ribeirinho dos Santos Paupério	April 2007
Maria Cláudia Teixeira de Azevedo	April 2006
Miguel Nuno Santos Almeida	April 2005
António Bernardo Aranha da Gama Lobo Xavier	April 2010

### OFFICES HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS

Information on other offices held by each of the members of Sonaecom's Board of Directors – distinguishing between offices within Sonaecom Group and others – are disclosed in the Appendix to this Report.

### STATUTORY AUDIT BOARD

A description of the qualifications, professional experience and responsibilities during the preceding five-year period and the number of Sonaecom shares held by each member of Sonaecom's Statutory Audit Board are disclosed in the Appendix to this Report.

The month and year of first appointment of each member of the Statutory Audit Board is as follows:

Arlindo Dias Duarte Silva	April 2007
Armando Luís Vieira de Magalhães	April 2007
Óscar José Alçada da Quinta	April 2007
Jorge Manuel Felizes Morgado	April 2007

The period of the term of office of the members of the Statutory Audit Board is the same as for all Statutory Governing Bodies under the current four-year mandate, which is from 2012 until 2015.

### OFFICES HELD BY THE MEMBERS OF THE STATUTORY AUDIT BOARD

Information on other offices held by each of the members of Sonaecom's Statutory Audit Board – distinguishing between offices in Sonaecom Group and others – can be found in the Appendix to this Report.

## 1.4 GROUP REMUNERATION POLICY, MANAGEMENT AND AUDIT BODIES' REMUNERATION

### A) SONAECOM'S REMUNERATION POLICY

#### REMUNERATION POLICY PRINCIPLES

Our remuneration policy aims to be:

- **Competitive**  
Sonaecom aims to have a competitive remuneration policy in comparison with peer companies and be able to attract good quality talent across the company. To achieve this, Sonaecom designs its remuneration policy based on market benchmark values for peer companies ensuring competitiveness of its Policy.
- **Linked to performance**  
An important part of Sonaecom Executive's remuneration policy is determined by the Company's success. A significant part of executive's remuneration is linked to corporate and individual performance.
- **Aligned with Shareholder's interests**  
Part of the executive's remuneration is paid in shares that are retained for a three year period. Having into consideration that the value of shares is defined by the performance of the Company, the remuneration paid is affected by the Executive's contribution to the results of that performance, hence aligning the Directors with the shareholders interests and long-term performance.
- **Transparent and adequately disclosed**  
All aspects of the remuneration structure are clear to employees and openly disclosed. This communication process contributes at fostering fairness and independence.
- **Reasonable and Fair**  
Executive's remuneration at Sonaecom aims to be reasonable, ensuring the balance between the Companies interests and market positioning, the expectations and motivations of our employees and our talent retention needs.

#### WHO ARE OUR PEER COMPANIES?

Sonaecom compares its executive Remuneration Policy with generic market trends provided by the main market studies on this area for Portugal and European markets. Sonaecom presently uses the Mercer and HayGroup market studies.

Our peer group companies includes remuneration practices of 150 companies operating in Portugal, in which all the PSI 20 (Portuguese Stock Index) companies are included, representing ten different industries, as well as 300 international companies included in the list of 500 companies with the highest market capitalization in the European market (including the Financial Times Europe 500 listing).

#### WHAT ARE OUR REMUNERATION COMPONENTS?

Sonaecom's remuneration policy for all employees may be composed of the following components:

- Fixed remuneration, which is paid as annual salary (salaries are paid 14 times per annum in Portugal), and additional benefits associated with the function;
- Variable remuneration, which is paid in the first quarter of the following year (through payment in cash, or long term retirement saving plans or transference of shares with discount) – short term bonus, and in March 10 of the following year in the form of deferred compensation, under the Sonaecom Medium Term Incentive Plan (MTIP), applied to more senior employees (Sonaecom Group Management Levels – 'Grupos Funcionais' or 'GF' 1 to 6);
- Results participation.

## FIXED REMUNERATION

Annual remuneration and other elements of the compensation package are defined as a function of each employee's level of responsibility and are reviewed annually. Each employee is classified under a 'Sonaecom Management Level' grid, designed using Hay's international model for classification of corporate functions to facilitate market comparisons as well as to help promote internal equity.

## VARIABLE REMUNERATION

### a) The short term bonus

The short term bonus is aimed at rewarding the achievement of certain pre-defined annual objectives which are linked to both Business and Personal Key Performance Indicators (KPIs) and can be paid to employees in cash, or through Long term retirement saving plans or transference of shares with discount.

The target variable remuneration amount is based on a percentage of the employee's fixed remuneration, which ranges between 12% and 65%, depending on the employee's Management Level. Business KPIs (which include economic, operational and financial indicators based on approved budgets, relative share price performance, individual business unit performance as well as the performance of the Group as a whole) drive between 35% and 70% of the variable remuneration, depending on the employee's Management Level, being normally objective indicators.

The remaining percentage of the variable remuneration is based on Personal KPIs, which are a mix of objective and subjective indicators. Variable remuneration paid relate to the actual performance achieved or assessed and can represent anything from 0% to 120% of the target variable remuneration for Business KPIs and 0% to 148% of the target Variable remuneration for Personal KPIs. Combining both components, the maximum range that can apply to any individual is 0% to 120% of the target variable remuneration.

The Business KPIs and their weightings for 2012 were:

Indicator – Description	Weight
Turnover	30.0%
EBITDA	30.0%
Free Cash Flow	30.0%
Relative Share Price Performance	10.0%

### b) The Medium Term Incentive Plan ('MTIP')

#### (I) GENERAL TERMS

Sonaecom's MTIP is aimed at enhancing employees' loyalty, aligning their interests with those of Shareholders, and increasing their awareness of the importance of their performance on the overall success of the organisation, as reflected by changes in Sonaecom's share price.

The MTIP applies to all Sonaecom Group companies, with the exception of WeDo Consulting which follows a specific incentive plan. In relation to Público Group companies, the attribution rules are more restricted and this is not expected to change. Additionally, the inclusion of employees working in editorial areas (journalists) is not recommended, as this could risk the independence required for these activities.

The general terms of the MTIP and any significant amendments must be approved by shareholders at a Shareholders' General Meeting, based on a proposal submitted by the Board of Directors, after the Board has taken advice from the Board Nomination and Remuneration Committee ("BNRC"). The participation in the MTIP of the members of Sonaecom's Executive Committee (ExCom) and of persons discharging managerial responsibilities requires approval by the Shareholders' Remuneration Committee

("Comissão de Vencimentos"), in line with the Group's Remuneration Policy, which is approved by shareholders at a Shareholders' General Meeting.

The participation of other Senior Executives is approved, annually, by the Sonaecom ExCom. The MTIP was approved by shareholders at the Annual General Meeting held on 27 April 2012.

The MTIP is an equity-based discretionary deferred compensation plan with a three year period between the award date and the date on which the award vests. MTIP awards are made in March each year, in respect of performance during the previous financial year. The size of an award made under the MTIP is linked to an individual's value rewarded from the application of the short term variable remuneration criterion for the same performance year'. Historically, the MTIP awards were made on 31 March of each year, but, for 2006 onwards, the award date has been changed to 10 March or the last working day before that date. The vesting dates for all open plans have also been adjusted to this new timing. In the case of Sonaecom Executive Board members, the delivery of the MTIP on the vesting day depends on the overall success of the society during this period, esteemed in accordance with objectives set by the Remuneration Committee for each period of three years.

As the MTIP is share based, Sonaecom's Board of Directors decided that the plan should be presented to Shareholders for approval at the Shareholders' Annual General Meeting in 2012, in order to comply with best practice in Corporate Governance. The MTIP was approved by shareholders at the Annual General Meeting held on 27 April 2012.

## (II) MTIP ASSESSMENT

All Sonaecom employees with Management Levels GF1 to GF6, are eligible to participate in the MTIP, as long they joined the Company before the 31 December of the year being evaluated or they are promoted to GF6, or above, at the annual review process in the first quarter of that year.

The value awarded is determined by applying the following percentages to the total variable component target for all employees with Management levels GF1 and GF2. For the remaining employees, with Management levels GF3, GF4, GF5 and GF6, the value awarded is determined by applying the following percentages to the fixed component, established individually having into account the level of qualification of the employee, the structure of its remuneration package and the level of fulfillment of individual KPIs.

Sonaecom Management Levels <sup>(1)</sup>	Percentage	Base
GF6	Up to 45%	Annual fixed remuneration
GF5	Up to 50%	Annual fixed remuneration
GF4	Up to 90%	Annual fixed remuneration
GF3	Up to 100%	Annual fixed remuneration
GF2	100%	Total variable remuneration
GF1	100%	Total variable remuneration

<sup>(1)</sup> Sonaecom Group Management Levels ('Grupos Funcionais' or 'GF') are attributed according to Hay's international model for the classification of corporate functions.

For Sonaecom's senior employees who are at Group Senior Executive Level (GF1), up to 40% of the awards under the MTIP are linked to Sonae SGPS shares (the 'Sonae SGPS Share Plans'), and, for Sonaecom's senior employees who are at the Senior Executive Level (GF2), up to 30% of the awards under the MTIP are linked to Sonae SGPS shares. This link to Sonae SGPS shares was introduced to promote cooperation, maximise synergies and promote the exchange of knowledge between the Company and Sonae SGPS, Sonaecom's controlling Shareholder. For Senior Executive or above (GF1, GF2) with Executive Management positions in Sonaecom or any of its Companies, the MTIP awarded is equal to the value rewarded from the application of the variable remuneration criterion for the same 'performance year'.

On vesting, the transfer of the shares depends on the overall success of the society during this period, esteemed in accordance with the objectives set by the Remuneration Committee for each period of three years. If the criterion for continuing positive performance of our organisation, mentioned above, is met, the shares, corresponding to the initial number of shares, adjusted for dividends and other changes in issued share capital, are transferred to the beneficiaries on the third anniversary of the award date, at the share price on that date, with the Company having the option to apply a discount over the share price. The Company, subject

to approval from the Board Nomination and Remuneration Committee, has the option to pay the cash equivalent to the value of the shares at the vesting date.

## RESULTS PARTICIPATION

In some cases, the Board of Directors of each subsidiary, after approval of the Board Nomination and Remuneration Committee, can propose, to the Shareholders, the company's results distribution to employees. After the assessment of the total amount to be distributed, the value to be received by each employee will depend on the achievement of certain annual objectives, which are linked to both Business and Personal Key Performance Indicators (KPIs) as described for the Variable remuneration.

## SUMMARY OF SHARES UNDER THE MTIP – SONAECON'S SHARE PLANS

The awards delivered in 2012, as well as the plans outstanding during 2012 can be summarised as follows:

### SONAECON SHARE PLANS OUTSTANDING DURING 2012

			Vesting period	At 31 December 2012	
	Share price at award date*	Award date	Vesting date	Aggregate of number participants	Number of shares
Sonaecom Shares					
2008 Plan	1.117	10-Mar-2009	09-Mar-2012	-	-
2009 Plan**	1.685	10-Mar-2010	08-Mar-2013	4	247,423
2010 Plan	1.399	10-Mar-2011	10-Mar-2014	365	2,944,458
2011 Plan	1.256	9-Mar-2012	10-Mar-2015	362	3,057,697

\* Average share price in the month prior to the award date for Sonaecom shares;

\*\* For some employees, the 2009 Plan was paid in advance in December 2012.

The number of shares on the table corresponds to the MTIP value committed.

The number of shares awarded, and shares unvested or vested under Sonaecom's MTIP in the year ended at 31 December 2012, are shown in the following table:

### SONAECON'S SHARES UNDER THE MTIP

	Aggregate number of participants <sup>(1)</sup>	Sonaecom shares Number of shares
<b>Outstanding at 31 December 2011</b>		
Unvested	1,155	8,892,470
Total	1,155	8,892,470
<b>Movements in the year</b>		
Awarded	367	2,911,077
Vested	(381)	(3,802,108)
Vested and paid in advance	(369)	(2,516,247)
Cancelled / lapsed/adjusted/transfers <sup>(2)</sup>	(41)	764,386
<b>Outstanding at 31 December 2012</b>		
Unvested	731	6,249,578
Total	731	6,249,578

<sup>(1)</sup> The number of participants is the cumulative number for all plans. The participant in the three plans count as three;

<sup>(2)</sup> The adjustments are made for dividends paid, for the share capital changes and others adjustments, namely, resulting from a change in the vesting of MTIP which may now be made through the purchase of shares with discount.

The number of shares on the table corresponds to the MTIP value committed.



### SUMMARY OF SHARES UNDER THE MTIP – SONAE SGPS SHARE PLANS

The awards delivered in 2012, as well as the plans under the plans outstanding during 2012 can be summarised as follows:

			Vesting period	At 31 December 2012	
	Share price at award date*	Award date	Vesting date	Aggregate of number participants	Number of shares
Sonae SGPS Shares					
2008 Plan	0.526	10-Mar-2009	09-Mar-2012	-	-
2009 Plan	0.761	10-Mar-2010	8-Mar-2013	4	342,242
2010 Plan	0.811	10-Mar-2011	10-Mar-2014	7	384,120
2011 Plan	0.401	09-Mar-2012	10-Mar-2015	7	761,890

\* The lower of the average closing share price for the 30 trading prior to the Annual General Meeting and the closing share price on the day after the Annual General Meeting.

The number of shares on the table corresponds to the MTIP value committed.

The number of awarded, unvested or vested, and cancelled, lapsed or adjusted Sonae SGPS shares under the MTIP in the year ended 31 December 2012, are shown in the following table:

### SONAE SGPS SHARES UNDER THE MTIP

	Sonae SGPS shares	
	Aggregate of number participants <sup>(1)</sup>	Number of shares
<b>Outstanding at 31 December 2011</b>		
Unvested	16	1,100,633
<b>Movements in the year</b>		
Awarded	7	696,026
Vested	(4)	(405,776)
Cancelled / lapsed / adjusted <sup>(2)</sup>	(1)	97,369
<b>Outstanding at 31 December 2012</b>		
Unvested	18	1,488,252

<sup>(1)</sup> The number of participants is the cumulative number for all plans. The participant in the three plans counts as three;

<sup>(2)</sup> Adjustments are made to allow for the effects of dividends paid and changes in share capital.

### MTIP HEDGING AGREEMENTS AND ACCOUNTING IMPACT

Sonaecon has hedged its MTIP and related obligations, up to and including the 2011 Plan. The 2009 and 2010 plans are hedged through own shares acquired in 2007 to 2012 and held by Sonaecon. The 2011 plan is hedged through a hedged agreement signed with Sonae SGPS. Sonae SGPS shares plans have been hedged through a cash-settled share swap transaction, with an external party. Sonaecon has entered into agreements with its subsidiaries to recharge the corresponding hedging costs to each one of them.

For Sonaecon's share plans, the total responsibility is calculated taking into consideration the share price as at award date, for the plans hedged through own shares and the share price under the contract with Sonae SGPS, for the 2011 plan. The total responsibility for the mentioned plans is 3,710,013 euros, recorded under the heading of 'Reserves' (3,650,779 euros) and Other non-current and current liabilities (59.234 euros).

The Sonae SGPS shares plans correspond to the delivery of Sonae SGPS shares, but, as they are attributed by Sonaecon and not by Sonae SGPS, the plans are treated as cash-settled plans. As a result of the cash-settled share swap transactions implemented to hedge these plans, the liability is included under 'Other Liabilities' capped at a maximum share price of 0.705 euros, 0.624 euros and 0.425 for the MTIP 2009, 2010 and 2011, respectively. At 31 December 2012, the total amount provided for is 475,223 euros.

The cost of Sonaecon's MTIP is recognised in the accounts over the respective deferral period for each annual plan. As at 31 December 2012, 36 million euros had been recognised as a cost (4.9 million euros during 2012 and 31.1 million euros in previous years).

## B) DIRECTORS REMUNERATION

Sonaecom's Directors' compensation policy is aimed at remunerating in a fair, effective and competitive manner, taking into consideration the individual responsibilities and performance of each Director, both at a subsidiary company level and at a Sonaecom Group level.

Sonaecom's Shareholders' Remuneration Committee is responsible for the approval of the remuneration and other compensation of the Board of Directors, including both Executive and Non-Executive Directors following the remuneration and other compensation policies approved by Shareholders at a Shareholders' General Meeting.

### EXECUTIVE DIRECTORS

Remuneration and compensation proposals for Sonaecom's Executive Directors (excluding the CEO) are based on proposals made by the CEO, which are prepared taking into account:

- (i) Market comparables;
- (ii) Other Sonaecom and Sonae comparables;
- (iii) Individual appraisals of each Executive Director.

The Executive Directors' remuneration and other compensation include: (a) a fixed component, which includes an Annual Salary (salaries are paid 14 times per annum in Portugal), an Annual Responsibility Allowance and a package of benefits linked to level of responsibility; and (b) a variable component composed by (i) "Variable remuneration", which is paid during the first quarter of the following year, as previously described for all employees, and (ii) a discretionary variable component, attributable on 10 March of the following year, as a deferred performance bonus under Sonaecom's Medium Term Incentive Plan, which vests on the third anniversary of the attribution date, detailed below:

#### (A) FIXED COMPONENT:

Individual compensation packages will be defined as a function of the level of responsibility of each Executive Director and will be reviewed annually. Each Executive Director is attributed a Sonaecom Management Level ("Grupo Funcional" or "GF"). Sonaecom's Executive Directors are normally either "Group Senior Executive" (GF1) or "Senior Executive" (GF2). Sonaecom Management Levels are applied in a similar way across all Sonae Group companies and are related to Hay's international model for the classification of corporate functions, thereby facilitating market comparisons, as well as helping to promote internal equity. The compensation packages to be awarded to Executive Directors will be benchmarked using market surveys of the compensation of Portuguese and European top executives, with the aim of setting fixed remuneration close to the median and total compensation close to the third quartile in comparable circumstances.

#### (B) VARIABLE COMPONENT:

- (i) Variable remuneration will be aimed at rewarding the achievement of certain pre-defined annual objectives, which are linked to both "Key Performance Indicators of Business Activity" (Business KPIs) and "Personal Key Performance Indicators" (Personal KPI's). The target amounts attributed will be based on a percentage of the fixed component of the compensation package, which will range between 33% and 60%, depending on the Executive Director's Management Level. Business KPIs, which include economic and financial indicators, will be based on approved budgets, share price performance, individual business unit performance as well as the performance of our Group as a whole, will derive 70% of the Variable remuneration and are objective indicators. The remaining 30% of the Variable remuneration will derive from Personal KPI's, which include both objective and subjective indicators. Actual amounts paid will be based on the real performance achieved or assessed and can represent anything from 0% to 148% of the target amount attributed.
- (ii) The Medium Term Incentive Plan will be aimed at enhancing the loyalty of Executive Directors, aligning their interests with shareholders, and increasing their awareness of the importance of their performance on the overall success of our organisation, including the future evolution of our share price and the Total Share Return delivered to our shareholders, as well as rewarding their continuing contribution to the positive performance of our organisation over the vesting period of the Plan.

The terms under which Executive Directors will be awarded a Medium Term Performance plan are the following:

- a) The target Medium Term Performance plan is attributed at the beginning of each year, normally representing 100% of the target variable remuneration for the same year;
- b) On 10 March of the following year, based on the % of achievement of the KPIs used for the Medium Term Performance Bonus, aimed at measuring shareholder value created over the medium term, the target value is increased or reduced accordingly and the resulting value is converted into equivalent shares by dividing by the average stock exchange price (Euronext Lisbon) over the last 30 trading sessions;
- c) These shares, or the equivalent value in cash, are delivered after a deferral period of 3 years. This delivery depends on the overall success of the society during this period, esteemed in accordance with the objectives set by the Remuneration Committee for each period of three years. However, should dividends be distributed, the nominal value of the shares altered, or the share capital be changed, during the deferral period, the initial number of shares under the Medium Term Incentive Plan will be altered to reflect the effects of the above changes in order for the Plan to be aligned with the Total Share Return achieved. This linkage is based on Sonae com shares but a component, representing up to 40% of the overall value, is linked to Sonae, SGPS shares. At the vesting date, if the criterion for continuing positive performance of our organisation, mentioned above, is met, payment is made by delivering shares at the share price on that date, with the Company having the option to apply a discount over the share price, although Sonae com retains an option to pay an equivalent value in cash.

#### CEO AND NON-EXECUTIVE DIRECTORS

Remuneration and other compensation for the CEO and remuneration for the Non-Executive Directors (excluding the Chairman) are based on proposals made by the Sonae com Chairman.

The remuneration of the Chairman is decided by the other independent member of the Shareholders' Remuneration Committee.

For the CEO, the methodology used is the same as for the Executive Directors.

The remuneration of our Non-Executive Members of our Board (Non-Executive Directors) is based on market comparables and be structured as follows:

- (1) a Fixed Remuneration (of which approximately 15% depends on attendance at Board, Board Audit and Finance Committee and Board Nomination and Remuneration Committee meetings);
- (2) an Annual Responsibility Allowance which amounted, in 2012, to 1,800 euros.

For each Non-Executive Director, fixed remuneration assumes an agreed commitment of time during 2012, including the preparation and attendance of at least five Board Meetings each year. In addition, for External Non-Executive Directors who are Chairman of Board Committees, fixed remuneration is further increased by approximately 5%.

Meeting attendance fees are payable for each meeting actually attended by each Non-Executive Director as follows: Board meetings: 940 euros, BAFC meetings: 650 euros and BNRC meetings: 390 euros. The Chairman of the Board does not receive attendance fees for Board Committee meetings.

The BNRC may define additional remuneration for specific projects allocated to individual NEDs by the Board or by the Board Committees.

On resignation of any member of the Board, it is Group policy to pay whatever compensation is legally required, or to negotiate, in each situation, a value considered to be fair and appropriate by the parties involved. No additional compensation conditions exist for members of the Board who are treated in the same way as all employees. There are no individual contracts with Directors to define how compensations would be calculated.



Furthermore, Sonaecom has never attributed or estimated to attribute to the Directors any compensation in case of dismissal or termination due to inadequate performance.

### REMUNERATION AND COMPENSATION RECEIVED BY THE BOARD OF DIRECTORS

The remuneration of Sonaecom's Directors was as follows during 2012 and 2011. These values include fixed remuneration and Annual Performance Bonuses (both computed on an accruals basis) and the Medium Term Incentive Plan in respect to the performance years of 2012 and 2011, and that will be awarded in 2013, for 2012 values, and were awarded in 2012, for 2011 values:

Amounts in euros	2012				2011			
	Fixed Remuneration	Annual Performance Bonus	Medium Term Incentive Plan	Total	Fixed Remuneration	Annual Performance Bonus	Medium Term Incentive Plan	Total
<b>Individual breakdown</b>								
<b>Executive Directors</b>								
Ângelo Gabriel Ribeirinho dos Santos Paupério (CEO) <sup>(1)</sup>	323,553	225,000	225,000	773,553	409,500	308,800	308,800	1,027,100
Maria Cláudia Teixeira de Azevedo <sup>(1)</sup>	175,836	67,500	67,500	310,836	209,860	83,800	83,800	377,460
Miguel Nuno Santos Almeida	313,113	163,200	163,200	639,513	302,260	146,500	146,500	595,260
António Bernardo Aranha Gama Lobo Xavier	198,220	-	-	198,220	198,520	-	-	198,520
	1,010,722	455,700	455,700	1,922,122	1,120,140	539,100	539,100	2,198,340
<b>Non-Executive Directors</b>								
Duarte Paulo Teixeira de Azevedo (Chairman)	60,500	-	-	60,500	60,800	-	-	60,800
Jean François René Pontal	39,780	-	-	39,780	40,180	-	-	40,180
David Charles Denholm Hobley	37,350	-	-	37,350	36,810	-	-	36,810
António Maria Theotonio Pereira Sampaio Melo	37,350	-	-	37,350	37,650	-	-	37,650
Nuno Manuel Moniz Trigoso Jordão	34,100	-	-	34,100	33,460	-	-	33,460
Frank Emmanuel Dangeard	34,880	-	-	34,880	35,280	-	-	35,280
Gervais Pellissier	-	-	-	-	-	-	-	-
	243,960	-	-	243,960	244,180	-	-	244,180
<b>Total</b>	<b>1,254,682</b>	<b>455,700</b>	<b>455,700</b>	<b>2,166,002</b>	<b>1,364,320</b>	<b>539,100</b>	<b>539,100</b>	<b>2,442,520</b>

<sup>(1)</sup> The remuneration packages at Sonaecom for Ângelo Gabriel Ribeirinho dos Santos Paupério and Maria Cláudia Teixeira de Azevedo were reduced by 30% as from 1 May 2012, in line with their time dedicated to Sonaecom, which is no longer full time.

In presenting the figures above, the remuneration for each Board member has been disclosed based on the period of their Board service.

The Annual Performance Bonuses of the Executive Directors in the table above represent the actual values for performance during 2012. The final values have been determined after real performance has been fully assessed and after the resulting bonuses have been approved by the Board Nomination and Remuneration Committee, on behalf of the Board of Directors, and by the Shareholders' Remuneration Committee, on behalf of the Shareholders.

During 2012, Sonaecom had 19 persons discharging managerial responsibilities, "Dirigentes". As at 31 December 2012, the amount paid (which comprises total fixed and total variable remuneration) was of 3,108,987 euros. The total MTIP award totaled 748,261 euros (for a more detailed information please see chapter 6, on the notes to the accounts, note 39).

### DIRECTORS' PARTICIPATION IN THE MTIP

Sonaecom Executive Directors have been awarded compensation under the Sonaecom MTIP. Sonaecom's Non-Executive Directors do not participate in the MTIP.

## DIRECTORS' PARTICIPATION IN THE SONAE\_COM MTIP (SEE BELOW)

	Plan 2008	Plan 2009	Plan 2010	Plan 2011	Total
Award date	10 Mar 2009	10 Mar 2010	10 Mar 2011	09 Mar 2012	
<b>SonaeCom shares</b>					
Share price at award date <sup>(1)</sup>	1.117	1.685	1.399	1.256	
Share price at vesting date	1.250	-	-	-	
Share price at 31 December 2012 <sup>(2)</sup>	1.481	1.481	1.481	1.481	
<b>Ángelo Gabriel Ribeiro dos Santos Paupério (CEO)</b>					
Number of shares at 01 January 2012	147,984	105,897	131,888	-	385,769
Number of shares at 31 December 2012	-	112,767	140,444	157,086	410,297
<b>Miguel Nuno Santos Almeida</b>					
Number of shares at 01 January 2012	67,971	44,102	61,093	-	173,166
Number of shares at 31 December 2012	-	46,963	65,056	74,524	186,543
<b>Maria Cláudia Teixeira de Azevedo</b>					
Number of shares at 01 January 2012	49,069	37,935	48,792	-	135,796
Number of shares at 31 December 2012	-	40,396	51,957	49,717	142,070
<b>António Bernardo Aranha Gama Lobo Xavier</b>					
Number of shares at 01 January 2012	60,074	44,415	-	-	104,489
Number of shares at 31 December 2012	-	47,297	-	-	47,297
<b>Total</b>					
Number of shares at 01 January 2012	325,098	232,349	241,773	-	799,220
Number of shares at 31 December 2012	-	247,423	257,457	281,327	786,207
<b>Sonae SGPS shares</b>					
Share price at award date	0,526	0,761	0,811	0,401	
Share price at vesting date	0,440	-	-	-	
Share price at 31 December 2012 <sup>(3)</sup>	0,687	0,687	0,687	0,687	
<b>Ángelo Gabriel Ribeiro dos Santos Paupério (CEO)</b>					
Number of shares at 01 January 2012	229,329	164,348	153,062	-	546,739
Number of shares at 31 December 2012	-	178,588	166,325	334,720	679,633
<b>Miguel Nuno Santos Almeida</b>					
Number of shares at 01 January 2012	67,715	68,445	70,901	-	207,061
Number of shares at 31 December 2012	-	74,375	77,045	158,797	310,217
<b>Maria Cláudia Teixeira de Azevedo</b>					
Number of shares at 01 January 2012	48,884	37,848	36,402	-	123,134
Number of shares at 31 December 2012	-	41,127	39,556	68,102	148,785
<b>António Bernardo Aranha Gama Lobo Xavier</b>					
Number of shares at 01 January 2012	59,848	44,313	-	-	104,161
Number of shares at 31 December 2012	-	48,152	-	-	48,152
<b>Total</b>					
Number of shares at 01 January 2012	405,776	314,954	260,365	-	981,095
Number of shares at 31 December 2012	-	342,242	282,926	561,619	1,186,787
<b>Values</b>					
<b>CEO</b>					
Value at award date	285,925	303,505	308,645	-	898,075
Value at vesting date	285,885	-	-	-	285,885
Values at 31.12.2012	-	289,698	322,263	462,597	1,074,558
<b>Miguel Nuno Santos Almeida</b>					
Value at award date	111,542	126,399	142,970	-	380,910
Value at vesting date	114,758	-	-	-	114,758
Values at 31.12.2012	-	120,648	149,278	219,464	489,389
<b>Maria Cláudia Teixeira de Azevedo</b>					
Value at award date	80,523	92,723	97,782	-	271,028
Value at vesting date	82,845	-	-	-	82,845
Values at 31.12.2012	-	88,081	104,123	120,417	312,621
<b>António Bernardo Aranha Gama Lobo Xavier</b>					
Value at award date	98,583	108,561	-	-	207,144
Value at vesting date	101,426	-	-	-	101,426
Values at 31.12.2012	-	103,127	-	-	103,127
<b>Total</b>					
Value at award date	576,573	631,188	549,396	-	1,757,157
Value at vesting date	584,914	-	-	-	584,914
Values at 31.12.2012	-	601,554	575,664	802,478	1,979,695

<sup>(1)</sup> Average share price in the month prior to the award date;<sup>(2)</sup> On 19 December 2012, the share price hit a high of 1.568 euros and a low of 1.070 euros per share on 23 May 2012;<sup>(3)</sup> On 18 December 2012, the share price hit a high of 0.719 euros and a low of 0.368 euros per share on 14 June 2012.

## DIRECTORS' COMPENSATION IN OTHER GROUP COMPANIES

		Sonaecom	Sonae SGPS		Total
Amounts (in euros)	Role	Total remuneration	Role	Total remuneration	
Name					
Ângelo Gabriel Ribeirinho dos Santos Paupério	CEO	716,767	Executive	261,220	977,987
Duarte Paulo Teixeira de Azevedo <sup>(1)</sup>	Chairman	60,500	CEO	1,114,846	1,175,346
Nuno Manuel Moniz Trigo Jordão <sup>(1)</sup>	Non Executive	34,100	Executive	271,300	305,400

<sup>(1)</sup> The amounts disclosed in the table above are the amounts of remuneration awarded by each Group company, independently of where they are processed and paid.

## SONAECON STOCK PLAN

Sonaecom stock plan determines that each executive Director is required to withhold 50% of the shares delivered to each plan, maintaining permanently a number of shares equivalent to the value of 2 (two) annual fixed salaries. The requirement for retention of the shares delivered in each plan ceases from the time that the executive director in question has already retained a number of shares equivalent to the defined objective, either by Sonaecom Plans allocated either by the acquisition of personnel shares. For this purpose, annual salary is the monthly base salary paid 14 times a year. Regarding Sonaecom stock plan, we fully uphold our share retention policy.

## COMPENSATION FOR BOARD MEMBERS ON TERMINATION OF OFFICE

In the event of early termination of office of any member of the Board, it is the Group policy to pay whatever compensation is legally required, or to negotiate, in each situation, a value considered to be fair and appropriate by the parties involved. No additional compensation conditions exist for members of the Board, who are treated in the same way as all employees.

For recent senior managers ("Dirigentes") in case of termination of contract, it is agreed an indemnity payment equal to the fixed remuneration due until the end of the mandate period up to maximum of 12 months, or the return to previous function as a dependent employee.

## C) REMUNERATION OF THE MEMBERS OF THE STATUTORY AUDIT BOARD

The remuneration of the members of the Statutory Audit Board was as follows during 2012 and 2011:

Amounts in euros	2012	2011
Statutory Audit Board		
Arlindo Dias Duarte Silva	9,800	10,100
Armando Luís Vieira Magalhães	7,800	8,100
Óscar José Alçada Quinta	7,800	8,100
Jorge Manuel Felizes Morgado	-	-
<b>Total</b>	<b>25,400</b>	<b>26,300</b>

These amounts correspond to the fixed remuneration. The members of the Statutory Audit Board do not receive Annual Performance Bonuses and do not participate in the Sonaecom MTIP.

## D) REMUNERATION POLICY PROCESS

The following table provides information on the main milestones on the subject of Sonaecom remuneration policy process in 2012. It is established that the Shareholders Remuneration Committee meets between July and December but only if there are any changes in the Board membership. As a new Board mandate started after the 2012 Annual General meeting, the last SRC meeting was held in May 2012.

Month	Remuneration cycle
March	<b>BNRC meets:</b> <ul style="list-style-type: none"> <li>- Review annual appraisal process</li> <li>- Review remuneration policy</li> <li>- Annual short term performance bonus 2011 (real)</li> <li>- Deferred MTIP 2011 (real)</li> <li>- Fixed remuneration 2012 (real)</li> <li>- Annual short term performance bonus 2012 (target)</li> <li>- Deferred MTIP 2012 (target)</li> <li>- Disclosure of Directors' remuneration in MR&amp;A</li> </ul>
March	<b>SRC meets:</b> <ul style="list-style-type: none"> <li>- Post BNRC meeting, before quarterly payments are made for first quarter</li> </ul>
April/May	<b>BNRC meets:</b> <ul style="list-style-type: none"> <li>- Close detail of 2012 Executive Commission Individual KPIs (only if not possible to close them earlier)</li> </ul>
May	<b>SRC meets:</b> <ul style="list-style-type: none"> <li>- Only if there is a new Board mandate or Board membership changes at the AGM</li> </ul>
July	<b>BNRC reports:</b> <ul style="list-style-type: none"> <li>- Progress on 2012 KPIs</li> </ul>
October/November	<b>BNRC reports:</b> <ul style="list-style-type: none"> <li>- Progress on 2012 KPIs</li> <li>- Review MTIP pipeline and shares retained</li> <li>- Contingency and succession planning</li> <li>- Talent management</li> <li>- Review BNRC terms of reference and annual work plan for following year</li> </ul>
December	<b>BNRC reports:</b> <ul style="list-style-type: none"> <li>- Forecast Full Year 2012 KPIs</li> <li>- Identify any needs to amend KPIs for the following year (2013)</li> </ul>



## 1.5 RISK MANAGEMENT

This section contains a description of the functioning and effectiveness of Sonaecom's risk management system and identifies the main risks affecting the company.

Sonaecom is committed to developing and implementing best practices in terms of risk management and risk control. We consider these areas as fundamental pillars of our business strategy, which is supported by a sound corporate governance system. The company has implemented a system that places the responsibility for internal control and risk management on the functional areas of each business, supported by the central Risk Management team, together with the Internal Audit team, the External Auditors and the Planning and Control team. The BAFC, operating on behalf of the Board, and the SAB, acting independently, are responsible for the supervision and oversight of the risk management system.

We have processes in place to identify risks and controls; to monitor and to report; and to assess the effectiveness and improve the internal control and risk management system. These processes are based on corporate best practice and international standards for Enterprise Risk Management (ERM), from which we derive the company's main risk management and control approaches. Sonaecom organises its risks under a Business Risk Model (BRM) that helps to identify our risks and their underlying causes, while promoting a culture of risk awareness throughout the company.

We have focused our efforts on implementing actions to further improve control levels on Economic risks, particularly on the intrinsic business risks related to the technical-operational activities in the telecommunications business unit. This has been achieved by developing specific risk management programmes, or by implementing day-to-day control activities and through the existence of dedicated teams. Financial and Legal risks have been managed within Sonaecom by assuring compliance with internal and regulatory requirements. There are also policies and procedures for Ethics and Disclosure, including a Code of Conduct, that are implemented to govern and manage particularly sensitive areas such as conflicts of interest, transactions with related parties, remuneration practices and communication of irregularities that apply to all our officers, employees and business partners.

### A) INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

At Sonaecom, we acknowledge that certain risks are involved in all management processes. Accordingly, managers at the various levels of the organisation have to be aware of the specific risks in their areas and are held responsible for managing those risks.

#### INTERNAL CONTROL AND RISK MANAGEMENT ORGANISATION

The responsibilities and objectives of the key players in the Internal Control and Risk Management systems are:

- **Business areas** – Each functional department in Sonaecom's business units is, as part of its responsibility over the functional processes, responsible for implementing internal controls and managing its specific risks. Additionally, for the development of certain risk management programmes, there is a specific risk management organisation, such as a Risk Committee or a Working Group, comprising an executive sponsor, a committee of business unit managers and a group of business unit representatives.
- **Planning and Control functions** – These are responsible for elaborating and monitoring the execution of the annual Action and Resource Plans and the budgets/forecasts, as well as all the processes leading to their realisation, both in the financial and operational matters. Business plans are also monitored on the financial component. Planning and Control Functions also promote and support the integration of risk management in the planning and control processes of the Sonaecom companies.
- **Risk Management functions** – These contribute with tools, methodology, support and know-how to the business areas. They also promote and monitor the implementation of programmes and actions aimed at bringing risk levels within the acceptable boundaries established by management. They also promote the awareness, the measurement and the management of business risks that interfere with achieving our organisation's objectives and value creation.
- **Internal Audit area** – This area evaluates the risk exposure and verifies the effectiveness of the risk management and internal control of the business processes, information and telecommunication systems. It proposes measures to improve controls and monitors the evolution of risk exposure associated with the main audit findings.
- **Statutory External Auditor** – Within the scope of the early auditing process, this auditor verifies the efficiency and functioning of internal control mechanisms and reports any shortcomings. It is responsible for verifying the company's accounts and all its financial statements and for issuing a legal certification of the accounts and audit report.

The company has two specialised risk areas: the Risk Management central function and Internal Audit team. Their mission is to contribute to the effective management of Sonaecom's business risks. They assist Sonaecom in accomplishing its objectives, adding value and improving its operations by bringing a systematic and disciplined approach to evaluating and helping to improve the organisation's risk management, internal controls and governance processes.

The Risk Management area has a central function at corporate level that promotes awareness of critical business risks, proposes risk management policies for the company and coordinates cross-organisational programmes or projects for implementing risk management processes. There are also risk management functions in the business areas, specifically when the existence of representatives is relevant for some risk management specialties. For example, in the case of Business Continuity Management, Information Security Management, Fraud Management and Revenue and Cost Assurance.

The Internal Audit team's activity is defined under the Internal Audit Charter, approved by the supervisory bodies. It is an independent and objective assurance and consulting activity, governed by adherence to The Institute of Internal Auditors' guidance, including the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (IIA Standards). The annual Internal Audit plan is developed and based on Sonaecom's annual Action and Resource Plan and on a prioritisation of audit work, using a risk-based methodology that integrates the results of Enterprise Risk Management and considers the roadmap coverage of the business processes. The Internal Audit plan also considers the feedback from the Executive Committee, other senior management, the BAFC and, separately, from the SAB.

In accordance with international best practices, there are 20 certifications in audit standards and in risk management programmes. These include the Certified Internal Auditor (CIA), Certified in Control Self Assessment (CCSA), Certified Information System Auditor (CISA), Certified Fraud Examiner (CFE), Management of Risk Foundation and Practitioner (MoR), Associated Business Continuity Professional (ABCP), Certified by Business Continuity Institute (CBCI), Certified Continuity Manager (CCM), Certified Information System Security Professional (CISSP), ISO 27001 Lead Implementer, Certified in Risk and Information Systems Control (CRISC), Cisco Certified Network Associate (CCNA), Project Management Professional (PMP) and Certified Project Management Associate (CPMA).

## REPORT TO MANAGEMENT AND SUPERVISORY BODIES

The responsibilities for the creation, functioning and periodic evaluation of the internal control and risk management systems are disclosed on the terms of reference of the Board of Directors, the BAFC and the SAB, which are disclosed on the company's website.

Sonaecom considers it is important to clarify the attributions of the SAB and the BAFC within matters of control and risk as follows:

- The SAB is the statutory supervision body of the company, has primacy regarding those matters, and acts in an independent manner.
- Internal Audit reporting to the SAB assures the existence of a reporting line to a body that is independent from the Board of Directors.
- The assessment of the internal control and risk management system is effectively executed, with the SAB being the global supervision body, with primacy over the BAFC, given that the SAB's agreement must always be obtained.
- The SAB has the 'last word' on the role and evaluation of the Internal Audit.
- Internal Audit can request private meetings to report to the SAB without any Board of Directors or Management member being present.
- The existence of assessment attributions within the BAFC are necessary and bring benefits, both for the shareholders and the company, in the sense that the BAFC is a committee with more specialised and executive knowledge about the business information, which is complex, allowing it to more closely control and challenge several areas of the company to achieve an efficient management of risks.
- Thus, the existence of a specialised committee within the Board of Directors, with assessment attributions on the matters of control and risk, does not override the SAB's functions. The separate supervision of these two bodies allows us to strengthen the levels of self-control (BAFC's role), in addition to the independent, sovereign and dominant supervision (SAB's role).



The reporting lines of Internal Audit and Risk Management are as follow:

- Internal Audit reports hierarchically to the Sonaecom CEO.
- Internal Audit reports functionally to Sonaecom SAB and the Sonaecom BAFC in separate.
- Risk Management central function has similar reporting lines within Sonaecom.

The internal mechanisms for information and communication about the system and for risk alerts include:

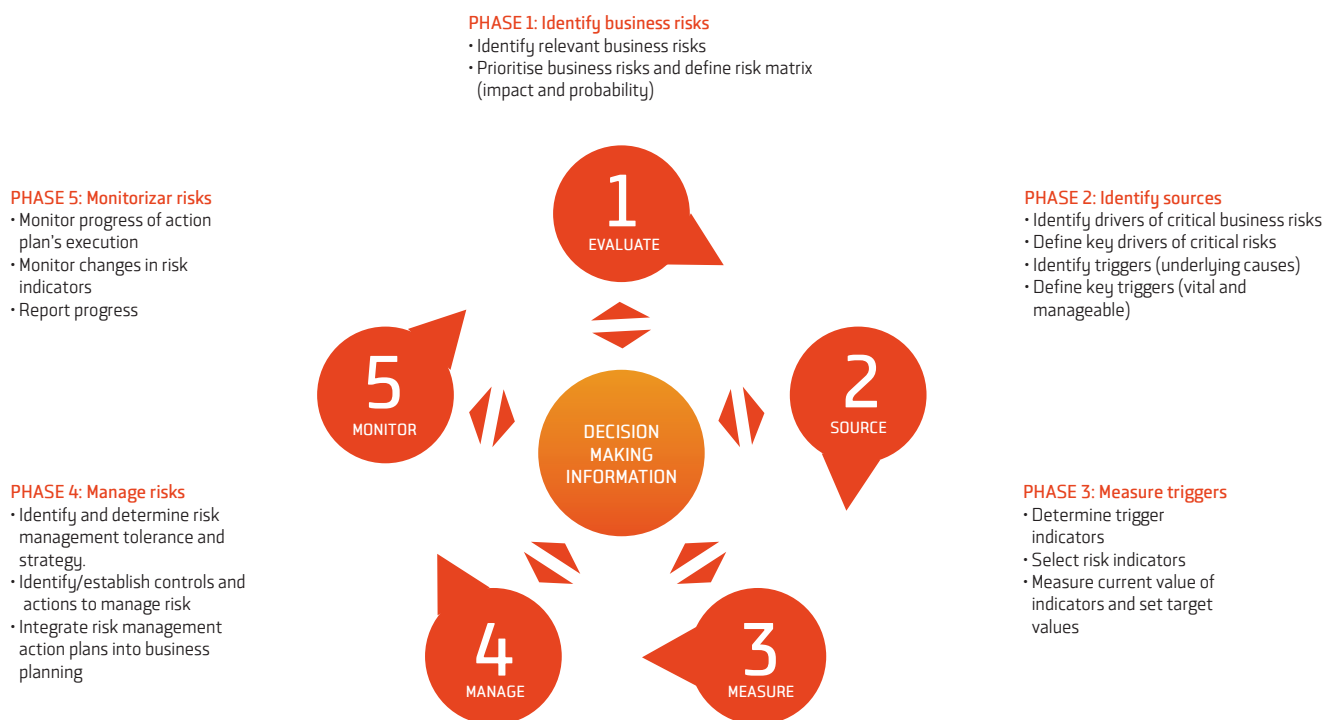
- Periodical reports by Internal Audit and Risk Management functions:
  - Internal Audit reports to the Executive Committee following the conclusion of each internal audit engagement.
  - Internal Audit can issue an interim report at any time to communicate information that requires immediate attention.
  - Internal Audit reports quarterly to the BAFC and semi-annually to the SAB, presenting a summary of all major internal audit conclusions.
  - Risk Management central function makes similar periodical reports within Sonaecom, regarding the status of risks and control projects/actions.
- Risk monitoring processes such as:
  - The existence of processes and dashboards in place across all business areas to monitor operations and KPIs.
  - The existence of departments dedicated to monitoring specific business risks and to producing alerts. For instance: the Fraud, Revenue Assurance and Network Supervision teams in the telecommunications unit.
  - The implementation of indicators and alerts for service interruption and security incidents at operational level.
  - The development of business risk indicators for key drivers at management level.

#### RISK MANAGEMENT APPROACH

The diagram below illustrates the main phases included in the Sonaecom risk management cycle that can be applicable to all business units in its portfolio. The risk management process is supported by a consistent and systematic methodology, aligned with 'Sonae Group Standard for Risk Management', which is based on the international standard 'Enterprise Risk Management – Integrated Framework', issued by COSO (Committee of Sponsoring Organisations of the Treadway Commission).



## ERM - ENTERPRISE RISK MANAGEMENT CYCLE



## ERM - Enterprise Risk Management cycle

Framework is based on the 'Standard for Risk Management', from the Sonae Risk Management Consulting Group (2008)

Derived from this general framework, the management and control of Sonaecom main risks is achieved through the following key approaches and methods:

## EWRM – Enterprise-Wide Risk Management

**Approach:** The Enterprise-Wide Risk Management aligns the risk management cycle with the strategic planning cycle. This approach allows Sonaecom's businesses to prioritise and identify critical risks that might compromise their performance and goals and to take actions to manage those risks, within the pre-defined levels of acceptance. This is achieved through constant monitoring of risks and the implementation of certain corrective measures.

**Method:** 1. Identify business risks >> 2. Identify sources >> 3. Measure triggers >> 4. Manage risks >> 5. Monitor risks

## BCM – Business Continuity Management

**Approach:** The implementation of Business Continuity Management processes is intended to mitigate the risk of interruption of business critical activities, which may arise as a consequence of disasters, technical-operating failures or human failures. The scope of this process also includes the assessment and the management of physical security risks at the company critical sites.

**Method:** 1. Business understanding >> 2. Define resiliency strategies >> 3. Develop and implement Business Continuity and Crisis Management plans >> 4. Test, maintain and audit the BCM plans and processes

## ISM – Information Security Management

**Approach:** The implementation of Information Security Management processes is intended to manage the risks associated with the availability, integrity, confidentiality and privacy of information. It intends to develop and maintain the Information Security Policy, to verify compliance of the procedures with the policy, to develop training and awareness programmes, and to establish and monitor KPIs for Information Security.

**Method:** 1. Identify critical information >> 2. Detail critical systems/resources supporting information >> 3. Evaluate security risk levels >> 4. Define and implement indicators >> 5. Manage and monitor risk mitigation actions

## RMCP – Risk Management Cycles or Processes

**Approach:** The development of specific risk management cycles/processes enables the mitigation of critical risks that can impact certain processes, areas or entities, positioning these risks within the levels defined by management. It identifies and monitors other operational risks that management considers relevant.

**Method:** 1. Identify specific risks >> 2. Identify sources >> 3. Manage risks >> 4. Monitor risks



The setting of strategic company objectives regarding risk-taking considers:

- The aligning of the risk management cycle with the strategic planning cycle, specifically during the definition of the annual Business Plan (Action and Resource Plan), when the business units identify the risks that could potentially affect the achievement of their target objectives and define actions to overcome them.
- The risk-taking objectives are derived and aligned with the overall strategic objectives of the Sonaecom companies.

There are several mechanisms to control the execution and the effectiveness of the risk management actions, including:

- The controlling of Action and Resource Plans execution: The activity of business units is monitored and progress reports are made (financial and operational). The analysis of the business units' actions is supported by the Planning and Control functions, including preparing notes on the major discrepancies identified and anticipation of future issues.
- The execution of Risk Management cycles: During the Evaluation and Source phases, the risk-taking tolerance (low, medium, high or very high) and the selected strategy (avoid, retain, reduce or transfer) are identified for key risk drivers. During the Monitor phase, main risks are cross checked with the actions defined in the annual Action and Resource Plan, to verify their evolution.
- The execution of Internal and External Audits: The effectiveness of the internal controls and risk management actions are evaluated regarding business process and systems.
- The execution of Findings Monitoring: An internal follow-up procedure aimed at monitoring the relevant findings status and the adoption of corrective actions by business areas is carried out on a semi-annual basis.

## B) MAIN RISKS AND CONTROL ACTIONS

This section covers the identification of the main risks related to our actual business activities, including the description of some events that can trigger those risks and the main control actions implemented to manage them.

During 2012, in relation to Sonaecom's business risks, a particular focus was placed on the execution of a risk management cycle for Sonaecom SGPS (holding perspective) and an update for Optimus (telecommunications business unit perspective). The status of the main risks was updated through: the revision of the most relevant risk drivers; the assignment of risk owners; and the identification of existing controls or new actions to manage those risks. This revision

also resulted in an updated risk matrix, including the analysis of impact and probability for each potential risk. A risk management cycle was started at the SSI companies, specifically at WeDo Technologies, to be finished during 2013. Other risk management cycles in Sonaecom business units are also expected to take place throughout 2013.

Within the Economic, Financial and Legal categories, the risks are presented and ordered in this section according to the classification and structure of the Sonaecom Business Risk Model (BRM). The BRM is a systematic way of identifying the risks that affect the organisation (common language) and allows the defining and grouping the risks as well as its main drivers (risk dictionary).

### ECONOMIC RISKS

According to the Sonaecom BRM, economic risks relate to these risk categories: Business Environment, Strategic, Operations, Information Processing and Technology, and Empowerment and Integrity.

#### ECONOMIC INFLUENCES

Optimus is exposed to the current adverse economic environment in Portugal and consequently to reductions in the level of consumption. In this context, there is the risk that the average revenue per customer will continue to be affected due to the high unemployment rate and by the private and the public consumption reduction. This risk is intensified due to the fact that Optimus only operates in the Portuguese market. Optimus has in place several initiatives that may help to mitigate this risk through tighter cost controls and through launching alternative and innovative offers.

Concerning the SSI companies, due to the pace of WeDo Technologies' expansion and internationalisation, the impact of the adverse economic environment on the business is more diluted. The company has continued to manage these adverse effects by expanding its product portfolio and by targeting other business sectors (see Business Portfolio risk, below). Furthermore, since 2010 WeDo Technologies has been optimising its national and international structure, helping to sustain the pace of its growth.

As for Mainroad, although the economic recession has affected all IT outsourcing businesses in general, at Mainroad the IT managed/outsourcing services continued to account for the largest share of turnover in 2012, reflecting market demand for outsourcing of IT services as a way to reduce costs. At Bizdirect, the company has been affected by the end of the "E-Escolas" programme and by the market downturn. Nevertheless, Bizdirect managed to strengthen its position in

selling multi-brand solutions of IT equipments and management of corporative software licensing contracts. Despite the current economic crisis, Saphety strengthened its position in the domestic market as a leader in solutions for simplifying and automating processes.

Like other companies in the publishing industry, Público has gone through a period of economic and financial crisis, in the context of a deep economic recession that offers no sight of a recovery in the advertising market. Aiming to ensure the sustainability of the business without compromising Público's role as an independent source of information in Portugal, Sonaecom announced the implementation of a restructuring plan at the beginning of October 2012. This plan involves a stronger focus on the growing demand of the digital world and in reducing the cost structure, driven by a decrease in operating costs and the leave of 48 employees.

### TECHNOLOGICAL INNOVATION

For Optimus having an optimised technological infrastructure is a critical success factor that helps to reduce potential failures in leveraging on technical developments. During 2012, there has been a very positive evolution in the possible causes of this risk, related to the successful introduction of the 4G mobile networks based on Long-Term Evolution (LTE) technology; overcoming possible legacy compatibility issues in the LTE rollout; the deployment of 4G service offers; and the ability to deliver services that support the growing use of multimedia services by customers. The company has also continued other actions to leverage on technological innovation, allowing the business to mitigate those possible risk causes.

WeDo Technologies is certified in Management of Research, Development and Innovation (NP 4457:2007). This certification, along with the Quality Management System certification (ISO 9001:2008), helps the company to continue innovating in a sustainable way and helps to mitigate potential risk drivers. This means that WeDo Technologies' offer is continually adapted to new technological trends, such as the cloud offer. WeDo Technologies was one of the first software vendors to invest in the Revenue Assurance market and was the first to do so for Business Assurance.

Mainroad faces the technological innovation challenges of cloud computing. This technological trend is characterised by a growing and heavy adoption of server virtualisation and service-oriented architectures by customers. On the service provider's side, an effort has to be made to keep up the pace, to adapt infrastructures and to shift the operations model to a service-oriented model. One of the most relevant risks generally associated with cloud computing is the shift from traditional data centres (that are customised to fit customers'

proprietary solutions) to cloud computing service data centres (which are more standardised). In this context, Mainroad has continued its approach to handling cloud computing issues, by developing its three main business areas to work as complementary tools and by delivering cloud computing services through partnerships.

Cloud computing is also presented as a risk factor to Bizdirect's business, since it may cannibalise the market of infrastructure sales and can reduce demand for systems among customers. Although part of Bizdirect's revenues come specifically from sales of equipment and software, cloud computing is seen as a positive challenge when it comes to addressing customers' needs, accompanying them through the different stages of cloud evolution that companies now face. The risk is also managed through the existing strategic relationships with partners, which enable us to offer a complete portfolio of products without limiting supply. We highlight, as an example, the partnership that allows Bizdirect to offer the integration of Microsoft's solutions such as Dynamics CRM, SharePoint, BizTalk and Office 365.

Público has continued the restructuring of its daily and weekend newspaper editions, including new sections with new layouts and some in-depth contents, followed by a restructuring of its website, with the innovative participation of readers through the Público Lab blog. These moves aim to ensure a greater alignment with the new reading habits of the Portuguese, new ways of accessing information via smartphones and tablets as well as sustaining Público as the leading online generalist newspaper.

### COMPETITION

Optimus has long been an active agent of transformation within the Portuguese telecommunications market. Nowadays, it is an integrated player best positioned to act as a true alternative to the incumbent operator in leveraging the fixed-mobile convergence. In this context, Optimus is exposed to competition risks from other players in its business environment. Some of the factors that Optimus is exposed to can be summarised as: the market consolidation opportunities for competitors and for Optimus; the value destruction in certain customer segments and services (pricing issues); competition in the wireline residential market; the optical fibre leverage challenges; and the increasing mobile network effect (that should be supervised by the regulatory entities).

Regarding the SSI companies, WeDo Technologies is the business that could be more exposed to international competition. However, this risk is not significant given that WeDo Technologies is a worldwide leader in Revenue Assurance software and a solid global top three player in the aggregated market of Revenue Assurance and Fraud Management.

## BUSINESS PORTFOLIO

At WeDo Technologies, one of the main objectives has been the expansion and internationalisation of the business. This could have been adversely affected if the company had continued with a single line of products, focused on one business sector. This risk is being mitigated because the company has continued to consolidate its global presence outside Portugal for several years and has targeted new business sectors since 2009. It has also increased its product portfolio by expanding from Revenue Assurance and Fraud Management to Business Assurance.

Following the acquisition of Connectiv Solutions in the USA in 2012, WeDo Technologies is also bringing a more focused commitment to Managed Services and SaaS, both areas where Connectiv Solutions has deep knowledge and strong footprint in the US market.

In 2012 Bizdirect continued its strategy of growth and portfolio diversification along three axes: internationalisation, customer relationships and differentiation. The first axis goes through Africa in a combined effort with other Sonaecom SSI companies that also have projects in this region and align with the Sonaecom Group's strategic priority of internationalisation. One of 2012's highlights was launching the technical maintenance of computer equipment targeted at businesses, consultancy in software compliance and also the extension of its offer in integrating solutions focused in Microsoft technologies.

Saphety has restructured its portfolio of services since 2011. The aim was to mitigate the risk that information about its offer was not completely clear to customers and prospects, while also consolidating its service offering, allowing it to respond to the need to cover the value chain identified in the market. The portfolio is now divided into three types of solutions that can work in an integrated manner and under the Software as a Service mode: SaphetyGov, SaphetyBuy and SaphetyDoc.

To reduce the risk of dependence on the national market, Saphety also continued to internationalise. Currently over 10% of its orders come from the international market.

Similarly, Mainroad also continued to expand its portfolio of international customers during 2012, through the growth of services and projects, focusing on markets in Angola and Brazil in addition to its existing customer base in Spain. Also during 2012, Mainroad introduced a new offer for monitoring IT infrastructures named 'Main It Monitoring'.

## BUSINESS INTERRUPTION & CATASTROPHIC LOSS (BUSINESS CONTINUITY MANAGEMENT)

Given that Sonaecom's businesses (Telecom, SSI and Media) rely mainly on the use of technology, potential failures in technical-operational resources (network infrastructures, information system applications, servers etc.), could cause a significant business interruption risk if not properly managed. This could bring other risks to the company – such as adverse impacts on reputation, on brand, on revenue integrity, on customer satisfaction and on quality of service – that can ultimately lead to loss of customers (churn). In the telecommunications sector, the business interruption and associated risks could be aggravated because services (voice, data/internet and TV) are delivered in real time and customers typically have a low tolerance towards interruption. Likewise, in the IT sector, the SSI companies face additional risks related to the resilience of the data centres infrastructure and their management and operational procedures; the availability of the software platforms that support key customer processes, among other risks.

In order to identify this specific set of risks and to implement prevention and mitigation actions that guarantee the continuity of critical operations and services, Sonaecom has put in place over several years the BCM – Business Continuity Management programme. This programme is sponsored by a member of the Sonaecom Executive Committee (Optimus CEO), is co-ordinated by the Risk Management central function and has a permanent working group with management and operational representatives from relevant business units.

During 2012, Sonaecom continued to enhance its BCM process implementation and maintenance activities, through a number of actions that included:

- Conclusion of the BCM Focus review, to reflect the evolution of Optimus's service portfolio and updated critical activities.
- Periodical updates of the Crisis Management Plan, which addresses technical-operational failure scenarios in the telecommunications unit, including additional procedures for managing crisis communication with customers.
- Proceeding with the implementation of a support system for BCM information, procedures and plans, with the aim of ensuring more efficient maintenance and a sustainable BCM lifecycle for the organisation.
- Implementation of supplementary resilience strategies for some critical platforms of the telecommunications' network, including, for example, the ones that support IP multimedia services, SMS services and some LTE core networks components.
- Proceeding with the update of the existing IT/IS disaster recovery solution, envisaging high-availability of applications and geographic replication of data for a set of critical business systems.

- Co-ordination with external official entities on catastrophic scenarios, security of critical infrastructures and crisis communication, including collaboration on the update and simulation of Civil Protection Plans.
- Participation in workshops and contributing comments to public consultations on procedures related to Communications Security, promoted by the Portuguese regulator (ICP – ANACOM) and the European Network and Information Security Agency (ENISA), involving all major communications operators in Portugal.
- Execution of internal monitoring and compliance analysis for service interruption incidents and crisis. This was complemented by external research regarding telecom outages at the European level.
- Execution of audits to the physical security risks of critical facilities, including Optimus switch centres.
- Improvements in the physical infrastructures of critical facilities, including power systems and other security equipment in Optimus switch centers and Mainroad data centers. We highlight that Mainroad has won honours several times in the Data Centers in Europe Awards, namely as Best Managed Services Data Center in Europe in 2011, following its second places as Data Centers Risk Mitigator in 2009 and as Disaster Recovery Provider in 2008. This recognition proves the company's ability to maintain a resilient operation in its data centers that serve Sonaecom companies and external customers.

#### AVAILABILITY, INTEGRITY AND CONFIDENTIALITY (INFORMATION SECURITY)

##### INFORMATION SECURITY MANAGEMENT (TELECOM, SSI AND MEDIA)

Bearing in mind that Sonaecom is primarily a Technology, Media and Telecommunications (TMT) group, all its subsidiary companies make intensive use of technology and information, which are typically subjected to availability, integrity, confidentiality and privacy risks. Given this, in 2010 Sonaecom decided to reinforce its commitment to the management of these risks by creating the Information Security Governance, Risk and Compliance (GRC) Committee. This group works as an additional risk management and supervision mechanism, in addition to the existing controls in each Sonaecom business unit, given that these units are responsible for managing the risks associated with information.

The Information Security GRC Committee is a working group mandated by the Executive Committee, sponsored by the CIO, co-ordinated by the Risk Management central function, and has representatives from the business areas that are most closely associated with information assets' management and security matters. The committee's principal responsibilities include: the maintenance and development of the Information Security Policy and related Charter, Standards and Procedures; the recommendation

of actions and controls for the business areas to manage Information Security matters; the supervision of the policy through risk assessments, compliance evaluations and KPIs; and the promotion of security awareness through training and communication.

The Information Security GRC Committee develops, proposes and co-ordinates an annual risk management action plan. Below, we highlight some activities that the telecommunications unit continued to develop during 2012, with the aim of consolidating the security management processes:

- Reinforcement of the security rules related to the SDLC (Systems Development Life-Cycle), including improvements in the internal standard for the development of applications and services and the standard for accesses management.
- Revision of the existing internal standards and procedures for information classification. This is a structuring project that will continue in 2013 and encompasses the identification and characterisation of relevant information entities as well as the processes and repositories to maintain the information classification.
- Re-engineering of the process for identity and access management of software applications, facilitated by the introduction of an IAM tool that allows even tighter control of access to information.
- Centralisation in a single operating application of transaction queries to the most critical information, facilitating the control of the access logging.
- Improvements to the production deployment process of applications with a compliance verification against the security requirements that are in force.
- Execution of regular audits to websites and web applications in order to assess security and quality management requirements.
- Implementation of further and tighter privacy controls related to access, retention and logging of personal data.
- Development of an internal central repository for standards and procedures related to Information Security, which is expected to be finished during 2013.
- Development of an internal framework to manage and prioritise the Information Security domains, which is aligned with the Technical Guidelines for Minimum Security Measures published by the Agency for European Network and Information Security (ENISA) and have been taken as a reference by the Portuguese regulator (ICP – ANACOM)
- Implementation of a monthly and annual dashboard with relevant risk indicators related to Information Security to: monitor the evolution of the measures taken on the availability, integrity and confidentiality of information; identify trends, causes of changes and opportunities for improvement; and also to support decision making processes, justifying investments in human or technical resources.

Awareness is a key success factor in fostering a strong Information Security culture among employees, partners and key stakeholders. Besides being a technological issue, security should be seen as a cultural and behavioural issue. With this in mind, Sonaecom has put in place several awareness and accountability initiatives over recent years. These were still applicable during 2012 and include the following:

- A communication plan for security, based on awareness campaigns for the themes that are considered to be the most relevant in each year. These campaigns are also built on interactive and multimedia tools. During 2012, the themes of confidentiality, privacy and integrity of information were part of an internal training course about business ethics that was attended by a significant number of Sonaecom employees.
- Having the Information Security policy published on the company intranet, accessible to all employees from the homepage. Additionally, the intranet also hosts a space dedicated to confidentiality issues including: explanation of the definition and scope of customer and employee personal data in telecommunications; behaviour guidelines; relevant legislation; and related frequently asked questions (FAQ) and answers.
- The welcome programme for recently recruited employees includes topics on the themes of information security and personal data.
- Clauses for protection of personal data in the terms of contracts with employees and business partners. All employees are bound by the duties of confidentiality, secrecy and protection of personal data and cannot transmit to any third parties the data they have access to during the course of their work and as a result of their functions in the company. These obligations and duties remain in force even after the termination of the working relationship between the company and an employee. Our business partners have the same confidentiality obligations and, in turn, these obligations are also applicable to their employees.

For specific matters related to the confidentiality and privacy of personal data, the company has a Chief of Personal Data Protection Officer (CPDPO) who:

- Takes responsibility for the execution and compliance with laws and regulations applicable to data processing.
- Acts on behalf of the company in interactions with the national regulatory authority for data protection (CNPd – Comissão Nacional de Proteção de Dados).
- Promotes the adoption of the principles of data protection, aligned with international regulations and best practices.
- Is also a member of the Information Security GRC Committee.

## CUSTOMER INFORMATION AND SECURITY (TELECOM)

Given that Optimus is a customer-driven company, we have reinforced our efforts to address security issues from the customer's perspective. The evolution of telecommunication services functionalities and their ability to support the flow of customer information have increased security risks, in terms of technical as well as customer behaviour. During 2012, we continued to develop several control actions covering the security of telecommunications services, as follows:

- Identification, analysis and prevention of mobile malware and malicious application threats, to protect Optimus and customers' handsets/smartphones from virus, spyware, trojans, worms, malicious browsing, theft, etc.
- Execution of a specific security analysis of the Optimus mobile network to prevent the risks of impersonation (customer identity theft), interception (eavesdropping on customer communications) and tracking (ability to locate and track the customer).
- Updating the existing Customer Educational Programme on the Sonaecom and Optimus websites to create awareness of common risks and to advise customers on the best anti-fraud and security practices to follow when using telecoms services.
- Execution of a specific security analysis of vulnerabilities in Wi-Fi Protected Set-Up in routers of Optimus Clix customers and implementation of additional security measures to improve encryption.
- Co-operation with the national banking industry through APB (Associação Portuguesa de Bancos) on the development and implementation of security actions against home banking fraud.
- Executing risk assessments of fraud and service security for Optimus's new products, services and technologies in order to assure both company and customer protection.
- Participation at the GSM MoU Association Security Group, to study best practices and to propose cost-effective technical security measures to avoid telecommunications fraud and to prevent security breaches at the service support platform and network level.

## PRODUCT-SERVICE FAILURE (PROFESSIONAL LIABILITY)

Given that Sonaecom companies are customer-oriented, we pay particular attention to the impact that any potential failure of our products or services could have on our customers, especially liability issues. These issues are business-intrinsic and are generally related to accidents, unintentional acts, errors or omissions performed by employees or subcontractors. Risk events can be physical (for example damage to equipment or facilities) or non-physical (for example errors in a software installation). Both are relevant to businesses like Sonaecom subsidiaries, which primarily provide services based on technology

and information. Given that liability is derived from contractual relationship with the customers, professional liability issues can arise in the event of a service failure.

Besides implementing internal controls, the risk management strategy Sonaecom selected for this type of risk was to transfer the risk by using insurance. In this context, during 2012, we continued to maintain and improve actions taken in previous years regarding Professional Liability, as follows:

- Implementation of enhancements in some internal controls to further mitigate risk causes.
- Renewal of professional liability global insurance that incorporates an enlarged scope of coverage and is tailored to the business realities facing Sonaecom companies, including:
  - Technology Protection modules for Optimus, WeDo Technologies, Mainroad, Saphety and Bizdirect.
  - Multimedia modules for Optimus and Público.
- Additional subscription of professional liability insurances for WeDo Technologies' foreign companies, improving coverage with specific insurance policies in certain worldwide locations where our general insurance policy does not apply due to legal restrictions.

#### REVENUE AND COST ASSURANCE (TELECOMS' BUSINESS ASSURANCE)

Telecommunications businesses are subject to inherent operational risks associated with the assurance and monitoring of customer revenues and costs. Throughout 2012, we continued to improve our risk controls in line with the following key objectives:

- Detect any register loss between customer handset usage and invoicing.
- Mitigate losses in the quality of service or deterioration caused by integrity breaches.
- Prevent revenue loss arising from the implementation of new products and services.

This monitoring is supported by the RAID system, a leading application developed by WeDo Technologies. This platform already includes our fixed-mobile convergent offers. During 2012 some upgrades in RAID system were implemented in order to optimise the performed controls.

The business assurance process has continued to broaden its control over cost assurance activities. Besides controlling the efficient allocation of technical resources in the network and controlling over fixed equipment related to IPTV, during 2012 we introduced additional controls over auto-provisioning processes, over stock protection processes and over some platforms (for example: platform LINE), in order to optimise resources.

Throughout the year, the Revenue Assurance team also worked directly with the Optimus business units to identify some specific control needs that these units have in their processes. If materially relevant in terms of revenue or cost, the corresponding improvements are incorporated into the business and cost assurance activities. In this context, we continued to promote and monitor the discontinuation process for obsolete products and services. This process involves conducting internal forums with the Optimus business units, the IT and Network units twice a year.

During 2012, the Revenue Assurance team also participated in transversal projects like Credits & Discounts and Penalties, with the goal of redefining processes and identifying quick wins; and also co-ordinated the Negative Balances Forum, with the goal of implementing actions to reduce negative balances in the service accounts of customers.

#### FRAUD (TELECOMS' FRAUD MANAGEMENT)

Customer or third-party fraud is a common risk in the telecommunications sector. Fraudsters can take advantage of potential process, service or network vulnerabilities. With this in mind, Optimus has had a dedicated Fraud Management team in place for some time. During 2012, the Company maintained and further developed new control actions such as:

- Continuous focus on the mitigation and control of IRSF (International Revenue Share Fraud), one of the main fraud types affecting telecommunications operators worldwide. Several prevention and control measures have been taken such as: blocking specific risk destinations; changing service functionalities to better protect customers; reviewing retail tariff plans.
- Working with TMN and Vodafone to create a common and standard methodology to classify and measure telecom fraud at national level in order to improve co-operation and mitigation procedures.
- Improvement of fraud monitoring and detection through the expansion of the Near Real Time Roaming Data Exchange (NRTRDE) system to other network operators and the implementation of new controls for pre-paid, post-paid, roamers IN and roamers OUT customers.
- Participation at the GSM MoU Association Fraud Forum, in order to share experiences, study the most common fraud types committed against telecom companies and foster worldwide co-ordination of mitigation and detection actions against telecom crimes. Optimus has promoted and contributed to the creation of the GSMA Hot B Number Database, a risk list of the most common international destinations used for telecom fraud.
- Development of a Fraud Classification Model at the TMForum World Management Organisation, that will enable the



redesign of the telecoms industry structure for fraud measurement and reporting in terms of enablers (vulnerabilities) and fraud types (abuses), favouring and improving the link with other corporate business assurance areas (security management, revenue assurance, risk management).

- Introducing enhancements and finishing the implementation of RAID FMS in the Fraud Management System (FMS), provided by WeDo Technologies at Optimus.

## FINANCIAL RISKS

According to the Sonaecom Business Risk Model (BRM), financial risks mainly relate to the Financial risk category and partially relate to the Business Environment risk category.

Sonaecom acknowledges that, like other listed companies carrying out similar activities, we are potentially exposed to risks relating to financial reporting and accounting processes. We are also potentially exposed to a variety of other financial risks such as market risk (particularly, exchange rate and interest rate risks), liquidity risk and credit risk. Sonaecom's attitude towards financial risk management is conservative and prudent, and we followed these principles throughout 2012.

The roles and responsibilities regarding financial risks are generally allocated as follow:

- The Finance and Accounting department manages and controls the risks, and liaises as necessary with all other business and support areas that contribute to controlling financial risks.
- The SAB oversees and approves the disclosure of financial information under its responsibility; oversees the work performed by the Statutory External Auditor on the company financial statements; and issues an annual report on its supervisory work, as well as an opinion on the report of the Board of Directors, the consolidated and the separate financial statements.
- The BAFC reviews the financial statements to be disclosed and reports its findings to the Board of Directors; monitors significant financial exposures; monitors major judgmental areas in financial and accounting areas; oversees compliance with accounting standards; and oversees compliance with statutory and legal requirements and regulations, particularly in the financial domain.
- The Internal Audit evaluates the risk exposure; verifies the effectiveness of the risk management and internal controls; and proposes measures to improve controls.
- The Statutory External Auditor verifies if the main elements of the internal control and risk management system, regarding accounting and financial statements, are presented in the annual Corporate Governance Report and issues the

legal certification of accounts and an audit report. This attests whether the Corporate Governance Report includes all the elements required by Article 245 – A, of the Portuguese Securities Code.

## ACCOUNTING & FINANCIAL REPORTING (FINANCIAL RISKS CONTROL SYSTEM)

Sonaecom's Board of Directors is committed to having an effective internal control environment, particularly in the financial reporting process. It seeks to identify and improve the most relevant processes in terms of the preparation and disclosure of financial information, with the objectives of transparency, consistency, simplicity and materiality. The objective of the internal control system is to ensure reasonable assurance regarding the preparation of financial statements, in accordance with adopted accounting principles, and the quality of financial reporting.

The internal control system for accounting and preparation of financial statements include the following key controls:

- The process of disclosure of financial information is formalised, the risks and associated controls are identified, the criteria for its preparation and disclosure are duly established and approved, and they are periodically reviewed.
- There are three main types of controls: high level controls (entity level controls); controls of information systems (IT level controls); and controls in terms of processes (process level controls). There is a set of procedures relating to execution, supervision, monitoring, and process improvement, with the objective of preparing the company financial reporting.
- The use of the accounting principles, which are explained throughout the notes to the financial statements (see chapter 6.2, note 1), act as one of the control system's fundamental pillars.
- The plans, procedures and registers in the Group allow a reasonable assurance that transactions are executed only with the general or specific authorisation of management and that those transactions are recorded to ensure financial statements comply with generally accepted accounting principles. This also assures that the company keeps updated assets register, that the access to assets depends on management authorisation and that the assets register is verified against existing assets and appropriate measures are taken whenever differences occur.
- During the process of preparing and reviewing financial information, a timeline is first established and shared with the different areas involved and all documents are reviewed in detail. This involves a review of the principles used, the verification of the accuracy of the information produced, and consistency with the principles and policies defined and used in previous periods.

- The Group financial statements are prepared and analysed by the Finance and Accounting department, under the supervision of the Group Executive Committee. The Management Report and the Corporate Governance Report are prepared by the Investor Relations Department, with input and further review by several business and support areas, with support and supervision by the Director of Corporate Governance and the Law and Regulation department. The set of documents that makes up the annual report are sent for review and approval by the Sonaecom Board of Directors. After approval, the documents are sent to the statutory external auditor, which issues its legal certification of accounts and the External Auditor Report. These documents are sent, together with the Annual Report, to the Statutory Audit Board for review. The Board approves the documents and issues the Report and Statutory Audit Board's opinion.
- Compliance analysis – The Investor Relations department, in co-operation with the Finance and Accounting department, the Law and Regulation department, the Internal Audit and Risk Management department and other departments as necessary, co-ordinates a periodic analysis of the compliance with the legal requirements and regulations regarding the underlying governing processes and corresponding financial information reported in the Management Report and the Corporate Governance Report.

## CURRENCY

The Group operates internationally and has subsidiaries operating in Brazil, United Kingdom, Poland, Ireland, Spain, United States of America, Mexico, Chile, Panamá, Australia, Egypt, Singapore, Malaysia (branch) and in Angola. Subsidiaries have local employees and operate in local currency. The Group's exposure to exchange rate risk comes mostly from the fact that some of its subsidiaries report in currencies other than the euro, which is immaterial to the risk associated with operating activities.

Of the various risk drivers that can materially impact accounting and financial reporting, we highlight the following:

- Accounting estimates and provisions – The most significant accounting estimates are described in the notes to the financial statements (see chapter 6.2, Note 1.aa). The estimates were based on the best information available during the preparation of financial statements and based on the best knowledge and experience of past and/or present events.
- Balances and transactions with related parties – The most significant balances and transactions with related parties are disclosed in the notes the financial statements (see chapter 6.2, note 34). Attached to the report, we present a list of all parties related to the Sonaecom Group. These are mainly associated with the operational activities of the Group, as well as the granting and obtaining of loans, being made at market prices.

More specific information on how these and other risks drivers were mitigated can be seen throughout the notes to the financial statements (see chapter 6.2, note 1.ab)..

Sonaecom undertakes several actions regarding the continuous improvement of its Financial Risks Control System, including:

- Control documentation enhancement – Following actions taken in previous years, Sonaecom continued to enhance the documentation and systematisation of the risks and the internal control system related to preparation of financial information. This action includes the identification of risk/drivers (initial risk), the identification of process with higher materiality, the controls documentation and the final analysis (residual risk) after the implementation of potential improvements in the controls.

Foreign exchange risk management seeks to minimise the volatility of investments and transactions made in foreign currency and, whenever possible, the company uses natural hedges to manage exposure or derivative financial hedging instruments.

In the notes to the financial statements (see chapter 6.2, note 1.ab), we present further information on how this risk is managed and controlled, including a summary of the Group exposure to exchange rate risk and its sensitivity to changes in exchange rates.

## INTEREST RATE

Sonaecom's total debt is indexed to variable rates, exposing the total cost of debt to a high risk of volatility. The impact of this volatility on the company results or on its shareholders' funds is mitigated by the effect of the following factors: (i) relatively low level of financial leverage; (ii) the possibility of using derivative instruments that hedge the interest rate risk, as mentioned below; (iii) during non-recession periods, the possible correlation between the level of market interest rates and economic growth, with the latter having a positive effect in other lines of the company results; this partially offsets the increase of financial costs (natural hedge); and (iv) the existence of stand alone or consolidated liquidity which is also bearing interest at a variable rate.

The company only uses derivatives or similar transactions to hedge interest rate risks considered significant. These include interest rate swaps and other derivatives. The counterparties of the derivative hedging instruments are limited to highly rated financial institutions. Sonaecom Board of Directors approves the terms and conditions of financing with a significant impact



in the company, based on the analysis of the debt structure, the risks and the different options in the market, particularly the type of interest rate (fixed/variable). Under the policy defined above, the Executive Committee is responsible for making decisions on the occasional interest rate hedging contracts by monitoring the conditions and alternatives existing in the market.

In the notes to the financial statements (see chapter 6.2, note 1.ab), we present further information on how this risk is managed and controlled, including the sensitivity analysis on interest rate risk (see note 19).

### LIQUIDITY

The existence of liquidity in the company requires the definition of policies for ensuring efficient and secure management of that liquidity, allowing us to maximise the profitability and to minimise the opportunity costs related to that liquidity. The main underlying policies correspond to the variety of instruments allowed, the maximum acceptable level of risk, the maximum amount of exposure by counterparties and the maximum periods for investments.

In the notes to the financial statements (see chapter 6.2, note 1.ab), we present further information on how this risk is managed and controlled.

### CREDIT

The company exposure to credit risk is mainly associated with the accounts receivable related to current operational activities. The credit risk associated with financial operations is mitigated by the fact that the Group, related to telecommunication operators, only negotiates with entities demonstrating high credit quality.

The management of this risk seeks to guarantee that the amounts owing are effectively collected within the periods negotiated without affecting the financial health of the company. To assist in mitigating this risk, the Group uses credit rating agencies and has dedicated departments for Credit Control, Collections and Litigation Management. Given the current economic crisis, additional controls and monitoring enhancements have been implemented in the processes of these areas in order to mitigate the risks of collections delays and credit defaults by customers.

The Group also subscribes credit insurances to deal with credit risks relating to third-party telecommunication operators in Optimus and relating to advertisement publishing agencies in Público. The Group has started to evaluate the feasibility of subscribing credit insurances by SSI companies.

### CAPITAL AVAILABILITY

Sonaecom is naturally exposed to the current adverse economic environment, as well as to the restrictions that banks, especially Portuguese banks, are generally applying when granting loans, due to the impact of the economic and financial crisis on their lending capacity and capital requirements. This financial environment is not favourable, especially at a time when telecom operators are required to make significant investments.

In this adverse context, during 2012 the Group succeeded in getting additional financing to assure a greater diversification of its funding sources, increase the average debt maturity and anticipate funds required to meet the refinancing needs scheduled for 2012 and 2013. For details about our debt and capital structure see chapter 6.2 note 19.

During 2012, in terms of Working Capital, the company conducted additional analysis and several actions were taken in order to optimise it, namely on stock management and on receivables/payables management.

### LEGAL RISKS

According to the Sonaecom Business Risk Model (BRM), legal risks relate to Business Environment risk category. To monitor the drivers of actual and potential risks, as well as to assure the fulfilment of the legal and regulatory framework in place, Sonaecom has a dedicated team that includes the Law and Regulation department and follows legal and regulatory issues very closely. Despite this, we cannot totally exclude the risk of possible infringement processes against Sonaecom companies due to different views on the practical meaning of the legal and regulatory framework. Sonaecom also collaborates with the authorities with the aim of defining a legal and regulatory framework that, according to our view, promotes the development of the communications sector in Portugal. Such collaboration may be proactive or involve sending comments to public consultations.

### LEGAL AND REGULATORY

Within Sonaecom's business portfolio, regulatory issues are more relevant in the telecommunications unit, which is subject to specific rules that are mainly defined by the sector regulator ICP - Autoridade Nacional de Comunicações (ICP - ANACOM), following the regulatory framework defined at European level.

The regulator's decisions may have a significant impact on the development of Optimus's activities, particularly those decisions relating to: spectrum awarding conditions; mobile termination rates; the regulatory framework for next-generation networks (NGNs), within which the conditions of access to third parties' NGN should be defined; wholesale offers conditions, namely access to conducts, leased lines and access to local

loop unbundling; universal service financing; and the security and continuity requirements that may impose an administrative and investment burden on operators.

There are other issues that affect the company's activities. These are decided directly by the Government, assisted by ICP - ANACOM, and include the selection of the universal service provider by public tender; the regulatory fees (spectrum, numbering, regulatory activity); other fees or contributions to be imposed on communications providers to finance public policies or sectors; and certain consumer protection rules.

Additionally, Sonaecom also has to comply with rules that are defined at European level, and have a direct effect on Portugal as a Member State of the European Union. This applies, for example, to the regulation on roaming services, which limits the conditions of providing roaming services either at wholesale or retail level.

Besides the specific rules regarding the telecommunications sector, Sonaecom companies are also subjected to horizontal legislation, including competition law.

Sonaecom's SSI companies face an additional risk relating to the internationalisation process. This has been managed for many years in WeDo Technologies and is becoming increasingly relevant for Mainroad, Saphety and Bizdirect. The issue arises because these companies have presence in several countries around the world. This involves specific risks relating to very different legal frameworks, where additional effort is needed to fully understand and to cope with those frameworks.



## C) RISK MANAGEMENT POLICIES FOR ETHICS AND DISCLOSURE

The last part of this section covers Sonaecom's policies and procedures for managing risks associated with Ethics and Disclosure. These relate to three areas that are generally considered to be risk sensitive, and they are areas that receive particular attention from shareholders and other stakeholders and interested parties: Conflicts of Interest, Remuneration Practices and Whistle-blowing and the Reporting of Irregularities. Although these are important and sensitive areas, Sonaecom considers that, given the governance structure, policies and processes we have in place, these areas involve lower levels of risk compared with, for example, some of the economic risks intrinsic to the business, which have already been described in this section.

### CONFLICTS OF INTEREST POLICY

It is a matter of good governance that, in all dealings at Sonaecom, integrity and reputation cannot be compromised when any party to the dealing has a conflict of interest, either actual, potential, perceived, or is a third party. Accordingly, we have internal control processes in place that allow us to address conflicts of interest across several levels of the organisation.

For all employees, Sonaecom has adopted a Code of Conduct that includes the following guidance on conflicts of interest and is published on Sonaecom's website and intranet.

The Code of Conduct is also subject of periodic awareness communications. In this context, during 2012 an internal training course, based on an e-learning platform, was attended by a significant number of Sonaecom employees belonging to telecommunications unit, shared services and corporate center. This course addressed the responsibilities of the employees and the company bodies that intervene in the conflicts of interest and the whistle-blowing processes. It focused on practical situations related to the themes of: conflicts of interest; confidentiality, privacy and integrity of information; relationships with employees; and relationships with suppliers and business partners.

Additionally, at Board level there is a regulation governing 'Policy and Procedures on Conflicts of Interest' approved by the Board, which determines that:

- The regulation is applicable to all Directors, including all members of the Board of Directors, as well as other Senior Executive Managers who regularly participate in Board meetings, Executive Committee meetings or any Board Committees.
- A Director, or entities in which a Director has a significant interest and/or influence, who or which enter or propose to

enter into a transaction with the Company shall make full disclosure immediately.

- Such conflicts will be reported to the Board of Directors, normally via the BAFC. The Board of Directors, on advice from the BAFC, may approve the transaction or request that further pre-defined steps should be taken as are necessary and reasonable to remove any conflict of interest.
- For all Directors, a register should be maintained by the Secretary of the Board of Directors regarding significant and relevant outside directorships and other significant roles or activities (supervised by the BNRC), as well as a register of all significant shareholdings held (supervised by the BAFC). Directors should reconfirm the contents of the register in writing at least once a year.

At company level, in relation to shareholder relationships and related party transactions:

- When executing related party transactions, Sonaecom companies should act in a diligent, careful and organised manner and should ensure that transactions are well documented. The interests of all parties involved should be respected ensuring that, globally, transactions are implemented on an arm's length basis, observing general market practices, so that deals are carried out as if the parties involved in the transaction are independent entities carrying out comparable transactions. Transactions should serve the long term interests of the parties involved (including the fair treatment of any minority shareholders) and should take into account the interests of other relevant parties such as employees, clients and creditors, so ensuring the companies' sustainability.
- Where deals of significant importance (generally, higher than 10 million euros) are undertaken with holders of qualifying shareholdings, or with entities are classified as related parties, such deals shall be subject to a preliminary opinion from the SAB. The SAB, under its Terms of Reference, obtains from the Board of Directors, normally through the BAFC, all the necessary information relating to the operational and financial progress of the company, changes to its business portfolio, the terms of any sensitive or related party transactions that have occurred and the details of decisions taken. Under its Terms of Reference, the BAFC devotes particular attention to material transactions with related parties, especially any transactions that could involve significant transfer pricing risk.
- Relevant information regarding reference shareholders and related parties is disclosed in section 5.6, including Sonaecom's qualified holdings under 'Qualified Shareholdings' and the existence of other material non-operational transactions with related parties, if any, is disclosed under 'Relevant transactions with related parties'.

**REMUNERATION POLICY:**

Sonaecom is committed to applying generally recommended risk management guidelines in terms of remuneration, as follows:

- The design of the remuneration policy for all officers and employees should take into account their potential risk-taking behaviour, by giving a sufficient, but a balanced, weighting to their variable component. This is also achieved by transposing some of the activity risk into the officers or employees own assumed risk, and by linking their own reward to individual and corporate performance.
- Additionally, the remuneration of members of the Board of Directors should be structured so that their interests are aligned with the long-term interests of the company. Their remuneration should be based on an independent assessment of their performance and should be structured to discourage excessive risk taking.

A risk assessment of Sonaecom's remuneration policy can be made by considering the following facts:

- The remuneration principles applied to all officers and employees and how the different remuneration components contribute to a controlled environment in terms of risk taking behaviour is explained in section 5.4 of this report, under 'Group Remuneration Policy, Remuneration of Management and Audit bodies'.
- The remuneration policy decision and approval process involves different governing bodies in order to ensure independent scrutiny, equity and adequate risk management of the processes. In particular, the BNRC has an important role in overseeing risk given its key function in reviewing remuneration and compensation policy and remuneration proposals, as well as supervising the MTIP.
- The remuneration principles and practices that apply at Board level are further explained and the details of individual remuneration are disclosed in section 5.4 under 'Directors' remuneration'. The BNRC reports in writing to the Board, whenever necessary, and liaises with the Sonaecom Shareholders Remuneration Committee ("Comissão de Vencimentos") to obtain their approval, on behalf of shareholders, for remuneration and other compensation given to the Board of Directors and other Statutory Governing Bodies.
- Finally, the fact that we disclose comprehensive information in section 5.4 on the remuneration policy we adopt promotes transparency and is itself a contributing factor towards mitigating the risk of potentially problematic pay practices.

**WHISTLE-BLOWING POLICY**

Sonaecom has a policy and process for communicating alleged irregularities carried out by officers, employees and business

partners which sets out procedures to respond to any reported irregularities.

The SAB has statutory responsibilities in relation to this process, in particular to:

- Receive communications of alleged irregularities reported relating to the company and presented by the company's shareholders, employees or other parties.
- Record any alleged irregularities that were reported, to promote investigation with due diligence by the Board of Directors, the Internal and/or the External Auditor and to report its conclusions.

The responsibility for supervising this process has been delegated to the Sonaecom Ethics Committee, which is required to:

- Assess the alleged irregularities considering the policy stated in the Code of Conduct.
- Receive, discuss, investigate and assess any alleged irregularities that are reported and to decide on the appropriate measures that should be taken in each case reported.
- Review and evaluate the efficiency and effectiveness with which the policy and process for communicating irregularities operates.

The whistle-blowing process can be summarised as follow:

- Anyone wishing to communicate any irregularity believed or known to have been committed by any Sonaecom officer, member of staff or business partner must address a letter or an e-mail containing a summary description of the facts to the Ethics Committee. The identity of the whistle-blower will be kept anonymous, if explicitly requested.
- The complaint will be analysed by the Ethics Committee and, if the Committee finds grounds for the reported irregularity, measures will be taken, as deemed appropriate.





## 1.6 OTHER INFORMATION

### SHARE CAPITAL STRUCTURE

Sonaecom's share capital is divided into three hundred and sixty six million, two hundred and forty six thousand and eight hundred and sixty eight ordinary, registered and book-entry shares with a nominal unit value of one Euro. There are no special share categories.

### QUALIFIED SHAREHOLDINGS

In accordance with the Portuguese Securities Code, shareholdings amounting to or exceeding the thresholds of 2%, 5%, 10%, 15%, 20%, 25%, 33.33%, 50%, 66.67% and 90% of the total share capital must be reported to the Portuguese Securities Market Commission and disclosed to the capital market. Reporting is also required if the shareholdings fall below the same percentages.

### SONAECOM QUALIFIED HOLDINGS

Shareholders	Number shares held	% Shareholding as at 31 December 2012
Sonae SGPS	197,493,119	53.92%
France Télécom	73,249,374	20.00%
BCP, S.A	12,500,998	3.41%

Sonaecom's largest Shareholders continues to be Sonae SGPS, a Portuguese multinational Group also with interests in retail, shopping centres and insurance, with a shareholding position of circa 54%, and France Télécom, one of the largest telecom operators in the world, with a 20% stake in Sonaecom.

The free float, as at 31 December 2012 (% of shares not held or controlled by shareholders with qualified holdings and excluding own shares) stood at approximately 21.48%.

During 2012, there were no changes to the number of shares issued by Sonaecom.

### SHAREHOLDERS HOLDING SPECIAL RIGHTS

There are no Shareholders with special rights.

### RESTRICTIONS ON THE TRANSFER AND OWNERSHIP OF SHARES

There are no restrictions on the transfer and ownership of shares.

### SHAREHOLDERS' AGREEMENTS KNOWN TO THE COMPANY

In 2012, the Group signed an agreement with Sonae SGPS, under which Sonae compromised to transfer to Sonaecom employees, including Board members, Sonaecom shares, at 1.184 euros per share, until the end of 2016. This was requested by Sonaecom, under Sonaecom's MTIP of Sonaecom. Under this contract, Sonaecom paid to Sonae-SGPS, S. A. a total of 3,291,520 euros.

### RULES APPLICABLE TO THE AMENDMENT OF COMPANY'S ARTICLES OF ASSOCIATION

Changes to the Company's Articles of Association require approval at a Shareholders' General Meeting, which decides, in accordance with the applicable law, by a majority of two-thirds of the votes cast.

### CONTROL MECHANISMS FOR EMPLOYEES PARTICIPATING IN THE SHARE CAPITAL

There are no systems in place concerning the attribution of shares of the Company to its employees that result in the respective employees not being able to freely exercise their voting rights.

### SHARE PRICE PERFORMANCE

At the end of 2012, Sonaecom's shares showed a market price of 1.481 euros per share, 21.9% above the closing price of 1.215 euros per share at 30 December 2011. The share price reached a maximum of 1.568 euros per share on 19 December 2012 and a minimum of 1.070 euros on 23 May 2012.

At the end of 2012, Sonaecom's market capitalisation was approximately 542 million euros . The average daily trading volume reached approximately 247 thousand shares, a decrease of 30.0% compared to 2011 (353 thousand shares).

During 2012, Sonaecom's share price evolution and liquidity were mainly influenced by the following news:

- 7 March 2012: full-year 2011 consolidated results released;
- 8 March 2012: announcement on dividend payment for the year 2011;
- 27 April 2012: shareholders' Annual General Meeting held with release of information on approved decisions;
- 3 May 2012: first quarter 2012 consolidated results released;
- 24 July 2012: first-half 2012 consolidated results released;
- 31 July 2012: completion of a 20 million euros bond issue;
- 25 September 2012: clarification, following a request from the Comissão do Mercado de Valores Mobiliários (CMVM, the Portuguese Securities Market Commission) about a statement made by one of Sonaecom's Executive Directors;
- 23 October 2012: clarification, following a CMVM request, following news released by Diário Económico;
- 30 October 2012: first nine months 2012 consolidated results released;
- 14 December 2012: announcement about agreement on recommendation between Sonaecom SGPS, SA, Kento Holding Limited and Jadeium BV.

#### **DIVIDEND DISTRIBUTION POLICY**

At the Shareholders' Annual General Meeting, held on 27 April 2012, Sonaecom's Shareholders approved the proposal from the Board of Directors to distribute through shareholders a dividend of 0.07 euros per share, applying the remainder net results to retained earnings.

Proposals to distribute dividends (as for every proposal for the appropriation of net results) are made by the Board of Directors, subject to compliance with Portuguese Company Law and the Company's Articles of Association, and the decision on any such proposals are taken by the Annual General Meeting as described below.

The Board of Directors prepares proposals relating to dividend distribution based on, among other considerations, business and investment opportunities and their corresponding profitability, the financing requirements of the Company and Shareholders' expectations.

There are no articles in the Company's Articles of Association that in any way limit dividend distribution or the proposals from the Board of Directors. Article 33 thereof provides that "The net results shown in the annual financial statements, after deduction of the amounts legally required to create or to add to the legal reserve, will be applied as determined by the Shareholders' General Meeting, which can distribute them totally or partially or transfer them to reserves".

#### **RELEVANT TRANSACTIONS WITH RELATED PARTIES**

The relevant transactions with related parties are described in paragraph 21 of the Notes to the Individual Financial Statements. There were no other material non-operational transactions during 2011 with related parties (including Sonaecom Officers and Governing Bodies, such as members of the Board of Directors and the Statutory External Auditor, owners of qualified shareholdings or with controlling or Group companies), apart from the Strategic Partnership agreement with France Telecom entered into on 9 June 2005 and renewed on 24 October 2008, as well as a new agreement between the two parties, signed on 1 March 2012.

#### **REPORTS OF THE STATUTORY AUDIT BOARD**

The annual report of the Statutory Audit Board is disclosed on Sonaecom's website.

#### **INVESTOR RELATIONS**

The Investor Relations department is responsible for managing Sonaecom's relationship with the financial community – current and potential investors, analysts and market authorities – with the goal of enhancing their knowledge and understanding of Sonaecom's businesses and activities, by providing relevant, timely and reliable information.

The department regularly prepares presentations and communications covering quarterly, half-year and annual results, as well as issuing announcements to the market whenever necessary, to disclose or clarify any relevant event that could influence Sonae.com's share price.

To further enhance the effective communication with the capital market and guarantee the quality of information provided, the Investor Relations department organises road-shows covering the most important financial centres of Europe and participates in various conferences. Also, a wide variety of investors and analysts have the opportunity to talk to management in one-on-one meetings or conference calls.

Any interested party may contact the Investor Relations department using the following contact details:

**Carlos Alberto Silva**  
Investor Relations Officer

**Tel:** (+351) 93 100 2444

**Fax:** (+351) 93 100 2229

**Email:** carlos.alberto.silva@sonae.com  
investor.relations@sonae.com

**Address:** Rua Henrique Pousão, 432 – 7º Piso,  
4460-191 Senhora da Hora, Portugal

**Website:** www.sonae.com

During 2012, the Investor Relations department participated in 68 one-on-one and group meetings, three roadshows and five investor and telecommunications conferences, providing analysts and investors with information on Sonae.com's performance and future prospects.

The representative for relations with capital markets and the Portuguese Securities Market Commission is António Lobo Xavier who can be contacted by phone or e-mail:

**Tel:** (+351) 93 100 2232

**Fax:** (+351) 93 100 2229

**E-mail:** antonio.xavier@sonae.com  
investor.relations@sonae.com

**Address:** Rua Henrique Pousão, 432 – 7º Piso,  
4460-191 Senhora da Hora, Portugal

#### FEES OF THE STATUTORY EXTERNAL AUDITOR

During 2012, Sonae.com Group paid the following fees to the Statutory External Auditor Deloitte and their network of companies:

	2012		2011	
Statutory Audit	171,699	68%	145,022	64%
Other Compliance & Assurance Services	34,000	13%	43,637	19%
Audit services	205,699	81%	188,659	83%
Tax Consultancy	47,785	19%	19,081	8%
Other consultancy	-	-	20,000	9%
Total	253,484	100%	227,740	100%

Sonae.com's Risk Management Policy, which is supervised by the SAB in liaison with the BAFC, monitors the non-audit services requested from the Statutory External Auditor and their respective network of companies, in order to ensure that auditor independence is not compromised. Quarterly, the SAB receives and analyses information on the fees and services of the Statutory External Auditor. Annual fees paid by Sonae.com Group to the Deloitte Group represented less than 1% of their total global fees in Portugal. Additionally, an Independence Letter is obtained each year from Deloitte confirming that they meet international guidelines on auditor independence.



## 1.7 ARTICLES 447, 448 AND QUALIFIED SHAREHOLDINGS

Please refer to 4.4 under Sonaecom 2012 Annual Report.

## 1.8 APPENDIX

### 1.8.1 QUALIFICATIONS AND PROFESSIONAL EXPERIENCE OF THE MEMBERS OF THE BOARD OF DIRECTORS

Please refer to 4.1 under Sonaecom 2012 Annual Report.

### 1.8.2 SHARES HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS AND RESPECTIVE TRANSACTIONS DURING 2010

Please refer to 4.3 under Sonaecom 2012 Annual Report.

### 1.8.3 OFFICES HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS

Please refer to 4.2 under Sonaecom 2012 Annual Report.



## 1.8.4 QUALIFICATIONS, PROFESSIONAL EXPERIENCE AND SHARES HELD BY THE MEMBERS OF THE STATUTORY AUDIT BOARD

### Arlindo Dias Duarte Silva

**Academic qualifications:**

Degree in Economics from Porto University.

**Professional experience:**

Member of the Institute of Statutory Auditors, Statutory External Auditor and member of several Statutory Audit Boards.

**Number of Sonaecom shares held:**

does not hold any shares.

### Armando Luís Vieira de Magalhães

**Academic qualifications:**

Degree in Economics from Porto University. Executive MBA – European Management, from IESF/IFG.

**Professional experience:**

Statutory Auditor in various Portuguese companies.

**Number of Sonaecom shares held:**

does not hold any shares.

### Óscar José Alçada da Quinta

**Academic qualifications:**

Degree in Economics from Porto University.

**Professional experience:**

Member of the Institute of Statutory Auditors, Partner of Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC and member of several Statutory Audit Boards.

**Number of Sonaecom shares held:**

does not hold any shares.

### Jorge Manuel Felizes Morgado

**Academic qualifications:**

Degree in Economics from Porto University.

**Professional experience:**

Statutory Auditor and Member of the Statutory Audit Board in various Portuguese companies.

**Number of Sonaecom shares held:**

does not hold any shares.

## 1.8.5 OFFICES HELD BY THE MEMBERS OF THE STATUTORY AUDIT BOARD

### Arlindo Dias Duarte Silva

**Offices held in companies in which Sonaecom is a Shareholder:**

Does not hold any office in a company in which Sonaecom is a Shareholder.

**Other offices held:**

Sonae, SGPS, S.A.

(Member of the Statutory Audit Board)

Sonae Investimentos, SGPS, S.A.

(Member of the Statutory Audit Board)

Rochinvest – Investimentos Imobiliários e Turísticos, S.A.

(Member of the Statutory Audit Board)

**Offices in non-profitable institutions:**

ALADI – Associação Lavrense de Apoio ao Diminuído Intelectual

(Member of the Statutory Audit Board)

Associação Cultural do Senhor do Padrão

(Member of the Statutory Audit Board)



**Armando Luís Vieira de Magalhães****Offices held in companies in which Sonaecom is a Shareholder:**

Does not hold any office in a company in which Sonaecom is a Shareholder.

**Other offices held:**

Sonae Capital, SGPS, S.A.

(Statutory Audit Board)

Sonae Indústria, SGPS, S.A.

(Statutory Audit Board)

**Offices in non-profitable institutions:**

Fundação Eça de Queirós

(Statutory Audit Board)

Futebol Clube do Porto – Futebol, S.A.D; Porto Comercial

– Sociedade de Comercialização e Sponsorização, S.A.

(Statutory Audit Board)

**Óscar José Alçada da Quinta****Offices held in companies in which Sonaecom is a Shareholder:**

Does not hold any office in a company in which Sonaecom is a Shareholder.

**Other offices held:**

BA GLASS I – Serviços de Gestão e Investimentos, S.A.

(Statutory Audit Board)

Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC

(Member of the Board of Directors)

Sonae Investimentos, SGPS, S.A.

(Statutory Audit Board)

Caetano-Baviera – Comércio de Automóveis, S.A.

(Statutory Audit Board)

**Jorge Manuel Felizes Morgado****Offices held in companies in which Sonaecom is a Shareholder:**

Does not hold any office in a company in which Sonaecom is a Shareholder.

**Other offices held:**

Sonae Capital, SGPS, S.A.

(Statutory Audit Board)

Sonae Indústria, SGPS, S.A.

(Statutory Audit Board)

Sonae-SGPS, S.A.

(Statutory Audit Board)

Sonae Sierra, S.A.

(Statutory Audit Board)



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