Integrated Report

ctt

Committed to Deliver

Financial Indicators

Community Indicators

12,234
CTT Employees

2,366
CTT access points

Sustainability indicators

-5.6%
Decrease in energy consumption

335
Ecological vehicles in fleet

Operational indicators

516.9 m Items
Addressed Mail

Portugal +29.2%

Spain +57.7%

Express & Parcels volumes growth

Banco CTT 517 k
No. of current accounts

€0.3m

Banco CTT S.A reaches net profit in its fifth year of operation

Guidance delivered

Revenues ✓ +0.7%

EBITDA ✓ €90.5m

EBIT ✓ €34.5m

Table of Contents

01

Introduction to CTT

Committed to Deliver

1. INTRODUCTION TO CTT

1.1 Statement of the Chairman of the Board of Directors

G1
G48

With the commemoration of the 500th anniversary of the Post Office in Portugal, 2020 was always meant to be a special year. This unique legacy distinguishes CTT for the historical, as well as contemporary, role it has played in the country's territorial integration and economy. Following the sudden outbreak of the pandemic in the first quarter, however, the year ended up being marked by the health crisis and by the restrictions imposed on citizens and businesses, with profound economic and social implications.

As a critical provider of logistics and communications infrastructures in Portugal, CTT was particularly exposed to the challenges posed by the pandemic. The response combined the protection of its workers with maintaining the provision of essential services to the population and demonstrated the vitality and deep sense of mission of the organization. To a large extent, the crisis was a test of resilience for the Company, which was overcome in an exemplary manner. The Company came out of the crisis stronger and more confident about the future.

It is worth noting, in this regard, the capacity shown by the Company to meet the ambitious goals set for the year, despite the enormous difficulties faced from the internal point of view of its operations, as well as by its customers and suppliers. It was thus possible to respond to the very high growth in demand in parcels, ensuring the provision of services within controlled quality standards. The Financial Services & Retail and Banco CTT businesses also achieved their objectives, despite mobility restrictions throughout the year, partially offsetting the strong negative impact of the accelerated erosion of mail volumes.

These results were not the result of chance, but rather reflect the organization's ability to face the challenges stemming from the crisis, promoting an unprecedented operational adaptation effort. In parallel, as the CEO explains in more detail in his statement, CTT took advantage of the context to unleash an innovation surge, supporting its clients' digitalization efforts and expanding its scope to new business areas, without ever neglecting sustainability objectives. Beyond the results, the commitment of our operational and commercial teams and the leadership evidenced by our managers provide a clear sign of confidence for the future.

It is in this context of great challenge, but also of enormous resilience, that I congratulate the Executive Committee and all the teams, for the results obtained and for the feeling they certainly have of "mission accomplished".

The process of renewing CTT's corporate bodies was also completed in 2020. Throughout the year, the Board of Directors dedicated particular attention to all aspects related to the management of the crisis, while also supporting the Executive Committee in defining the strategic framework and policies required to ensure the long-term success of the Company. Within the scope of their mandates, the specialized Audit and Corporate Governance committees complemented the work of the Board of Directors, overseeing with diligence the integrity of the internal control model and of the governance and sustainability policies in place.

With one of the most challenging years in the Company's recent history behind us, it is now time to accelerate the pace of CTT's transformation, completing the effort to adapt the Company and its business model to a new market reality marked by digitalization and e-commerce. In this context, the Company's priorities include: the growth and operational consolidation of the CEP business at Iberian level; the diversification of Banco CTT into the personal credit and payments areas, reinforcing growth and profitability; and the definition of a new concession agreement for the universal postal service adapted to the post-pandemic mail reality. As we engage in this agenda, the aspiration for excellence and the "committed to deliver" spirit of the Company's employees and senior staff will ultimately be the key factors determining CTT's success going forward.

Raúl Galamba de Oliveira, Chairman of the Board of Directors

1.2 Statement of the CEO

G1

2020 will be marked in everyone's memory by how the widespread COVID-19 pandemic impacted people and companies' daily lives. For CTT, the year was characterized by the magnitude of the challenge generated by the consequent crisis, but also by the extraordinary way we reacted to difficulties and found opportunities in adversity. It is also marked by the 500 years of the postal service in Portugal hallmark, a very relevant moment in the company's history.

The unique situation caused by the adverse pandemic context came, particularly from March onwards, to significantly change consumers' and companies' habits, accelerating the ongoing changes in the postal sector paradigm. We have witnessed a historical growth in parcels volumes, boosted by the rapid adoption of e-commerce as a substitute of physical retail. On the other hand, we have also observed a very significant acceleration of the decrease in mail volumes through increased digitalization in corporate communication, driven by the distancing circumstances imposed by the pandemic.

We have put forward in the early days of the lockdown period, and in a very agile manner, a plan to respond to the created circumstances based on six key pillars: 1) protecting our people; 2) adapting operations to the "new normal"; 3) ensuring liquidity; 4) reducing costs and preserving the financial structure; 5) intensifying commercial action; 6) "counterattacking" by developing new business opportunities.

In a context in which we had to simultaneously manage a very adverse operational crisis and the need to ensure continuity alternatives, we maintained high levels of effectiveness, supporting the Iberian economy, and keeping our participation in essential logistics chains fully and permanently operational. In Portugal, we reacted even more widely to the difficulties, launching, at an early stage of the pandemic, an innovative set of solutions for the development of e-commerce, with particular emphasis on SMEs, which proved to be a key positioning to face the crisis.

This innovative wave included very impactful measures for the development of e-commerce. I would highlight: the launch of the tool to create online shops – *Criar Lojas Online CTT* –, today, with more than 1800 registered stores; the campaign to attract new e-sellers and e-buyers to the Dott marketplace; the digital reconstruction of countless regional fairs – where more than 75,000 local products were already traded; and the speedy implementation of the "*CTT Comércio Local*" app, aimed at very small businesses, in a partnership with municipalities. The scope and impact of these initiatives were such that one might state that, in response to the COVID-19 crisis, CTT emerged as the foremost e-commerce promoter in Portugal and the most prominent agent for Portuguese SMEs' effective digitalization.

But, besides companies, this repositioning has also targeted individual customers with a wide offer which included not only awareness campaigns such as CTT #FiqueEmCasa, but also: promotions to collection and delivery services without face-to-face contact; home delivery of medicines – more than 30,000 so far – in a partnership with the National Association of Pharmacies; delivery to nursing homes and health establishments of sanitizer gel manufactured and offered by Hovione; an innovative solution designed for home delivery of citizen cards, under which more than 150,000 cards have been delivered to this date; streamlined access to individual protection products to deal with the pandemic; as well as the very significant effort to pay pension cheques at home. An excellent example of agility and time-to-market was the partnership with the National Association of Pharmacies for delivering medicines at home, which was drafted, designed, negotiated, and operationalized in just one week immediately after the start of the first mandatory lockdown period.

The vigorous reaction to a situation of great adversity and with significant declines in mail demand – our most significant source of income and margin until this year – makes us proud and with a feeling of accomplishment. The vital role in the outbreak and evolution of the crisis symbolically marks the year 2020 and illustrates how 500 years of history generated an intrinsically innovative company capable of renewing and repositioning itself.

But the disruption to the normal flow of events caused by the pandemic crisis has not only affected the normal business flow. The government also invoked this context to justify the impossibility of launching the process to grant the new Universal Postal Service concession, given that the current one should have terminated on 31 December. In these circumstances, the contract was unilaterally extended by the grantor until the end of 2021, under an exceptional circumstances' consideration, to enable defining the conditions under which the next contract should be in force and develop an adequate awarding procedure during the current year. For this purpose, a governmental working group was set up in February 2021 to reflect on the postal sector's new reality and the contemporary vocation of a public postal service while streamlining the preparatory work for the new concession. CTT remained very active throughout the year to search for solutions that may ensure a balanced and sustainable concession contract, necessary conditions for it to become a concessionaire in the next cycle. We remain very firm on this route, and will continue to mobilize all the initiatives deemed appropriate.

The adverse context that worsened in March forced the company to reformulate its priorities and set extremely demanding objectives, which were shared with the market, with a new ambitious full-year guidance announced in August in the presentation of 1st half 2020 results, following the most challenging semester in the company's recent history. But the remarkable work carried out and the restless reaction to the crisis allowed us to comply with this guidance, both in EBITDA and EBIT – €90.5m and €34.5m, respectively –, even reaching a marginal increase in revenues to €745.2m (+0.7%). Of note was the performance in the 4th quarter, which enabled the highest operating result in a quarter since the beginning of 2016.

From the point of view of the results, I would highlight some very significant aspects. On the one hand, the extraordinary accomplishment achieved by Banco CTT, in obtaining a positive net result for the year, in line with the announced target, but despite the large unfavorable impacts of the crisis affecting the financial sector. Secondly, Spain's parcels operation continued to converge towards the turnaround, with very expressive growth in volumes and revenues, albeit with a more unfavorable B2C-B2B mix in terms of price and cost. The performance of CTT Express in Spain, associated with the sustained growth and the improvement in market share and productivity in Portugal, allowed for a very significant jump in this business area's contribution to the consolidated results of CTT. Thirdly, the size already achieved and, especially, the unprecedented growth in Business Solutions, built upon the original opportunities in mail BPO (mail management) and printing & finishing, which provides reasonable indications that it may become a new growth path for the company. Finally, a word on the exceptional performance in the Financial Services & Retail business area, as levels of success in placing savings products, and in particular, public debt, remained very promising.

In addition to the financial performance aspects, the year was marked by a permanent focus on environment and climate change concerns. The company achieved a leadership position in sustainability, obtaining the maximum score of *Leadership A*, thus integrating the A-List of the 2020 Carbon Disclosure Project, the most relevant international carbon stock exchange rating. It positions CTT as one of only four companies in Portugal with this distinction and nine worldwide in the transport and distribution sector. In the same line, CTT ranked second amongst postal operators in the sustainability program of IPC - International Postal Corporation. These recognitions enshrine the work carried out and progress achieved in terms of carbon management and combating climate change.

2020 was also a year in which we reinforced the brand's value, renewing it in Portugal and Spain while various recognitions were awarded. Amongst others I would emphasize the distinction, for the 17th time, as a "Portuguese Brand of Trust," the *Human Resources* magazine "Diversity and Inclusion" category award, and the selection as one of the finalists to the "Project of the Year" of the European Logistics Association. Finally, Banco CTT was elected leader in Customer satisfaction by ECSI Portugal.

A look to the future

After a very atypical year, 2021 should set up, despite the persistence of the pandemic crisis, a year of recovery and relaunch of CTT on a transformation path in which we intend to continue to assert ourselves as the agent that best combines the physical and digital dimensions in order to support companies' digitalization, with particular emphasis on e-commerce, positioning ourselves as the right partner in providing business and commerce services.

We want to act and be seen as being *faster*, *better* and *greener*. **Faster**, in the diversification of the portfolio and acceleration of CTT growth levers. **Better**, in the efficiency levels in comparison with our peers. And **greener**, due to the continued progress in reducing the carbon footprint, in line with a leading performance in Portugal and within the sector.

For this purpose, it is crucial to preserve **Mail** business sustainability either through the unrelenting search for operational redesign leading to greater efficiency, or through the restitution of balance and sustainability factors to the Universal Postal Service, within a new concession in which we can participate.

We also want to remain focused on being more than the best logistics partner for B2B, with the increased diversification of our offer, leveraging the combination of physical and digital. We intend to continue developing our value proposition in **Business Solutions** focusing on SMEs and municipalities, on the consolidation and growth of BPO, advertising and document management solutions, and exploring solutions to promote the digital presence of companies and management tools.

In **Express & Parcels**, we want to continue to lead in the development of e-commerce in Portugal and to make progress in establishing a distinctive and more profitable Iberian CEP platform. We want to lead through a value proposition of integrated services for customers, ranging from improving and expanding the presence of online sales channels (dott.pt; creation of online shops, local commerce app) to payment services, instant delivery, pick-up, and returns solutions, which are innovative and convenient for the customer, but also for the recipients – customers of our customers. We want to boost our Iberian CEP platform, leveraging on 20 new sorting centers and new automatic sorters in Spain and Portugal and strengthening the distribution network to accommodate increased volumes, thus ensuring best-in-class performance. Besides, we will continue to develop relevant adjacent business lines for fulfillment already in 2021.

In B2C, the aim is to maximize the value generated in the **digital and physical channels – CTT post offices, CTT agents, and Payshop Agents**. We will further the modernization, digitalization, and convenience across our incomparable retail network, accelerating 24x7 and self-service offer of core products. We will proceed with a route of proximity to the population by strengthening our retail network following the reopening of 23 post offices in municipalities during 2020. We also aim to expand and grow the supply of **financial services** by developing a full CTT-branded offer, leveraging on the extraordinary savings placement capacity consistently demonstrated with public debt securities.

At **Banco CTT**, and after the first year it contributed positively to CTT's net result, we will continue to accelerate the profitability of a retail, predominantly digital bank for people. We will be active in attracting new business partnerships, developing the current business lines and expanding into new ones, continuing to consolidate an equity story sufficiently attractive to consider value-creating capital partnerships.

To support growth, it will be critical to further improving the organization, with a focus on four main **transformation** axes: **operations**, through the modernization plan for infrastructures under implementation, the systematic review of the distribution model, and the improvement of customer support and incident management; **people**, by maximizing professional development and experience, allowing all workers to be agents of change and to contribute to the transformation of CTT; **technology**, with the structural transformation of our application ecosystem and the development of agile working methodologies; and finally, **processes**, by enhancing digitalization, internal processes, and interaction with customers, accelerating innovation and expanding a more **agile** way of operating.

Last but not least, we want to continue to lead and set an example of **sustainability** in our sector, on an international level, and in the general Portuguese business landscape. We will continue to strengthen our ecological fleet, implement more efficient solutions in our buildings and expand the development of green initiatives, particularly in the last mile, contributing to the reduction of the carbon footprint and a more sustainable future.

Final Notes

2020 was undoubtedly a challenging year for CTT. A year with unexpected and severe challenges due to the pandemic context, but it is my view that we can be proud of having risen to the events and the role played with our daily presence in the economy and in supporting our customers. This would not have been possible without our employees' unparalleled commitment, either towards the company – by closing ranks to overcome adverse moments – or in the social role, the public service, and support to the population which were daily led by those who were always at the forefront. Thanking all of them and not forgetting anyone, I must highlight our postmen and front office staff. But I would like to express my profound gratitude to everyone – our customers, our suppliers, our partners, our shareholders, our new Board of Directors and Chairman and, finally, my great executive team.

2021 will be a year to reinforce our role as a vital agent in the markets where we operate. We will continue to consolidate roots for the future, ensuring that a new concession contract of which we can be a part guarantees conditions for providing a balanced and sustainable public service in the long term.

It will be a critical year to define the future in the medium term and reinforce our business diversification levers. We will strengthen the growth cycle, helped by changes in consumption habits and the growth of e-commerce, together with the expansion of our portfolio of products and services for companies. We will continue to assert ourselves as the shortest path – physical and digital – for everyone to send and receive items and for their savings, credit, and insurance. We count on the strength of our retail network and the constant affirmation of Banco CTT. And we hope to alleviate the crisis that has disturbed the economy so much and has eroded mail revenues.

Being **faster**, **better** and **greener**, we keep, increasingly so,

connecting people and companies, committed to deliver!

João Bento, Chief Executive Officer

1.3 Explanation of the Nature of the Integrated Report

Scope and boundary

CTT publishes its integrated report for the third time. This report contains CTT's financial and non-financial information, complying with the individual and consolidated management reporting requirements, namely as stipulated in articles 65, 66, 66-A, 66-B, and 508 to 508-G of the Portuguese Companies Code, with the reporting on CTT's business and performance being directed at all stakeholders.

The integrated report contains information on the strategy, management and performance of the Group's main business units, with a view to creating sustainable value. The risks inherent to the activity are also analyzed and a review is made of the way CTT incorporates the different capitals (financial, human, intellectual, social and natural), following the *Guidelines* proposed by the *International Integrated Reporting Council* (IIRC). Additionally, this report contains information about Corporate Governance, the Individual and Consolidated Financial Statements of CTT and the performance of the main sustainability aspects.

The 2020 integrated report communicates CTT's strategic vision and commitment to generate value over time and promote environmental protection and social integration. It includes information on issues that significantly affect CTT's ability to generate value in the short, medium and long term.

This report discloses the results relative to the financial year ended on 31 December 2020, whenever possible presenting aggregate information on CTT, S.A. and all its subsidiaries, jointly referred to as CTT. G28 G17

During the reporting period, the new company CTT Soluções Empresariais, S.A., fully held by CTT, was incorporated and the participation in the companies Multicert - Serviços de Certificação Electrónica, S.A. and Taguspark was cancelled. However, these transactions do not significantly change the scope of the reporting in relation to the previous year. G18 G23 G13 G22

CTT – Correios de Portugal, S. A. – Public Company, a public limited liability company listed on the stock exchange since 2013, with 100% of its capital dispersed among institutional and private shareholders. The Board of Directors was composed of fifteen executive and non-executive Directors on 31 December 2020[1]. The corporate bodies were elected for the 2020-2022 three-year period at the General Meeting held on 29 April 2020. G3 G7 G7 G20

Commitment

G30

CTT complies with the obligations established in article 508-G of the Companies Code, as amended by Decree-Law No. 89/2017, of 28 July, disclosing in an integrated manner the management information and the non-financial information, which CTT publishes annually, relative to the environmental and social areas, the employees, gender equality, non-discrimination, respect for human rights, the fight against corruption and attempted bribery, as well as information on corporate governance.

This is CTT's sixteenth annual sustainability Report. The reporting structure and contents comply with the Global Reporting Initiative (GRI) guidelines as a reference for the preparation of sustainability reports and respective protocols for the calculation of indicators. This report adopted the fourth generation of guidelines for sustainability reports, having obtained COMPREHENSIVE validation, attributed by the verifying entity KPMG & Associados. In order to access the GRI Table with the location of each indicator, see Annex IV. G30 G29 G33 G32

With regards to its materiality, the report incorporates contributions obtained from a stakeholder survey conducted in compliance with the guidelines of the Standard AA1000SES, which enabled updating the mapping and identification of the relevant topics and critical stakeholders of the Company.

In 2020 and as in previous years, based on the reporting model featured in the Portuguese Securities Market Commission (CMVM) Regulations and the recommendations of the Portuguese Corporate Governance Institute (IPCG) Code as amended, CTT continues to comply with a significant set of recommendations relative to corporate governance.

[1] One Director left on 31/01/2021, being thereafter the Board of Directors composed of fourteen Directors.

The essential principles for the definition of the contents of this report are transparency, relevance, comprehensiveness and completeness, in order to provide a convenient and objective presentation to the stakeholders that will use this document.

Contacts

Registered office
Avenida D. João II, no. 13
1999-001 Lisboa PORTUGAL
Telephone: +351 210 471 836

Media
Communication & Sustainability Department
Media Advisory
Miguel Salema Garção
E-mail: gabinete.imprensa@ctt.pt
Telephone: +351 210 471 800

G5
G31

1.4 Key Figures

1.4.1 Economic and financial indicators

G9

€ thousand or %, except where otherwise indicated

	'19	'20	Δ 20/19
Revenues	740,286	745,240	0.7%
Operating costs [(1)]	638,824	654,736	2.5%
EBITDA [(1)]	101,462	90,504	-10.8%
EBIT	47,285	34,507	-27.0%
EBT	35,527	23,126	-34.9%
Net profit for the period	29,285	16,767	-42.7%
Net profit for the period attributable to CTT equity holders	29,197	16,669	-42.9%
Earnings per share (euro) [(2)]	0.19	0.11	-42.9%
EBITDA margin	13.7%	12.1%	-1.6 p.p.
EBIT margin	6.4%	4.6%	-1.8 p.p.
Net profit margin	3.9%	2.2%	-1.7 p.p.
Capex	45,442	33,438	-26.4%
Operating cash flow	44,481	42,920	-3.5%
Free cash flow	32,335	21,843	-32.4%

	'31.12.19	'31.12.20	Δ 20/19
Cash and cash equivalents	442,996	518,180	17.0%
Own cash	115,376	135,424	17.4%
Assets	2,513,441	2,894,903	15.2%
Equity	131,415	150,275	14.4%
Liabilities	2,382,026	2,744,628	15.2%
Share capital	75,000	75,000	0.0%
Number of shares	150,000,000	150,000,000	0.0%

[(1)] Excluding depreciation, amortization, impairments, provisions, IFRS 16 impact and specific items.

[(2)] Considering the number of shares outstanding excluding 1 own share.

1.4.2 Operating Indicators

G4

LA12

	'19	'20	Δ 20/19
Mail			
Addressed mail volumes (million items)	619.0	516.9	-16.5%
Transactional mail	536.0	447.2	-16.6%
Editorial mail	34.8	30.0	-13.7%
Advertising mail	48.2	39.7	-17.6%
Unaddressed mail volumes (million items)	521.4	412.3	-20.9%
Express & Parcels			
Portugal (million items)	22.0	28.4	29.2%
Spain (million items)	15.8	24.9	57.7%
Financial Services			
Payments (number of transactions; millions)	1.2	1.5	28.4%
Savings and insurance (subscriptions; €m)	3,971.7	3,837.9	-3.4%
Banco CTT			
Number of current accounts	461,271	517,431	12.2%
Customer deposits (€m)	1,283,567.3	1,689,110.3	31.6%
Payments (number of transactions; millions)	52.2	43.6	-16.5%
Mortgage loans book, net (€m)	405,074.1	524,584.1	29.5%
Consumer credit production (€m)	43,901.9	32,283.1	-26.5%
LTD (including 321 Crédito)	69.0%	64.8%	-4.2 p.p.
Number of branches	212	212	0.0%
Cost of risk	50.0 b.p.	100.0 b.p.	50.0 b.p.
Staff			
Staff as of 31 Deccember	12,355	12,234	-1.0%
FTE [(1)]	12,392	12,255	-1.1%
Retail, Transport and Distribution Networks			
CTT access points	2,370	2,366	-0.2%
Retail network (post offices)	539	562	4.3%
Postal agencies	1,831	1,804	-1.5%
Payshop agents	4,821	5,133	6.5%
Postal delivery offices	226	225	-0.4%
Postal delivery routes	4,660	4,648	-0.3%
Fleet (number of vehicles)	3,804	3,511	-7.7%

[(1)] FTE = Full-Time Equivalent; as from 1 January 2020 the methodology for calculating the FTEs changed, the 2019 FTEs were restated to be comparable.

1.4.3 Sustainability Indicators

	'19	'20	Δ 20/19
Customers			
Customer satisfaction (%)	79.1	83.0	3.9 p.p
Staff			
Number of accidents	1,080	805	-25.5%
Training (hours)	251,032	187,598	-25.3%
Women in management positions (1st management level) (%)	20.0	20.4	0.4 p.p
Community/Environment			
Value chain - contracts with environmental criteria (%)	98.9	98.5	-0.4 p.p
Total CO_2 emissions, scope 1 and 2 (kton.) (1) (4)	16.7	16.0	-4.3%
Energy consumption (TJ) (1) (2) (4)	381.7	360.4	-5.6%
Eco-friendly vehicles	315	335	6.3%
Weight of Eco product range in Direct Mail line (%) (3)	43.5	45.7	2.2 p.p
Investment in the community (€k)	1,018	883	-13.3%

EC7
EN32
EN3
PR5
LA6
EC8
EN27
EN16
EN15
EN7

(1) Provisional figures.

(2) Update of 2019 data.

(3) Volumes.

(4) Including green energy.

1.5 External Awards and Distinctions

Leadership Level A in the Carbon Disclosure Project 2020

CTT achieved the Leadership A level, the maximum score in the CDP – Carbon Disclosure Project rating of 2020, the most important international carbon stock market rating. Among 205 participants, there are only four companies in Portugal with this distinction and nine worldwide in the transport and distribution sector. This result is an important recognition of the work that CTT has been developing on matters of carbon management and combat of climate change.

CTT 2nd best in the world in sustainability

CTT ranked 2nd among 19 postal operators worldwide in IPC - International Post Corporation's sustainability program, the Sustainability Measurement and Management System (SMMS), which focuses on climate change and other issues in line with United Nations' Sustainable Development Goals.

CTT continues to be a Trusted Brand of the Portuguese

For the 17th time, CTT was distinguished as one of the Trusted Brands of the Portuguese population, in a study carried out by Reader's Digest magazine, achieving first place in the "Postal and Logistics Services" category, with 90% of the votes.

OnStrategy Reputation Award

CTT was invited to participate in the event "The Strength and Value of Brands", organized by the consulting firm OnStrategy to distinguish several brands for their reputation, consistency and sustainability. CTT, represented by its Chief Executive Officer João Bento, was awarded for its reputational consistency in the last three years.

Human Resources Portugal Awards

CTT was once more distinguished in the Human Resources Portugal 2020 awards, in the Diversity and Inclusion category, which recognizes best practices in workplace diversity and inclusion. This is an initiative of the Human Resources Portugal magazine that distinguishes the companies in Portugal with the best performance in several areas related with People Management.

Banco CTT wins the Five Stars award for the 2nd time

The Banco CTT's Mortgage Loan is again a Five Stars Product in 2020, among the five banks assessed in the category, with an overall rating of 74.2%. The evaluation criteria are the five main variables that influence consumers in their purchasing decision: Satisfaction-Experimenting; Value for Money; Intention to Recommend; Innovation, with emphasis on the Trust in the Brand.

Banco CTT elected No. 1 in Customer Satisfaction

Banco CTT again received the ECSI (European Customer Satisfaction Index) Portugal award in the Banking sector, with a score of 8.01 (on a scale of 1 to 10). This award is the result of an internationally recognized study, conducted in Portugal by Universidade Nova, and assesses the degree of customer satisfaction in relation to goods and services available in different sectors.

Banco CTT Account awarded the Right Choice seal

The Banco CTT Account was awarded the Right Choice 2020 seal by DECO, the Portuguese consumer watchdog association, in the category "Current Accounts".

Two Kaizen Awards - Kaizen™ Lean Portugal and Global Kaizen

The Kaizen Institute awarded two prizes to CTT: the KAIZEN Lean award in the category "Excellence in the Continuous Improvement System 2019"; and the first place in the international Global Kaizen Award, in the category "Excellence in the Continuous Improvement System" with the MUDAR (Change) program, the continuous improvement system in the CTT Retail Network since 2007.

"A Letter to the Postman" receives two awards

With the "A Letter to the Postman" campaign, CTT was the winner in the "Tactical Communication" category of the XVI Awards for Communication Effectiveness, from APAN, the Portuguese Advertisers Association, and the COVID-19 Special Grand Prize, awarded by APCE 2020. This campaign demonstrates the critical role that CTT plays in maintaining communication and logistics chains, vital to the economy and society, a role that is most evident in the pandemic context.

Parcel & Postal Technology International Awards

The Dott platform received the Highly Commended distinction in the 12th edition of the Parcel & Postal Technology International Awards.

APCE Grand Prize

CTT was the winner of the Grand Prize of the Portuguese Corporate Communication Association, in the category "Internal Campaign of National Scope – CTT Academy Flight Simulation" and was also a finalist with three projects: Pai Natal Solidário CTT (Solidarity Santa Claus), Better than Recycling is Not Spending, and CTT Assessment Day.

Grémio Literário Prize for the "The Liberal Revolution of 1820"

The Grémio Literário Prize was awarded to the work "The Liberal Revolution of 1820", by José Luís Cardoso. This is a CTT edition, which is a rigorous, accessible and educational repository on the foundation of constitutionalism in Portugal. With this award, CTT now boasts eight edition awards.

CTT Contact Center awarded at the APCC Best Awards 2020

CTT Contact Center, in partnership with Reditus, received the bronze medal in the category "Services and Distribution" at the APCC Best Awards 2020 of the Portuguese Association of Contact Centers, which has 92 members.

CTT "Order Now" nominated for the 2020 ELA Awards

The CTT project "Order Now - Automation in the Logistics Process as a Response to E-commerce" was one of six finalists for the Project of the Year - ELA Award 2020. This is the second time in three years that CTT has been chosen by ELA for having one of the best European projects in Logistics.

Asiago International Award for Philatelic Art

For the 12th time, CTT was honored with one of the oldest and most prestigious awards for philatelic design in the world. The philatelic souvenir sheet of the "Christmas" issue, which is the first in the world with a LED light stamp, has won the Asiago Award 2019. Since 1962, CTT has received 65 international awards for philatelic design and editions, making the CTT philately one of the most awarded in the world.

Distinction

CTT Chief Executive Officer, João Bento, appointed to the Board of the International Post Corporation (IPC)

João Bento will represent the operators of the South of the Alps countries (Portugal, Spain, Italy, Greece, Cyprus and Croatia) during a three-year term. IPC gathers 25 operators from among the most important in Europe, North America and Asia-Pacific, represents 80% of the global mail volume and leads projects that have a decisive influence on the future of the world postal industry.

1.6 ESG Commitments (Environmental, Social and Governance)

Accomplished (≥95%) ● **Not accomplished** ● **In progress/partially achieved** ●

Topic	Goal ('20[2])	Accomplishment ('20[2])	Prog. ('20[2])	CTT Goals for 2021 and following years
Policy and Strategy				
UN Global Compact	Analyze participation	Participation in the Business Ambition for 1.5ºC initiative	● (in progress)	Analyze participation
Sustainalytics	-	-		Analyze participation
Carbon Disclosure Project - Climate Change	Disclosure in 2020 (position ≥)	Position *Leadership A*	● (accomplished)	Disclosure (*Leadership*) position
Reporting Standard	GRI4 - Comprehensive	Integrated Report 2020 Comprehensive	● (accomplished)	GRI4 Comprehensive
Sustainability Committee	Regular activity	Meetings with the Committee[3] to analyze sustainability issues. Sustainability Committee did not meet	● (in progress)	Regular activity
UN Sustainable Development Goals	Implementation (continuous)	Accomplished	● (accomplished)	Implementation (continuous)
Relations with Stakeholders				
Strategy of engagement with Stakeholders	Segmented communication	Annual sustainability report; Communication to employees	● (accomplished)	Review of Stakeholder engagement strategy. Segmented communication
Sustainability content structure of the website	Completion	In progress	● (in progress)	Completion in 2021
Ethics				
Code of Conduct (e-learning and on-the-job training)	Overall internal training: 1,000 employees	482	● (in progress)	Expansion: ±3,500
Code of good conduct to prevent and fight harassment at the workplace	Overall internal training: 2,000 employees	837	● (in progress)	Expansion: ±1,000
Prevention of money laundering and terrorist financing	Training to employees who handle monies; Law 58/2020	567; 310	● (accomplished)	Expansion: 250 initial training; 1,800 employees pursuant to the law
Environmental management				
Energy Management System ISO 50001	Feasibility analysis	Need identified	● (accomplished)	Project start-up in 2021
Computer application for Management Commitments	Completion	Not completed	● (not accomplished)	--
Energy efficiency				
Energy audit and PRE implementation for buildings	Continuous implementation	PRE in progress for 2 Operational centers	● (accomplished)	To be continued in 2021
Electricity consumption	-1%	-8%	● (accomplished)	-1%
Energy certification of buildings	Buildings (SCE)[4]	EC for 13 buildings	● (accomplished)	To be continued in 2021
Fuel consumption	-2%	-4%	● (accomplished)	-1%
Fleet energy audit and PRCE implementation	Implementation in progress	PRCE in progress	● (accomplished)	Closing of current PRCE Renovation

[2] Except CORRE.
[3] CGSAN – Corporate Governance, Evaluation and Nominating Committee
[4] SCE - System of certification of buildings.

		'20		
Topic	**Goal**	**Accomplishment**	**Prog.**	**CTT Goals for 2021 and following years**
PRCE of the CTT vehicle fleet – specific consumption	Improve efficiency (5% by 2020)	6% improvement in fleet efficiency[5]		Improve efficiency (5% by 2023)
100% LED lighting	Expansion	6 postal delivery offices		Continued expansion to 10 operational facilities
Specialized monitoring of energy consumption in buildings[6]	10% annual reduction in consumption	Installation in 38 locations[7]		Annual savings of 10% Facility expansion
Sustainable Mobility				
Fleet of electric and less pollutant vehicles	Testing of passenger cars, scooters and electric tricycles; Feasibility study on electrification of the support fleet; Inclusion of eco-models in the catalogue of function vehicles	Fleet reinforcement with 19 electric vehicles; 10 tests were carried out with electric vehicles (bicycles, motorcycles, tricycles, and several light vans)		Continuation of fleet electrification
Investment in the operational fleet	Renovation of 114 motorcycles and 641 light vehicles for the transport of goods	Incorporation of 250 new motorcycles; Renovation of 2 Piaggio MP3 scooters and 5 FC16 vehicles; Contracting of 14 F4 vehicles		Reinforcement of fleet renewal to guarantee its safety and efficiency
Car Pooling Platform	Promotion of the use of the platform (continuous)	Discontinued platform		Reactivation of new solution (in post-pandemic period)
Drivers' Challenge	International participation	Event postponed due to pandemic		International participation in 2021 (date to be confirmed)
Road safety - number of accidents[8] per km travelled	-5%	-9.1% (sharp decline of absenteeism due to work-related accidents)		-5%
Efficient driving and road safety	Program + Prevention	20 new training contents provided and 26,000 participations		Circa 66,000 participations (3,000 employees); Safety Days Commitment
Climate Change				
Direct and indirect CO_2 emissions (2008-20)	-33%	Accumulated var.: -65.1%		-- (2020 goal achieved)
Direct and indirect CO_2 emissions (2020-25)	--	--		-5%
Idem (annual)	-1%	-4.3%		-1%
CO_2 emissions for scopes 1, 2 and 3 (2013-25)	-30%	Accumulated var.: -26.9%		Maintain (reduce 1% until 2025)
CO_2 emissions for scopes 1, 2 and 3 (2005-30)[9]	-30%	Accumulated var.: -25.4%		Maintain (reduce 5% by 2030)
Idem (annual)	-1.2%	-2.5%		-1.2%
CO_2 intensity/postal item scopes 1, 2 and 3 (2013-25)	-20%	Accumulated var.: 6.6%		2025 goal (monitoring)
Idem (annual)	-1.2%	15.8%		0%
Acquisition of electricity of renewable origin	Maintain full coverage	100% green energy		Maintain full coverage
Consumption Management				
Paper consumption (except Production and Scanning)	0%	11%		0% in office paper consumption
Waste Management				
Recovery rate	Increase in recovery rate	97.5% rate (+14%)		75% recovery rate[10]

[5] Provisional figure.
[6] Universe of most consuming CTT buildings (approx. 75% of total consumption).
[7] These sites represent 90% of consumption of the facilities covered (19GWH).
[8] Road accidents with material damage and occupational accidents.
[9] Scope 3 includes only subcontracted road transport.
[10] Sectoral target proposed by the IPC.

Topic	Goal ('20)	Accomplishment ('20)	Prog. ('20)	CTT Goals for 2021 and following years
Biodiversity				
Press releases, advertisements and mailings	Continuous activity	Participation in the Act4Nature initiative and in "A Tree for the Forest" campaign	●	Continuous activity
Initiatives to promote biodiversity	7th edition of "A Tree for the Forest"	Launched on 30 July	●	8th edition of "A Tree for the Forest" and extension of the offer with digital kit
Environmental Awareness				
Environmental Training Green Planet	Designing and launching the e-learning course	Rescheduled design and launch	●	Launch in 2021; 90% of the staff by 2025
Thematic philatelic issues and publications	6 philatelic issues	15 philatelic issues, 2 editions and 2 labels	●	10 philatelic issues
Thematic lectures on sustainability	Dissemination actions	Internal and external dissemination of the CTT program	●	To be continued in 2021
Quality of service				
Certification of CTT access points	Extend to another 50, totaling 350 certified access points	350 certified access points	●	Maintain certification
Certification of subsidiaries	Keep subsidiaries covered	Maintenance	●	Maintain certification
Corporate certification	Progress in corporate certification	Maintain with migration to ISO45001	●	Maintain certification
Average Response Time to Universal Service Complaints [11]	National: 10 days	21 days	●	National: 25 days
	International: 38 days	53 days	●	International 56 days
International QoS	Improve/maintain the positioning in the IRA-E, K+1 ranking	Rise from position 16 to 14 in the ranking*	●	Improve/maintain the positioning
	Maintain the inbound GMS result above the target	91.8%*	●	Keep the result
Procurement				
Pre-contractual procedures with environmental criteria[12]	60%	98.5%	●	70%
Contracts concluded with environmental criteria [12]	60%	99.8%	●	70%
Qualification and assessment of suppliers	Implementation of the supplier registration and qualification system on the electronic platform (continuous action)	System implemented; Supplier qualification in progress	●	To be continued in 2021
Hygiene, Health and Safety				
Work-related fatalities (own liability)	0 deaths	0 fatal accident	●	0 fatal accidents
Occupational accidents	-5%	-25.5%	●	-5%
Days lost	-5%	-19.6%	●	-5%
Interior Air Quality (IAQ)	Conducting Indoor Air Quality (IAQ) audits	IAQ assessments in progress	●	To be continued in 2021[13]
Promotion and prevention of health and well-being (3 programs)	Living (health & screenings) Star (absenteeism) Victory (health at work)	Diagnostic and design	●	Online launch Reduction of days missed[14] Reduction of staff with limitations

* Provisional values

[11] Average response time for complaints related to the CTT universal service (between the date of entry into the company and the date of response to the customer - calendar days).

[12] Contracts processed on the supplier qualification platform (Ariba).

[13] In locations where preventive tests are carried out according to Law No. 52/2019

[14] Number of days of sick leave, or due work-related accidents and other personal reasons.

	'20			
Topic	**Goal**	**Accomplishment**	**Prog.**	**CTT Goals for 2021 and following years**
Training and Qualification				
Training effort[15]	Training rate:1.45% Rate of trained staff: 90%	0.9% 98%		1.0%; 90%
Self-development of skills	Promote autonomy and continuous development	Systematization of support program		Resource update and increased offer
Welcome and integration	Maximize employee's experience	Designing and implementing the model		Apply to all new staff hired
Staff satisfaction and experience	Assess the employees' satisfaction level	Designing the assessment model		Quarterly survey
Sustainable Marketing				
Participatory carbon offsetting model	Voting process for "green" mail	Accomplished		Voting process for express offer (in Portugal)
Implementation of social business /inverse logistics services	Evaluate expansion to new businesses and implementation	In progress		To be continued in 2021
Community				
Social and environmental voluntary work actions	12 actions	6 actions carried out		6 actions
Long-term voluntary work	Maintain EPIS partnership to support young people at risk of school failure and reinforce continuity volunteer actions	Launch of the 3rd edition of EPIS mentoring and encouraging employees to be school tutors of young people at risk of school failure		Maintain EPIS partnership
Diversity				
Professional occupation for disabled persons	13 people	14 people		14 people
Equal opportunities and non-discrimination	E-learning training for 294 managers	Review of the training offer		E-learning training to managers (±800)
Gender Equality Plan	Phased implementation	In progress		Continuation
Wage gap analysis	Completion	Reprogramming the action		Completion in 2021

[15] Associated to CTT full-time employees.

02

Strategic Background

Committed to Deliver

2. STRATEGIC BACKGROUND

2.1 Economic, Sectoral and Regulatory Environment

2.1.1 Economic framework

International economy

The world economy experienced a historic contraction in 2020 with the effects of the COVID-19 pandemic. The first signs of a contagious disease appeared early in the year and progressed sharply, with the World Health Organization declaring a pandemic on 11 March 2020. In order to control the contagion, most countries enacted containment measures that greatly affected economic activity. The pandemic had an asymmetric impact on economic activity, which was more negative in countries where productive structures are more based on sectors where it is not possible to maintain social distancing.

The Bank of Portugal[16] estimates that global GDP will have decreased by 3.5% in 2020, after the 2.7% growth in 2019. The first half of 2020 was marked by a decline of 9.4% from the end of 2019, with global economic activity recovering in the summer months. In the 3rd quarter world GDP grew by 7.3% quarter-on-quarter, but the resurgence in the number of COVID-19 cases in the last quarter of 2020, particularly in developed economies, points to a further contraction in economic activity.

In the euro area[17], economic activity is expected to have contracted by 7.3% in 2020, a development marked by a 15.0% drop in the first half of the year and a 12.5% recovery in the 3rd quarter with the lifting of some containment restrictions. In the context of the European Union's Recovery and Resilience Facility, 2020 will be marked by the agreement in the European Council of the NextGenerationEU, a €750 billion instrument (circa 5% of the European Union's 2019 GDP) to boost economic recovery starting in 2021 and financed through the European Commission's own debt issuance.

The consumer price index is expected to have increased by just 0.2% in 2020, reflecting the impact of falling oil prices and lower VAT in Germany in the second half of the year. The European Central Bank estimates growth of 1.0% in 2021, still below its target.

The labor market was underpinned by support measures, in particular by layoff schemes, with an estimated unemployment rate of 8.0%.

The fiscal measures adopted to mitigate the effects of the crisis are expected to raise the Public Deficit to 8.0% and increase the Public Debt ratio to 98.4% of the euro area's 2020 GDP.

In order to minimize the impacts of the crisis, monetary policy in the euro area remained particularly expansionary. The highlight was the European Central Bank's Pandemic Emergency Purchase Program, with an envelope of 1,850 billion euros until 2022, which helped to reduce the risk premia on sovereign debt. The conditions for Targeted Longer-Term Refinancing Operations (TLTRO III) were also improved, with a reduction in the subsidized interest rate and the extension of the period until June 2022, thus maintaining the incentives for financial institutions to provide credit to the economy.

The year 2021 should see a rebound, although not enough to return to the activity levels recorded in 2019. Future economic developments will depend on the impact of new containment measures and the successful implementation of a vaccination program to mitigate health risks.

[16] Economic Bulletin December 2020 – Banco de Portugal.
[17] Eurosystem staff macroeconomic projections for the euro area, December 2020.

National economy

The Portuguese economy should have a higher decline than the euro area, with the Bank of Portugal[18] projecting an 8.1% decline in GDP, reflecting a decrease in domestic demand and exports, with a very negative contribution from the service exports, in particular of services related to tourism, which represented 8.6% of GDP in2019, the fourth highest share in the euro area. In the 2nd quarter estimates indicate that inbound tourism registered declines of 90.0%.

In the first half of 2020, the economic activity shrank by 17.3% in cumulative terms from the end of 2019, due to the full lockdown of March and April. In the 3rd quarter, following the gradual lifting of containment measures, the economic activity recovered quickly and sharply, with GDP growing by 13.3% quarter on quarter. This faster-than-anticipated recovery benefited from the materialization of postponed spending during the lockdown period and from the recovery of most productive activities. The recovery trend was reversed in the 4th quarter with the implementation of new containment measures in Portugal and among the main trading partners.

Private consumption, the main component of demand, should fall by 6.8% in 2020. The lockdown measures changed substantially the household spending, with a decline of 15.4% in the first half of 2020, with an increase in the consumption of essential goods and a fall in spending on durable goods and services, in particular those services that required social interaction. With the lifting of the containment measures in the 3rd quarter, private consumption increased by 12.8% in quarter-on-quarter terms, mainly due to the recovery of durable goods consumption to pre-pandemic levels. This behavior had a reflection in the household saving rate, which reached 14.3% of disposable income in the first half of the year, with a partial reversal in the second half of 2020.

Employment is projected to fall by 2.3% in 2020, which is a lower-than-expected decline when comparing with the GDP behavior. The measures supporting firms, in particular the simplified layoff scheme and the support for self-employed workers, contributed to the resilience of the unemployment rate, which increased from 6.5% in 2019 to 7.2% in 2020. Circa 750,000 employees, almost 15% of the working population, benefited from these types of support in the height of the crisis[19].

Inflation, measured by the Harmonized Index of Consumer Prices, was -0.2% in 2020. The pandemic crisis brought a combination of supply-side and demand-side shocks, with opposing effects on prices, with negative effects prevailing and the decline in oil prices contributing to the reduction of energy costs, reducing the inflation rate. Even so, inflation excluding energy is estimated at 0.3%. The slowdown in services prices and the sharper fall in non-energy industrial goods prices should be highlighted, in contrast with the increase in food prices.

The COVID-19 pandemic negatively impacted the public finances, with an estimated deficit of 7.3% of GDP for 2020, reversing the surplus recorded in 2019. Apart from the effect of the automatic stabilizers, the supporting fiscal policies such as the strengthening of the health system, social support, support to workers and firms are estimated to have a direct cost of 3% of the GDP.

At the same time, the public debt ratio aggravated to 135% of GDP, reflecting the sudden fiscal deficit and the impact of a smaller denominator.

2.1.2 Sectoral framework

Impacts of the pandemic

The year 2020 was marked by an adverse pandemic context, having a different impact on different sectors of activity. The postal sector was widely impacted, however, in a heterogeneous way in the different business units. On the one hand, there was an acceleration in the decline in postal volumes due to the halt in activity in the second quarter of the year and the growing digitalization of processes seen in most companies. On the other

[18] Economic Bulletin December 2019 – Banco de Portugal.
[19] European Economic Forecast Autumn 2020 – European Commission.

hand, the Express & Parcels activity showed an exponential acceleration in volumes, with values significantly higher than expected, as a result of an extreme increase in e-commerce activity due to the periods of closure in physical retail and change in consumer buying habits. It should be noted, for the case of the Express & Parcels activity in most postal operators, that there was an average increase of more than one third in the number of parcels per capita and that the peak volume figures for the year 2019 were exceeded from the second quarter of 2020 onwards[20].

In terms of profitability, the pandemic also implied several challenges for postal activity that imposed increased cost pressure (e.g., additional security measures, high rates of absenteeism, readjustments of operational models, among others).

According to the Oxford University lockdown requirement index, Portugal positioned itself, in the second and third quarter of 2020, in the upper half (i.e., more demanding) of the IPC member operators, the index being naturally higher in the second quarter compared to the third, due to the restriction measures imposed. In average terms, operators with a position similar to that of Portugal, with high lockdown requirements, observed higher levels of growth in the Express & Parcels area, but more pronounced drops in volumes in advertising mail[21].

The variability of government measures implemented (e.g., state of emergency, general population lockdown, among others) and pandemic peaks of 2020, lead to the need to characterize the impact on the postal sector by quarter of activity of this year. In the quarterly comparative analysis of the evolution of Mail and Express & Parcels in terms of volumes, between CTT and the sector average, compared to the same periods of the previous year, it appears that:

- The decrease in addressed mail volumes was higher in CTT compared to the sector average, for the three quarters under analysis;
- The same happened to the addressed advertising mail, with the exception of the second quarter, where the drop was significantly lower compared to the average;
- Unaddressed advertising mail presents a different picture, the decrease in volumes was higher than the sector average only in the second quarter;
- In the case of Express & Parcels, CTT posted above-average growth in the first and second quarters and similar growth (albeit slightly higher) in the third quarter.

Growth levels in Mail and Express & Parcels volumes, for CTT (Portugal) and for the sector average (% YoY, quarterly comparison, non-cumulative)[22]

	1st quarter		2nd quarter		3rd quarter	
	ctt	Sector average	ctt	Sector average	ctt	Sector average
Addressed mail	-11.8%	-10.5%	-24.5%	-20.2%	-15.1%	-13.5%
Addressed advertising mail	-15.3%	-11.2%	-24.3%	-41.0%	-21.2%	-17.3%
Unaddressed advertising mail	8.6%	-14.6%	-48.4%	-40.9%	-12.0%	-21.9%
Express & Parcels	20.4%	11.5%	49.3%	42.5%	33.6%	30.6%

Greater pandemic impact (2nd quarter)

[20] Source: IPC "Global monitor executive report" Quarter 1,2 & 3, 2020.
[21] Source: IPC "Global monitor executive report" Quarter 2, 3, 2020.
[22] Source: IPC "Global monitor executive report" Quarter 3, 2020.

The impacts of the pandemic, systematized above, implied a substantial adaptation in the distribution landscape. Postal operators have been reacting in an agile manner, adjusting operations to deal with changes in demand and disruptions in transport, maintaining government support, employee protection and support for the vulnerable population as priority axes. The main responses are grouped under the following areas of impact: **Operations** (e.g., transition of efforts from the postal network to the Express & Parcels activity), **Society** (e.g. support to the Government as a communication channel with society), **Regulation** (e.g., delay in increasing postal charges), **SMEs** (e.g., free collections) and **E-commerce** (e.g., pharmaceutical goods deliveries).[23]

Main responses to the pandemic by the postal operators in the short and medium term[23]

	Short term	Medium term
Operations	✓ Infrastructures adjustments (post offices and sorting centres) due to staff shortages ✓ Operational adjustments in the distribution models (e.g. adaptation of the transport frequency)	✓ Increase in parcel sorting and delivery automation ✓ Planning for redundancies in mail operation and expand resources on E&P activity ✓ Human resources transition from mail to E&P sorting and delivery ✓ Focus on **contactless** pick-up and delivery
Society	✓ Information channel and a guide for the population on behalf of the government ✓ Development of convenience services for vulnerable citizens	✓ Check-up services for vulnerable citizens
Regulation	✓ Development of contactless deliveries for registered items ✓ Reduced delivery days and USO quality targets ✓ Temporary service suspension	✓ Access to financial compensations
SMEs	✓ Development of convenience services for SMEs ✓ Support for advertising mail campaigns	✓ Support services for online retail (e.g. online store development or hosting on postal marketplace and consultancy services)
E-commerce	✓ Logistics support for pandemic response ✓ Delivery of medical equipment (e.g. PPE and test specimens through the distribution network)	✓ Grocery delivery partnerships ✓ Healthcare and pharmaceutical goods delivery ✓ Logistics and delivery of COVID-19 vaccines

The constant increase in the levels of Express & Parcels, and the growing need for social distance, are factors that imply a long-term response from postal operators, forcing an **acceleration** in the transition from mail to express and automation of the operations, to the detriment of manual procedures. The network of lockers for convenient parcel delivery to the B2C segment is enhanced as a method that allows postal operators to guarantee **contactless** deliveries, with an increase in consumer acceptance. Broadly speaking, the pandemic validated and accelerated the need for technological development, reinforcing the growing trend of automation investments in the postal sector.

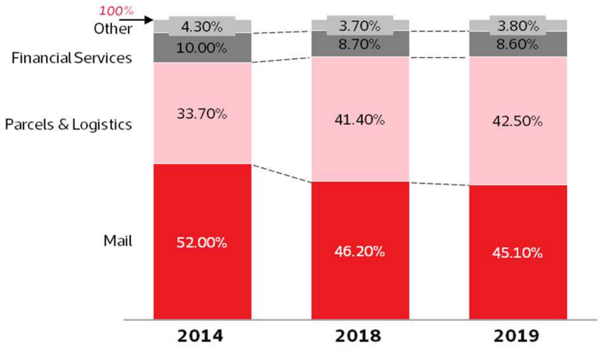
Drivers of sector growth

The diversification trend in the postal sector continues to emerge as the main consequence of digital substitution, with a high negative impact on the mail activity. On the other hand, the Parcels & Logistics market remains the fastest growing market in the postal sector. As a result, the weight of the mail business in the sector is steadily decreasing, representing in 2019 around 45% (a decrease of c. 7 percentage points compared to 2014); in contrast, the Parcels & Logistics segment is the business that presents the highest growth levels, representing around 43% (an increase of c. 9 percentage points compared to 2014) of the revenues in the postal sector[24].

Since 2014, approximately 75% of operators have experienced a decrease in revenues from the mail activity. However, and despite the effort to diversify revenues, mail services still contribute to more than half of revenues in around 40% of the global postal operators analyzed.

[23] Source: IPC "Global Postal Industry Report 2020". Note: E&P = Express & Parcels, USO = Universal service obligation.
[24] Source: IPC "Global Postal Industry Report 2020", the financial services of the operators Japan Post and China Post are excluded from the analysis, due to their significant volume and disparity with other operators. The analysis presented is not comparable with that presented in the Integrated Report of 2019.

2014-2019 evolution of revenues by business area in the postal sector[25]



Business units

Mail

| G4

The search for easy access digital alternatives has impacted the mail volumes of postal operators, both for government, business and private customers. The increased penetration of these alternatives in society (e.g., 75.6% of households used smartphones in 2019) leads consumers to focus on digital alternatives for communication solutions (89% of internet users globally used applications to communicate), personal financial management (35% of internet users globally made use of banking applications) and commerce (66% of internet users globally made use of e-commerce applications)[26].

Despite the pressure imposed by the digitalization of postal activity, most operators show a growth in revenues associated with postal activity (about 60% of operators covered by IPC), with the average revenues growth in 2019 equal to 2.3%. Regarding mail volumes, more than 90% of operators reported a decrease in transactional mail in 2019[26].

If, on the one hand, it appears that digitalization has been negatively impacting the mail activity, on the other, it is also seen as an axis of development. Among the various operators, three main macro trends[27] of digital incorporation in traditional mail solutions are identified. Firstly, the **increase and optimization of the link between the physical and the digital environments,** through synergies between the traditional channel and the technological channel, with an added value potential for, as an example, advertising mail (e.g., incorporation of augmented reality technologies). Second, the trend of **adding information to mail products,** reinforces the core priority of operators in ensuring that mail items will have more and more information about their shipping and delivery status. Lastly, recognizing convenience as one of the main drivers of digitalization, operators have been focusing on **improved convenience in channels for sending and receiving mail,** through solutions such as hybrid mail (i.e., preparation of mail in digital format, later converted to physical mail and delivered to the addressee).

Considering the Portuguese postal market, total volumes of postal services amounted to 686.1 million items in 2019, which represents a decrease of 6.7% when compared to the previous year. In the first nine months of 2020 there was an even more significant acceleration in the decline of postal volumes, -13.3%, due to the impacts of the pandemic, mainly in the second quarter. The decrease in total postal volumes is associated with the decrease in letter mail volumes (i.e., transactional mail), editorial mail and addressed advertising mail, this decline being partially offset by the 14.1% increase in parcel volumes, compared to the previous year.[28]

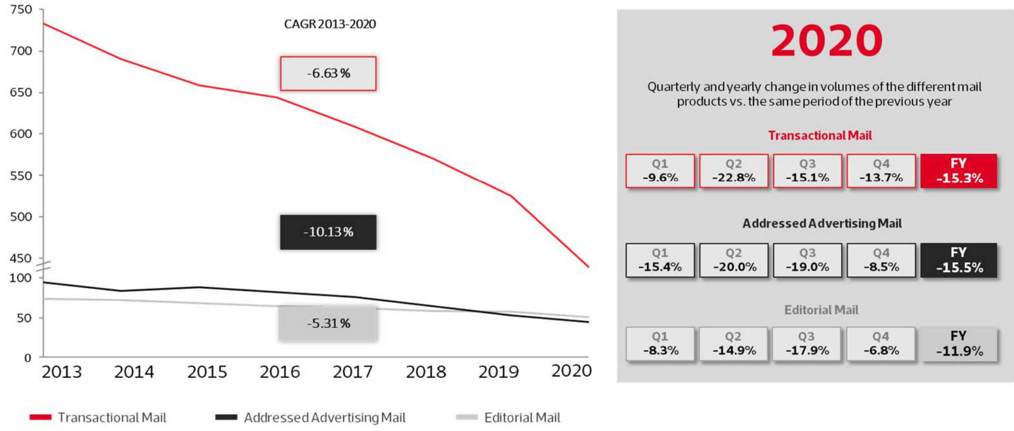
[25] Source: IPC "Global Postal Industry Report 2020", report of the International Post Corporation (IPC) gathering information on 50 postal operators at international level, together with additional information provided directly by IPC. Note: The figures presented exclude Japan Post and China Post's Financial Services revenues, as these two operators together represent c. 82% (c. 50% from Japan Post) of total financial services revenues in the sector. The exclusion of these operators implies a differentiation between the percentages for the years 2014 and 2018 and the previously presented versions, so this analysis is not directly comparable with findings presented in previous reports.
[26] Source: "Global Postal Industry Report 2020", International Post Corporation.
[27] Source: Internal study, focusing on a limited set of European postal operators.
[28] Source: ANACOM – Postal services – 3rd quarter 2020 – Evolution of postal services components.

It is apparent that postal volumes were greatly affected from the second quarter onwards, which corresponds to the lockdown period, and that these effects continued throughout the third quarter, suggesting that the pandemic had a perpetual impact in terms of decreasing postal volumes.

In a historical analysis of volumes in the Portuguese mail market, there is a downward trend in the mail activity, whatever the mail product analyzed (transactional, addressed advertising and editorial mail)[28].

Evolution of Mail market volumes in Portugal (2013-2020)[28]

(million items)



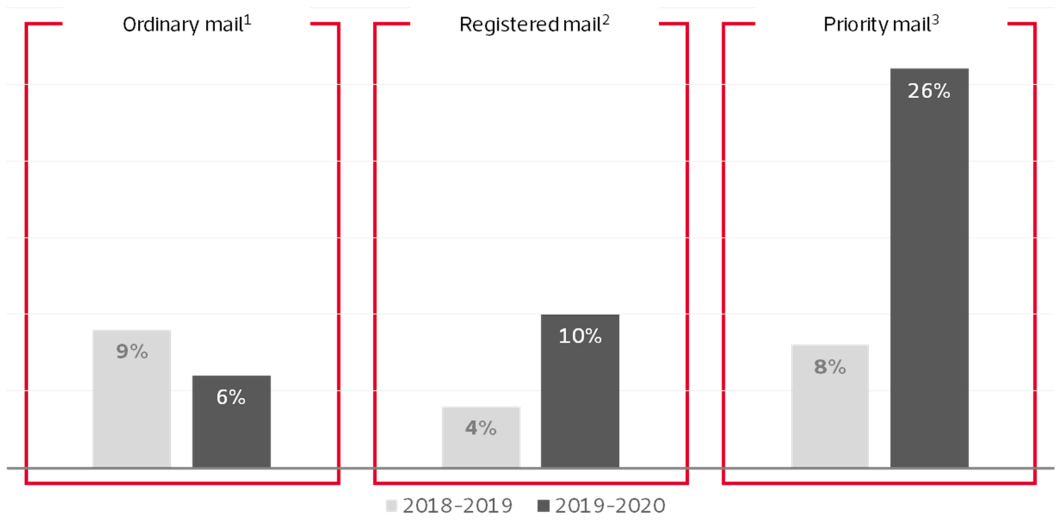
In line with the decrease in postal volumes and to avoid cases of unsustainability in the postal service, member states have been creating flexibility and compensation mechanisms of the postal service. Flexibility mechanisms cover **speed of delivery** (e.g., in 6 countries in Europe, next-day delivery (D+1) is not part of the Universal Service), **frequency of delivery** (e.g., elimination of Saturday deliveries in Norway), the **scope of the Universal Service** (e.g., exclusion of domestic parcels in Finland) and **price** (commercial freedom and price flexibility in the United Kingdom). On the compensation side, it is noteworthy that half of the EU governments subsidise incumbent operators for the financial burden, however presenting different compensation models. These include **direct Universal Service funding** (e.g., Italy, Spain and Norway), **subsidies for other activities such as Services of General Economic Interest** (e.g., Belgium and the United Kingdom) and **subsidies through tax benefits** (e.g., France).

Across the majority of postal operators, the percentage of revenues attributed to the Universal Service has been gradually decreasing. To mitigate the effects of the decline in volumes, operators have sought to reduce service costs, as well as to stabilize revenues.

In parallel with the reduction in operating costs, several operators highlight the increase in tariffs for postal services as an essential factor for maintaining (or growing) revenues from the postal activity. In the majority of European postal operators, significant price increases have been observed in recent years in the main postal products, particularly in priority mail. In the Portuguese case, the last price increase for mail communicated by CTT was of 1.42%[29] (cap according to the limits established by the regulator), significantly below average increases observed in other European countries. Additionally, several operators have already indicated the tariff increases planned for 2021 (e.g., Bpost, La Poste, Deutsche Post DHL, Posten Norge and PostNL, PostNord Sweden, Royal Mail). The observed strategies are different, however there are price increases of up to 11% in the case of ordinary mail, 10% in the case of registered mail and 12% in priority mail.

[28] Source: ANACOM – Postal services – 3rd quarter 2020 – Evolution of postal services components.
[29] Note: The average annual variation in the overall price of the Universal Service (including letter mail, editorial mail and parcels services within the Universal Service Obligation, excluding international inbound mail) was 1.76% compared to the previous year; however, considering the effect of applying the consumer compensation mechanism, the average year-on-year price variation was 1.42%.

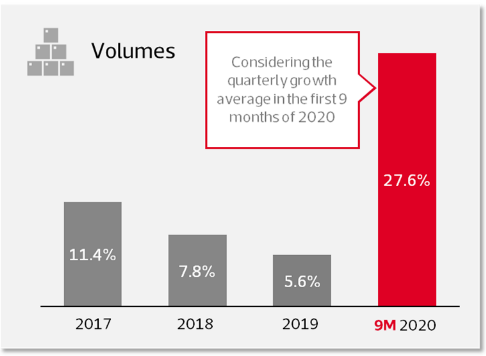
Average increase in postal tariffs of the European postal operators[30]
(% year-on-year price increase)



Express & Parcels

The express and parcels market continues to show significant growth where, in 2019, volumes grew by around 6% in postal operators internationally. In turn, and as previously mentioned, the increase in volumes was substantially higher for the year 2020, achieving a 27.6% average quarterly growth compared to the same period in the previous year. It is noteworthy that this figure does not allow direct comparability with annual growth, aiming only to highlight the marked growth in 2020.[31]

Express & Parcels average volume and revenue growth in postal operators[32]
(% change vs. previous year)

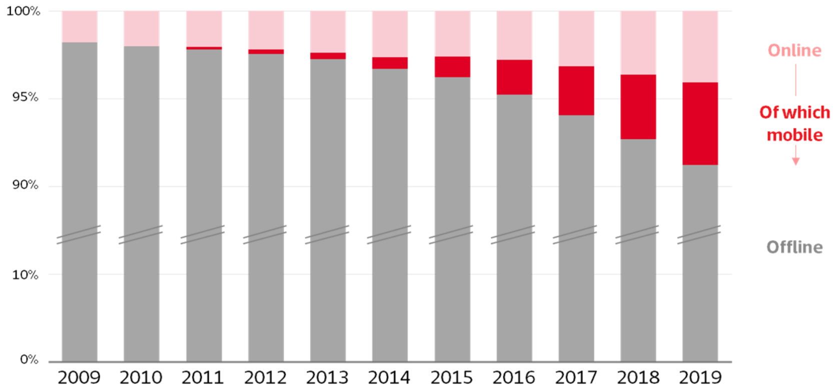


This growth is mainly due to the increase in B2C parcels, boosted by the continuous growth of e-commerce, which in 2019 represented around 8% of the total purchases made worldwide, with more than half of this activity carried out through the mobile channel. It is estimated that there will be a considerable increase in 2020,

[30] Sources: IPC, postal operators' websites, Internal analysis. Note: The growth averages illustrated exclude the increases recorded in CTT. The number of operators analyzed for each of the products differs depending on the availability of the information or the feasibility of comparing those values. See notes 1, 2 and 3 for details on the operators included. Note 1: The following operators were considered in the analysis: An Post, Bpost, Correos, Croatian Post, Cyprus Post, Czech Post, Deutsche Post DHL, Eesti Post, Hellenic Post-ELTA, Iceland Post, Latvian Post, Le Groupe La Poste, Lithuania Post, Magyar Posta, Österreichische Post, Poczta Polska, POST Luxembourg, Posta Romana, Poste Italiane, Posten Norge, Posti Group, PostNL, PostNord Denmark, PostNord Sweden, Royal Mail, Slovenska Posta, Swiss Post. Note 2: The following operators were considered in the analysis: Deutsche Post, Austrian Post, Bpost, Correos, Eesti Post, Posti, La poste, Hellenic Post, PostNL, An Post, Poste Italiane, Latvian Post, Post Luxemburg, Posten Norge, Czech Post, Swiss Post, Royal Mail. Note 3: The following operators were considered in the analysis: Croatian Post, Cyprus Post, Czech Post, Deutsche Post DHL, Eesti Post, Hellenic Post-ELTA, Latvian Post, Le Groupe La Poste, Lithuania Post, Magyar Posta, Österreichische Post, Poczta Polska, Posta Romana, PostNL, Royal Mail, Slovenska Posta, Swiss Post.
[31] Source: "Global Postal Industry Report 2020" International Post Corporation.
[32] Source: "Global Postal Industry Report 2020" International Post Corporation, jointly with IPC "Global monitor executive report" Quarters 1, 2 & 3, 2020.

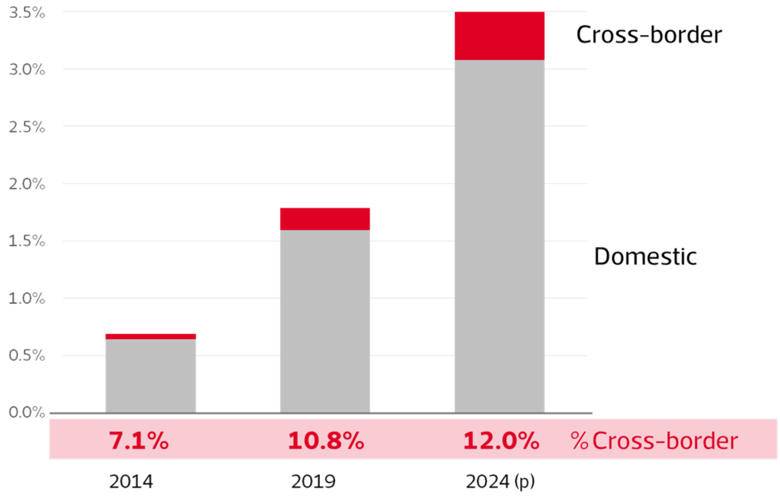
as a result of the increase in e-commerce boosted by the pandemic. In the last decade, online commerce has grown an average of 20% per year, according to Euromonitor, presenting a much higher growth rate when compared to the growth of traditional retail[33].

Evolution of the online sales market share[33]
(% of total global sales)



In parallel with the growth of e-commerce, there is a trend of increasing levels of cross-border trade. Since 2014, the volume of online sales from foreign online stores has quadrupled, and in 2024 this volume is expected to exceed 400 billion euros and represent 12% of all e-commerce, according to Euromonitor[33].

Global e-commerce sales (€ tn)[34]
Global flows



In 2019, despite the growth in the volume of revenues associated with the growing parcel volumes observed (6.4% increase in revenues compared to 2018), operating margins decreased compared to 2018. The decrease in profitability of the operation is the result of an increase in pressure on costs due to several factors, such as the increased negotiating power of large shippers, expectations of free deliveries by the final consumer and increased competition in the sector. Additionally, the increase in labor expenses, the necessary investments in the operational network and the post-acquisition integration costs contribute to a decrease in the profitability of the Express & Parcels operation.

[33] Source: "Global Postal Industry Report 2020" International Post Corporation.
[34] Source: "Global Postal Industry Report 2020" International Post Corporation.

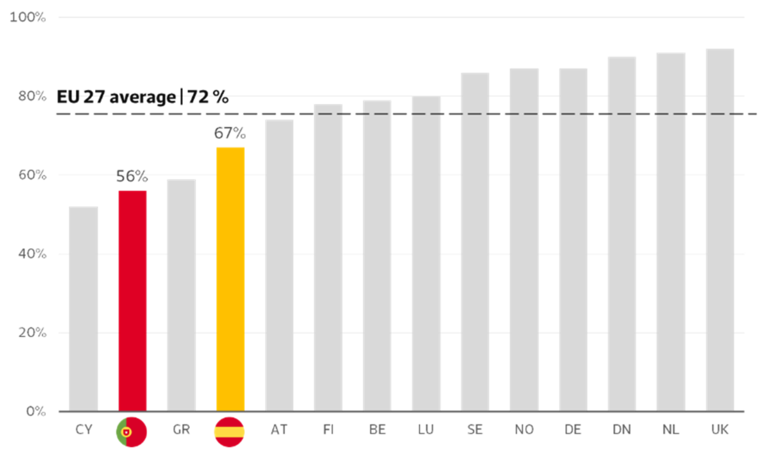
Drivers for the reduction of operating margins in the Express & Parcels business[34]

In the Iberian market, there is also an overall growth trend in the express and parcels market. In Portugal, the volume of B2C e-commerce reached 5.9 billion euros, representing a 20% growth compared to the previous year[35]. In Spain, the increase reached c.25% compared to 2018, when the volume of e-commerce exceeded €48.8 billion[36].

Regarding the origin of the goods purchased, in Portugal, there is an increase in the volume of online domestic purchases. However, in 2019, 80% of Portuguese buyers purchased through foreign online stores, with China being the country of origin with the dominant position in the volume of goods purchased (68%), followed by Spain (37%) and the United Kingdom (28%)[35]. In Spain, in the last quarter of 2019, about 51% of the volume of e-commerce came from foreign online stores[36].

As regards the penetration of e-commerce in Iberia, in Portugal only 56% of the population made online purchases in 2020, which represents a lower penetration compared to the European average of 72%. On the other hand, in Spain, although the levels are higher than in Portugal, they are also slightly below average, with 67% of the population with an electronic buyer profile[37].

Percentage of e-buyers, by European country, in 2020 (shortlist)[37]



As a result of an analysis on the evolution of the profile of the Portuguese e-buyer in the year 2020, it is possible to verify, in addition to a 10 to 15% increase in the e-commerce activity among the active population, a significant increase in a set of associated indicators that reveal that the Portuguese population had a greater presence in e-commerce.

[34] Source: "Global Postal Industry Report 2020" International Post Corporation.
[35] Source: CTT e-commerce Report 2020.
[36] Source: *Sala de Prensa - Comisión Nacional de los Mercados y la Competencia.*
[37] Source: CTT e-commerce Report 2020.

Evolution of the Portuguese e-buyer profile in 2020[38]

	2019	2020	Annual evolution 19-20
Average number of purchases Per year	15.8	19.5	+23.4%
Average number of products Per purchase	3.8	4.3	+13.2%
E-commerce expenses Per year	€ 807.2	€ 1,103.7	+36.7%
Average ticket	€ 51.1	€ 56.6	+10.8%

Financial markets

The year 2020 was marked by high volatility. The pandemic situation led to a marked leakage of risky assets at the end of February and during the month of March, followed by a recovery in the risk assets during the rest of the year. Investors' confidence was reinforced by the quickness of the largest intervention ever by Central Banks, ensuring liquidity and access to credit. The liquidity injected by the Federal Reserve, the European Central Bank, the Bank of England and the Bank of Japan is estimated to have been 5 times greater than the one injected during the 2008-09 financial crisis.

The stock market, observing the FTSE Global All Cap Total Return Index, which includes developed and emerging markets, had the sharpest depreciation ever, contracting 34% in just 33 days. The recovery was also fast paced. After the minimum on 23 March, it took just five months for the stock markets to record historical highs. The FTSE Global All Cap Total Return Index, despite the challenging environment, recorded an appreciation of 16.8% in 2020.

The German 10-year interest rate continued its downward trend. Volatility was also observed. After starting the year at a negative value of -0.19%, it reached an all-time minimum of -0.85% on 9 March, having registered a sharp rise of 66 basis points in just 8 days. It ended the year 2020 at -0.58%. In the United States the 10-year interest rate dropped significantly, from 1.92% at the beginning of the year to 0.91% at the end of 2020. It should be noted the robust manner in which the FED reduced the FED Funds rates, cutting the rate from 1.75% to 1.25% on 3 March, in the first unscheduled decision since 2008, and cutting it again by 1% to 0.25% on 16 March.

The credit spread of the European sovereign debt substantially increased at the beginning of March. The announcement of the Pandemic Emergency Purchase Program of the ECB on 18 of March sharply decreased the risk levels. The 10-year Portuguese spread to Germany started the year at 0.62%, having reached 1.7% on 17 March and finishing the year at 0.59%. The Italian spread reached 2.78%, finishing the year at 1.11%, below the 1.6% of the beginning of 2020.

The corporate credit spread registered similar dynamics to sovereign debt. The CDS index Markit iTraxx Europe Senior of 5-year maturity reached 139 basis points in March, ending the year at 48 basis points, slightly above the 44 basis points of the end of 2019. The iTraxx Crossover 5Y index reached 712 basis points, having closed the year at 241 basis points, still higher than the 206 points at the end of 2019.

The oil market also had an unusual behavior during 2020. On 20 April the oil futures contract to be delivered in May traded at -37$ per barrel. Even though this event was more of a technical nature, due to struggles in

[38] Fonte: *CTT e-commerce Report* 2020.

physical settlement as a result of the lack of storage capacity, primarily the shortage in demand resulted in an annual average price of 39$, comparing to 57$ in 2019.

The volatility experienced during 2020 might be summarized in the behavior of the VIX index, which represents the implicit volatility on the SP500 based options market, many times considered a barometer of investors' fears. In 2019 its average value was 15 points. In 2020 it was almost the double, with an average of 29 points. It should be noted that it reached a historical peak of 83 points on 16 March, surpassing the amount registered at the peak of the 2008 financial crisis.

The euro appreciated by 5.4% when compared to the 19 currencies of the main trading partners of the euro area[39]. When comparing to the US dollar it appreciated by 8.9% and to the British pound by 5.78%.

Portuguese banking system

An analysis of the data[40] for the first 9 months of 2020 when compared to the first 9 months of 2019 displays a decrease in net interest margin of 4.6%, resulting from a reduction in interest income higher than the reduction in interest expenses, which is explained by the price effect of the yield differential. Interest income decreased more significantly in loans granted to households and NFCs and in sovereign debt securities. The volume effect (changes in interest-bearing assets or liabilities) was positive, albeit low. Net fees decreased by 5.6%, reflecting the lower volume of transactions and the reduction in financial intermediation in some segments. The total operating income decreased by 6.9%. Staff costs declined by 5% and the cost-to-income ratio decreased to 58.4%.

In the same period, total assets of the Portuguese banking system increased by 5.4%. The loan-to-deposit ratio decreased to 85.2% from 87.1% in 2019, due to an increase in deposits higher than in net loans (3.8% vs 1.5%). It should be noted, however, that from March to September 2020, new loans to firms increased by 15% year on year, and about 38% of the new loans granted were secured by a State guarantee[41].

The stock of loans for house purchase gradually increased over the first half of the year as a result of growth in new lending operations, compared to the same half-year period of the previous year, and the reduction in repayments, reflecting the effects of the moratorium. Annual growth rates decreased in the consumer credit segment, reflecting the sharp decline in new lending operations.

The funding obtained by the Portuguese banking system from central banks increased by 3.4% in the first 9 months of the year, representing 7.8% of the assets and reflecting the targeted longer-term refinancing operations carried out by the European Central Bank, substantially used by banks in June 2020.

The ratio of non-productive loans net of impairment decreased from 6.2% at the end of 2019 to 5.3% in September 2020. At the end of the quarter, the NPL ratio of NFCs stood at 10.6%. In the case of households, it was 3.5%. The coverage of NPL ratio for impairment increased by 4.4% to 55.9%. The loan loss charge increased to 1% in the first 9 months of 2020, doubling when compared to 2019, but below the figures achieved during the sovereign debt crisis (1.5% to 2%).

In September 2020, total capital ratio and CET 1 ratio increased by 0.6%, standing at 17.6% and 14.9%, respectively. The change translated the decrease of the assets average risk weight from 53.3% in 2019 to 49% in September, corresponding to improved capital ratios. The increase in exposures to sovereign debt securities, cash balances at central banks, State-guaranteed loans and the impact of measures at the CRR level (quick fix) also contributed positively to this result.

Leverage increased versus the end of 2019, with the ratio going from 7.9% to 7.6% in September 2020, above the benchmark minimum level defined by the Basel Committee on Banking Supervision (3%), which will become a mandatory requirement as from the date of entry into force of the new CRR (28 June 2021).

[39] ECB Daily Nominal EER-19 Euro Effective Exchange Rate.
[40] BPStat – Data domain: Banking system information – Banco de Portugal.
[41] Financial Stability Report December 2020 - Banco de Portugal.

Data known by the 3rd quarter point to a decrease in equity profitability to 0.15%, which compares to 0.45% in 2019. Equity profitability decreased from 4.9% to 1.7% in the first 9 months of the year. This decrease mainly reflects the significant increase in credit impairment, given the challenging macroeconomic environment.

2.1.3 Regulatory Framework

Postal sector

The universal postal service concession contract, which also covers the provision of postal money order services on an exclusive basis and was due to expire on 31.12.2020, was extended until 31.12.2021 by Decree-Law No. 106-A/2020 of 30 December. In early 2021, CTT proposed to the Government the creation of a negotiation committee, thus triggering a formal and inclusive procedure aimed at resolving the issues related to the sustainability of the current Concession Agreement, in particular requiring compensation for its unilateral extension.

Under the Universal Postal Service Concession Agreement, on 13.03.2020, CTT invoked *force majeure* before the grantor, following the public health emergency of international scope declared by the World Health Organization. Since then, CTT continued to comply with the competent authorities' public health standards and to adopt the necessary and appropriate measures to protect workers and customers while continuing to ensure the functioning and continuity of postal services. CTT also continued to periodically submit updates on the situation to the Government, as a counterparty in the contract, and to ANACOM, the regulatory authority responsible for overseeing the Universal Postal Service provision.

The universal service pricing proposal submitted by CTT on 18.02.2020, and reformulated on 27.03.2020 and 11.05.2020, was approved by ANACOM by resolution of 23.05.2020[42]. The prices underlying this proposal, which complied with the applicable principles and criteria of price formation, entered into force on 01.06.2020. This update corresponded to an average annual variation in the price of the basket of letter mail, editorial mail and parcels services of 1.41%, not including the offer of the universal service to bulk mail senders, to whom special prices apply.

The special prices of the postal services included in the universal service offer applicable to bulk mail senders were also updated[43] on 01.06.2020 following a proposal presented to the Regulator on 22.05.2020.

On 22.10.2020, ANACOM approved the proposal submitted by CTT on 15.09.2020 to revise the prices applicable to international mail services and a category of domestic registered mail, which came into force on 01.11.2020. This price revision included, inter alia, the creation of a new pricing zone for the USA, the approximation of the prices applicable to Spain to those for the "Rest of Europe" in international ordinary mail and the creation of a category of postal package up to 100g in the international service similar to that of the domestic service. It complied with the maximum price variation applicable in 2020 for the basket of letter mail, editorial mail and parcels services, i.e., 1.41%, as mentioned above.

The aforementioned updates correspond to an average annual price change of 1.76% and also takes into account the increase in the prices of the reserved services (services for the transmission of judicial and other postal notifications) and of the special prices of bulk mail.

On 02.10.2020, ANACOM defined the mechanism to compensate the users for non-compliance with the performance targets of the universal postal service quality indicators in 2019, corresponding to a) the deduction of 1 percentage point from the weighted average variation in the prices of the basket of letter mail, editorial mail and parcels services, allowed for the year 2020, a variation that would thus be of 0.41% and should benefit the users of these services as a whole; and b) a 0.31% deduction to the current prices for

[42] Pursuant to the criteria setting the formation of the prices defined by a decision of ANACOM of 12.07.2018, complemented by a decision of 05.11.2018, under article 14(3) of Law No. 17/2012, of 26 April l (Postal Act), amended by Decree-Law No. 160/2013, of 19 November, and by Law No. 16/2014, of 4 April.

[43] See article 14-A of the Postal Law as amended by article 4 of Decree-Law No. 160/2013, of 19 November.

standard bulk mail subject to special prices in the domestic service, to be implemented in the period from 01.11.2020 to 31.12.2020. On 23.10.2020, CTT submitted to ANACOM the proposal for consumer compensation measures to be adopted to comply with this resolution, requiring the application of a different type of compensation to be reverted to users, which combined the price reduction stipulated for the basket of letter mail, parcels and editorial mail services with another measure, in the proportion of 50% for each action (alternative measure). Hence, on 06.11.2020, ANACOM approved the application of the compensation mechanism pursuant to the alternative proposal submitted by CTT, as follows:

a) Price reduction, from 01.11.2020 to 30.11.2020, in the domestic letter mail services (ordinary mail, simple registered mail and registered mail), in international economy mail – special prices, and in the subsidized pricing of editorial mail;

b) Price reduction, from 01.11.2020 to 31.12.2020, of items in the 20g to 50g weight step, in the scope of ordinary and bulk mail subject to special prices, in the domestic service;

c) Massive distribution of a postage paid postcard to all households in Portugal during the first half of December, to be used on a date at the customer's choice.

On 14.09.2020, ANACOM declared that the results of the cost accounting system used by CTT relative to the financial years of 2016 and 2017 were produced in accordance with ANACOM's decision on the reformulation of those results and imposing new criteria for the separation of costs between the postal activity and the banking activity of the Company.

On 30.09.2020, ANACOM stipulated that the density targets of the postal network and minimum service offers established by this entity's decision of 15.09.2017 complemented by its decision of 21.08.2019 – and in effect until that date – would remain in force until approval of the new targets under the terms of the concession contract. Subsequently, on 18.12.2020, ANACOM approved CTT's proposal to maintain such targets in force until 31.12.2020.

On 26.11.2020, ANACOM has granted CTT - Correios de Portugal, S.A. the license to provide postal services under no. SP-2012-001.

Financial sector

In 2020, the European and national regulatory agenda was dominated by the COVID-19 pandemic crisis. Along with the concern with guaranteeing financing for families and companies, there was also a special concern to ensure operational continuity, from technological resources, with growing concerns about security and privacy, as well as about organizational and human resources.

Motivated by the pandemic crisis, the moratorium regime was published at national level through Decree-Law No. 10-J/2020 of 26 March, which introduced exceptional measures to protect credit to households, companies, and private charity institutions and other entities of the local economy. It also provides for a special regime of State guarantees within the scope of the COVID-19 pandemic, which applies to mortgage credit contracts and property leasing contracts entered into with consumers, consumer credit contracts for education purposes, including for academic and professional training, and credit agreements with companies, self-employed people, private charity institutions, non-profit associations and other entities of the social economy. Subject to successive updates, the public moratorium regime is in effect (i) until 30 September 2021 for contracts that benefited from these measures as of 1 October 2020, and (ii) until 31 December 2021 for take-up of the moratoria communicated between 1 January 2021 and 31 March 2021, and the total benefit period cannot exceed 9 months.

At European level, the European Banking Authority (EBA) published the Guidelines on treatment of public and private moratoria in light of COVID-19 measures, which were incorporated by the Bank of Portugal through its Circular Letter no. CC/2020/00000022. These Guidelines specify the terms and conditions that the extension of repayment deadlines inherent to credit obligations, related to public or private moratoria created in the context of the COVID-19 pandemic, must comply with to avoid a situation of default of an obligor, or a distressed restructuring, under the terms and for the purposes of Regulation (EU) No 575/2013 of the

European Parliament and of the Council of 26 June 2013 ("CRR") and the EBA Guidelines relative, inter alia, to the application of the definition of default pursuant to article 178 of the CRR.

The year 2020 was also marked by the publication of Notice No. 3/2020 of the Bank of Portugal in July, which regulates the governance and internal control systems and defines the minimum standards on which the organizational culture of the entities subject to the supervision of the Bank of Portugal should be based. This notice is associated with Instruction No. 18/2020 of the Bank of Portugal, which regulates reporting duties regarding organizational conduct and culture, and the governance and internal control systems. Among these norms, the following main changes stand out: (i) an expansion of the range of matters dealt with in relation to the previous Notice; (ii) greater accountability for the supervisory body, the management body and the internal control functions; (iii) a need to align all parts of the financial and non-financial risk management system, including the risk appetite framework (RAF), the risk appetite statement (RAS), the global risk management policy, the specific risk management policies, the internal capital adequacy assessment process (ICAAP), the internal liquidity adequacy assessment process (ILAAP), the recovery plan , and remuneration policies and practices; (iv) the introduction of rules aimed at allowing the supervisory body to have the necessary conditions to effectively perform its duties, including the obligation to evaluate the internal control functions; and (i) the obligation of the supervisory body to ensure the reliability, completeness and consistency of all information produced by the institution, including information on prudential and financial reports to be made to the respective supervisory authorities.

In terms of banking fees, reference is made to the publication of Law No. 53/2020 of 26 August and Law No. 57/2020 of 28 August, in force as of 1 January 2021. The former set limits to the charging of fees for the use of payment applications operated by third parties, such as MBWay, and forbids the charging of commissions associated with withdrawal of funds, service payments or transfers, imposing limits imposed to be complied with. The latter set new limits, particularly regarding the charging of fees for the analysis of the renegotiation of credit conditions, and in the scope of the credit contract entered into with the consumer, as well as for the issue of documents of discharge of lien.

As far as the prevention of money laundering and terrorist financing is concerned, 2020 was also marked by the transposition of Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 and Directive (EU) 2018/1673 of the European Parliament and of the Council of 23 October 2018 on combating money laundering by criminal law. Law No. 58/2020 of 31 August changed some of the definitions of the Anti-Money Laundering Act, such as the definition of "money laundering" itself, "close family members", as well as "legal arrangements". Among the main changes introduced by this Law, emphasis should be made to a greater transparency in terms of the Central Register of the Beneficial Owner (RCBE), since it now stipulates the need to update the information contained in the RCBE or to confirm that it is up to date so that the obliged entity can be voluntarily dissolved.

With regard to the insurance activity, it is noteworthy the publication of the Information Note on January 17, 2020, indicating that all insurance or reinsurance intermediaries, members of the management body responsible for the activity of insurance or reinsurance distribution and persons directly involved in the activity of insurance or reinsurance distribution who carried over from Decree-Law No. 144/2006, of 31 July, must attend a compliance course with the appropriate qualification requirements set out in the legal framework for insurance and reinsurance distribution, approved by Law No. 7/2019, of 16 January, and Regulatory Rule No. 6/2019-R, of 3 September.

The year 2020 ended with the publication of Regulatory Standard 13/2020-R of 30 December, coming into force on 25 February 2021, which regulates the legal framework for insurance and reinsurance distribution, approved in an annex to Law No. 7/2019 of 16 January. This rule of the Insurance and Pension Funds Supervisory Authority set forth the requirements applicable to the new category of insurance intermediaries on an ancillary basis, the revision of the procedures applicable to the assessment of suitability and control of qualifying holdings and the implementation of the duties applicable to the policy on treatment of policyholders, insured parties, beneficiaries and injured third parties, and complaint management.

2.2 Strategic Lines

G2
G4
G17
EC7
EC8
G8

We connect people and companies, committed to deliver!

Inputs

Financial Capital	Human Capital	Intellectual Capital	Social Capital	Natural Capital
· Management efficiency & focus on results · Portfolio diversification, enhancing unique existing networks (distribution & retail)	· Recognition of the +12,000 employees · Talent development policies	· Trusted & proximity brand · Sector in-depth know-how & experience · Innovation strategy · Portfolio digitalization	· Partnerships & cooperation protocols with institutions · Volunteers pool	· Integrated Quality, Environment & Safety policy · Quality certifications (ISO 14001)

Strategy & Business model

Mission

for companies

The business and commerce services provider, promoting e-commerce, efficiency and simplifying their physical & digital presence

ctt

for people

the closest way for communication and financial services

Business objectives

Mail	Express & Parcels	Business Solutions	Financial Services & Retail	Banco CTT
Ensure sustainability of (physical & digital) mail – revenues and margins	**Focus on growth and profitability,** complete the turnaround in Spain and develop fulfilment offer	**Accelerate growth,** leveraging on a digital & physical portfolio	**Expand and grow savings and insurance** Focus on 24-hour and self-service in core retail products	Consolidate **profitability and growth** of a mostly digital retail bank

EXCEL IN CREDIT AND SAVINGS

LEAD IN COMBINING DIGITAL & PHYSICAL PRESENCE

LEAD E-COMMERCE DEVELOPMENT

act **FASTER, BETTER and GREENER**

Outputs

Higher value for shareholders, promoting a sustainable and solid growth	**Better training and higher work satisfaction for employees**	**Digital transformation and promotion of entrepreneurship**	**Proximity to the populations, contributing to their development**	**Reduction of environmental impact** (international awards & distinctions)

In a context of profound transformation in the sector, reflected particularly in the acceleration of digitalization and the consequent decrease in mail activity, CTT's strategy aims to diversify the Company's business. In addition to the search for increasingly higher levels of efficiency in the mail activity that will ensure its sustainability, CTT's priorities include the development and consolidation of other growing businesses that will progressively reduce its dependence on mail, contributing to the Company's greater medium and long-term solidity. As the provider of the Universal Postal Service, the Company always stood out for its positioning within the population and the promotion of its development. We believe that the goals that we set out to be leaders in the combination of physical and digital presence and in the development of e-commerce are essential for the development of the country, and that CTT is the company that can best play this role in our community. CTT has also been a major contributor to concrete progress, either in terms of large customers or in the support it has given to small and medium enterprises, contributing to the transformation and modernization of business processes, with special emphasis on those supporting commerce. On the other hand, we are proud of our proximity to the population, which will be enhanced through the strategy defined for the evolution of our offer to the people on a national level, aimed at promoting the well-being of families countrywide through simple credit, savings and insurance solutions.

Specifically in 2020, we have implemented several initiatives that contribute to long-term sustainability, such as:

- **Economic** sustainability: launch of the solution to create online shops; progress in the turnaround strategy in Spain (e.g., improved capacity – buildings, equipment and software); specific initiatives implemented in terms of the express & parcels business profitability in Portugal (e.g., progress in the turnaround of the cargo segment; full structural revision of the pricing mechanisms; facilities, equipment and software); new business development and introduction of a strong commercial dynamics in Business Solutions; implementation of a new post office concept with emphasis on 24x7 and self-service.

- **Social** sustainability: implementation of the "*CTT Comércio local*" app aimed at very small businesses in a partnership with municipalities; digital reconstruction of countless regional fairs; campaign CTT #FiqueEmCasa; home delivery of medicines in a partnership with the National Association of Pharmacies; delivery to nursing homes and health establishments of sanitizer gel manufactured and offered by Hovione; home delivery of citizen cards; streamlined access to individual protection products to deal with the pandemic; offer of the service to pay pension cheques at home during the peak of the health crisis.

- **Environmental** sustainability: increased ecological fleet; goal to plant 100k trees in a partnership with Quercus overcome; reduction of electric power consumption; increase capacity to generate our own renewable energy; expansion of LED lighting.

2.3 Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) have become a fundamental work tool for companies, as they serve as guides or guidelines to support them in defining, implementing, communicating and reporting their strategies, objectives and activities. The SDG have 17 priority topics identified and endorsed by 190 countries at a global level, for the preservation of the planet and the dignity of human beings.

CTT, in addition to aligning its environmental management strategy with the priority SDGs for the sector, resulting from a study by the IPC - International Post Corporation, mapped and prioritized the SDGs for its value chain[44], using the SDG Compass methodology, developed by the WBCSD, UN Global Compact and GRI.

[44] CTT has identified various value and supply chains for its business activities that are distinctive from one another. In this exercise, the value chain of the postal, express and parcels business was adopted, due to being one of the most significant.

The SDGs that could contribute to fostering positive impacts or mitigating/preventing negative impacts were identified and allocated to each phase of the value chain, considering the risks and opportunities.

The majority of these goals are already incorporated in CTT's activities and programs, in various aspects, and feature in the table of ESG Commitments (point 1.6). Consultation of the SDG Compass corporate indicators supported the identification and choice of CTT's specific indicators and goals. In the GRI index, Annex IV, the indicators were associated with the corresponding SDGs.

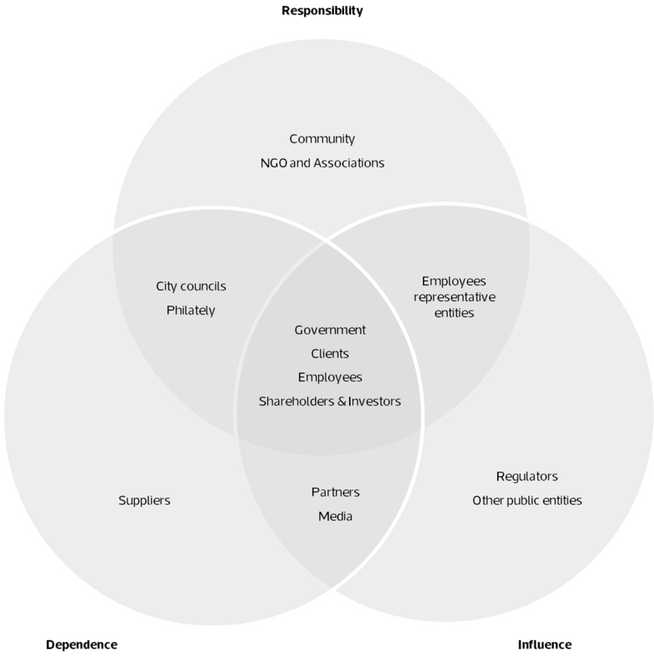
LA6
SO4
EN19
EN27

SDG	Goal	SDG	Goal
3 GOOD HEALTH AND WELL-BEING	**Good Health and Well-Being** Focus on road accident and prevention goals	4 QUALITY EDUCATION	**Quality education** Focus on training goals in response to employee needs
7 AFFORDABLE AND CLEAN ENERGY	**Affordable and clean energy** Focus on renewable energy and energy efficiency goals	8 DECENT WORK AND ECONOMIC GROWTH	**Decent work and economic growth** Focus on the goals of working conditions and access to financial services, and expanding the express business
11 CIDADES E COMUNIDADES SUSTENTÁVEIS	**Sustainable cities and communities** Focus on electric and smooth mobility and carbon neutral offer	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Responsible consumption and production** Focus on the eco portfolio and the production of the circular economy
13 CLIMATE ACTION	**Climate Action** Focus on carbon management, in the compliance with international standards and environmental education	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	**Peace, Justice and Strong Institutions** Focus on anti-corruption and bribery, governance and ethics, and engagement with stakeholders

2.4 Materiality analysis

The materiality analysis reflects contributions that result from the last stakeholder consultation exercise, carried out by CTT in accordance with the guidelines of Standard AA1000SES - *Stakeholder Engagement Standard.* This allows the mapping, identification of relevant topics and critical stakeholders of the company and consequently the definition of the strategy of engagement with them that has been applied systematically. In 2019, a new stakeholder consultation exercise began, which took place throughout 2020, with the expectation of identifying new critical topics, and allowing CTT to properly position itself in relation to their needs and perceptions. | G25

Mapping of the Stakeholders



Source: Stakeholder Engagement Exercise – Ernst & Young

The materiality matrix and material topics

The stakeholder engagement exercise was based on a benchmark process for the peers of reference, which allowed the identification of a set of potentially relevant topics, that served as the basis for the process. To assess the impact of the topics for the business, several focus groups were held with members of the Board of Directors and top CTT directors, with the objective of capturing their vision on the topics that mirror the main challenges and impacts related to sustainability in CTT.

Through this exercise, 23 potentially relevant topics were identified, whose relevance to stakeholders was subsequently assessed through a set of strategic interviews and an online questionnaire. The stakeholder groups heard at this stage of the process were as follows: Investors and Shareholders, Employees, Customers, Community representatives, Regulatory Entities, Suppliers, Partners, Entities representing employees, Media and other public entities.

The topics were represented in a materiality matrix, grouped into three distinct levels of relevance, material topics, important topics, and emerging topics. The hierarchy of topics considered the relevance criteria indicated by AA1000SES - Stakeholder Engagement Standard. The stakeholders' perceptions and points of view were crossed with the management's view, giving rise to the materiality matrix. | G25

Materiality Matrix

Source: Stakeholder Engagement Exercise - Ernst & Young

Material topics	Important topics	Emerging topics
Client experience and satisfaction	Privacy and data protection	Product and process innovation
Employee experience and satisfaction	Financial performance	Indirect economic impacts
Climate change and emissions	Community engagement	Attraction and retention of talent
Ethics, transparency and anti-corruption	Accessibility of postal services	Waste management
Development and training of employees	Consumption of materials and resource efficiency	Ecosystem protection and biodiversity
Health and safety at work	Diversity and inclusion	Water consumption
Energy management	Sustainable supply chain management	
	Respect for human rights	
	Emission of atmospheric pollutants	
	Operational excellence	

The results of the materiality analysis and the criticality level attributed to the different **topics** are reflected in the selection of the contents of the present report and in the emphasis given to them. CTT continues, however, to present data on other less critical matters, as we consider them relevant for accountability, for engagement with stakeholders and for contributing to the fulfilment of the SDGs, such as sustainable marketing, biodiversity, or equal opportunities, among others. G19

In the questionnaire, in addition to the stakeholders assessing the importance of each of the topics for CTT, they were invited to express themselves regarding the CTT vision, its responsibilities in environmental, social and economic matters, in a long-term perspective and also regarding its performance in these same areas. All shareholders and investors, entities representing employees and other public entities consider that CTT present a clear vision of their responsibilities in these matters, followed by 80% of suppliers, 70% of employees, 67% of partners, 61% of the community, 50% of regulators and 38% of customers. G20 G21

2.5 Stakeholder Engagement

G37

G26

The different forms and means of engagement used have been reflected in regular actions of consultation, dialogue and monitoring of stakeholder needs and satisfaction, such as through surveys, answers in writing to institutional investors, research analysts, other investors and public in general, in-house meetings with customers, market analysts and investors, shareholders, hosting of visits, conferences, working parties, panels, newsletters, release of privileged information, reports, qualifying holdings relative to transactions and acquisitions and other types of external and internal communication which the company undertakes in its daily activity.

The consultation of stakeholders carried out until the end of 2020 allowed to update the engagement strategy and the identification of critical stakeholders who can benefit from enhanced communication and involvement.

G27

The communication channels, the most common approaches and some of the measures implemented during this year to meet stakeholder expectations are listed below. CTT's objective is to establish effective, permanent and transparent engagement with its stakeholders, reinforcing all forms and channels of hearing and involvement.

Table 1 – List of stakeholders and forms of engagement

Stakeholders	Expectations and needs	Forms of communication with stakeholders and their consultation	Measures adopted
Shareholders and investors	Provision of clear, transparent and timely information that enables knowing the Company's evolution and its economic, financial and governance reality Management alignment with shareholder guidelines	Quarterly, half-yearly and annual reporting presented in a rigorous, reliable and consistent manner through submission of communications, half-yearly and annual reports and financial statements disclosed on the website of the company and CMVM Participation in conferences, roadshows, meetings and conference calls with investors and market analysts Clarification of shareholders and other investors through the telephone line and mailbox provided for the purpose	Social and environmental initiatives and investments Ongoing communication with market analysts, seeking to increase the number of analysts that cover CTT shares Maintaining and deepening engagement with stakeholders through participation in conferences, roadshows, meetings, conference calls and webcasts for the dissemination of results and communication of guidance on business strategy management Participation in business environment and sustainability ratings
Regulators	Quality of service of the Universal Postal Service Prices of the Universal Postal Service Criteria for density of the postal network and minimum service offers Compliance with competition rules	Information on services Participation in hearings and/or public consultations of draft decisions Regular report of indicators Regular response to requests for information and clarification	Procedure for collecting and organizing information to comply with reporting obligations Compliance with universal service obligations in terms of quality, prices and network coverage Maintenance of an analytical accounting system and calculation of the net cost of universal service (CLSU) Monitoring of the application of EU and national principles and rules on market competition Response to Regulators' requests for information
Other Legal Authorities	Audits Clarification meetings Legislative compliance	Good Company practices Company Strategy Ethics and transparency Regular reporting	Regular provision of information Compliance with legal and contractual requirements

G24
G27
G26
G37
G50

Stakeholders	Expectations and needs	Forms of communication with stakeholders and their consultation	Measures adopted
Customers	Better products at accessible prices, i.e., greater value for money Reliability and trust Convenience Satisfaction Flexibility and customization Security of postal items (accountability) Security of the banking operations Geographic coverage and accessibility Responsibility and environmental image Closer and more frequent relations (newsletters, portals, focus groups, satisfaction assessment studies, etc.)	Information campaigns Personalized and permanent communication After-sales actions Advertising and accessibility of the information Proactive management of deficiencies Call center /hotlines Key Account Managers, managers of large accounts and customer managers Market research Regular surveys on delivery and customer services Decentralized meetings of the Management Board with customers	Improved customer satisfaction Launch and reformulation of new customized business solutions 212 Banco CTT branches Environmentally more responsible operating model (fleet and buildings) Studies on the adequacy of the offer of products and services Consolidation of the ecological portfolio (products and services)
Competitors	Participation in initiatives of common interest Sector benchmarking Access to the postal network	Participation in forums Participation in benchmarking exercises Representation in bodies of the postal sector	Compliance with market rules Intervention in joint projects, in the context of sectoral bodies
Employees	Stability (employment security, wage, social protection) Adequate remunerations Opportunities for career development and professional progression Good working conditions Recognition of merit Participative management Maintenance of social support measures Equal opportunities and management of diversity Better work-family balance Retirement conditions	Information in due time Personalized communication through the leadership/dialogue chain Team meetings Written internal communication (magazine, thematic newsletters, electronic formats, SMS, letters, intranet) Training Forums Systems for suggestions Surveys	Widespread disclosure of work-related information Hygiene & Safety Program continuity Assessment of working conditions Modernization and renovation of infrastructure and equipment Training on safe/defensive/ecological driving 98% of employees covered by training Participation in the INOV+ program Forum Organizations for Gender Equality Trainee programs Integration of trainees in voluntary work projects

G11

Stakeholders	Expectations and needs	Forms of communication with stakeholders and their consultation	Measures adopted
Workers' Unions/ Committee	Respect for their opinions/positions Transparent negotiation Consultation on matters of corporate responsibility Participation in collective bargaining and contracting processes Compliance with Public Service Obligations Maintenance of social support measures to employees and their families	Monthly and/or extraordinary meetings with senior management Meetings with Union Organizations and Associations Representing Functional Groups, whenever needed Relevant management communication	Signing of the first CTT Expresso Company Agreement 89.7% of employees covered by collective bargaining agreements Harmonization of work hours
Suppliers	Equal opportunities and transparency (clear rules) Compliance with payment and other deadlines Increased volume of new supplies Tightening of relations Registration of suppliers for the different purchasing categories Supplier qualification Supplier evaluation	Information and communication of company projects Sustainable procurement policy – contractual clauses Regular communication on non-compliance in supplies – opportunity for improvement Electronic platform	High standards in social, human rights and environmental requirements Eco-friendly Procurement Policy – compliance with objectives Participation in the development of new products/services and improvement of existing ones Invitation of suppliers to meetings for presentation of products/services provided Implementation of an electronic platform
Media	Access to reliable and relevant information Communication to the market	Media Advisory (direct contact with media) Press releases Press conferences Presence in the social networks Media reports	Disclosure of information on services, projects, results and other aspects of corporate life
Community	Compliance with Public Service obligations Proximity/presence on the ground Stimulation of the local economy Capacity of communication/dialogue with local partners Accessibility to services Good corporate citizenship, in social and environmental terms	Direct/personalized information CTT website Presence in local and national press and social networks Direct contact with the postman and customer service personnel Raising awareness of sustainability issues with 15 philatelic issues and book publishing, among other items. Topics: culture, history, national and international events, environment (circulation exceeding 5.2 million)	Support to social inclusion: - 95% of accessibility to post offices by people with reduced mobility - collection of donations through Payshop agents - 6 corporate volunteering actions until the beginning of the pandemic (March) - Renovation of CTT post office facilities - Continuity volunteering Environmental program – reduction of energy consumption and emissions

Memberships and significant participation

G16

In the context of the company's sustainability strategy, CTT is a member and develops joint activities with BCSD Portugal (Business Council for Sustainable Development), APQ (Portuguese Association for Quality) and APCE (Portuguese Association of Company Communication).

CTT is also a member of APDC (Portuguese Association for the Development of Communication), APAN (Portuguese Advertisers Association), ICAP (Civil Advertising Self-Discipline Agency), COTEC (Business Association for Innovation), APEL (Portuguese Association of Publishers and Book Sellers), IPAI (Portuguese Internal Audit Institute) and IPCG (Portuguese Corporate Governance Institute), among others. This year CTT joined the Portuguese Franchising Association and the Portuguese Association of Digital Economy and took on the European Green Capital Commitment 2020-Climate Action Lisbon 2030, in partnership with the Municipality of Lisbon.

G15

As a founding member of the Universal Postal Union (UPU), CTT is present in several other affiliated organizations such as PostEurop (Association of European Public Postal Operators), UPAEP (Postal Union of the Americas, Spain and Portugal), Euromed (Postal Union of the Mediterranean) and AICEP (International Association for Portuguese Expression Communications).

CTT was elected in 2016 to represent Portugal at the Council of Postal Operations of UPU for four years. It is a member of IPC - International Post Corporation and this year, through its Chief Executive Officer, Professor João Bento, CTT joined the Board of Directors for a three-year term, representing the countries South of the Alps. At PostEurop, CTT holds the position of Vice-Chairman of the Environment work group and Chairman of the Innovation Forum.

2.6 Corporate Ethics

The "Code of Conduct of CTT and Subsidiaries" aims to reinforce the trust relationships between CTT Group and its stakeholders (shareholders, customers, depositors, investors, suppliers, business partners and society in general), as well as clarifying the rules of conduct to be observed with all employees in the relations that they establish, either internally or with external entities and also consolidate with them the experience and sharing of values and standards of conduct, reinforcing a common culture within the Group. G57 G56

Likewise, the "Code of Good Conduct for the Prevention and Combat of Harassment", does not allow any degree of tolerance in relation to conduct that qualifies as harassment at work, in any form, by employees towards colleagues, clients, partners or any people with whom they interact.

In line with the provisions of the Codes of Conduct ("CTT and Subsidiaries" and "CTT and Bank") and "Code of Good Conduct for the Prevention and Combat of Harassment", this year 482 and 837 workers, respectively, successfully concluded training actions, in an e-learning format. Training on the prevention of money laundering and the financing of terrorism, reached 346 workers directly involved in the sale of financial products. G56 G57 SO4 G58

The Ethics Committee is responsible for monitoring and supervising the application of the "Code of Conduct of CTT and Subsidiaries" and the "Code of Good Conduct for the Prevention and Combat of Harassment", with specific channels for communicating irregularities (whistleblowing) related to situations of non-compliance with the rules of conduct, as well as defined procedures for their processing. The Audit & Quality Department is the responsible for the technical support regarding its implementation and for assuring the confidential handling of the received communications and upholding the principle of confidentiality and non-retaliation in relation to the persons reporting irregularities. G58

The Committee focused on monitoring the communications received from existing channels in terms of possible situations of violation of the Code of Conduct, as well as training indices related to those codes, in addition to monitoring the status of lawsuits in disciplinary and litigation areas related to the topic of harassment.

In 2020, the Ethics Committee received eight communications, which were analyzed and decided upon, to assess possible irregularities related to the non-compliance with the rules of conduct and to fight harassment, of which three were filed for not meeting the ethics/conduct rules, and the rest were analyzed by a competent department.

There is also the figure of CTT Group Customer Ombudsman whose mission is to defend and promote the legitimate rights and guarantees of customers, as well as to contribute to the strengthening of trust in the relationships between the Group and its customers. G57

CTT also has a system for the communication of irregularities related to matters of fraud or corruption, banking and financial crime, money laundering and terrorist financing, insider trading and other matters that are identified in the Regulation on Procedures for Communication of Irregularities (Whistleblowing Regulation), the Audit Committee being the competent body to receive such communications, with the collaboration of the Audit & Quality Department. Under the Whistleblowing Regulation no cases were received for handling.

Preventive procedures are in place regarding money laundering and terrorist financing, covering financial products provided on CTT's account, as well as those sold on behalf of entities with which CTT has partnership agreements. In general terms, these procedures are in alignment with current legislation and regulations, guaranteeing the fulfilment of the various duties set forth therein, with the approval of a policy in this matter that extends to the CTT Group, as well as a set of documents that are part of the control duty, including the model of risk management, procedures and controls within the scope of identifying customers and counterparts, monitoring customers and transactions, analyzing and reporting suspicious transactions and applying sanctions and restrictive measures. SO4

In 2020, 58 communications were reported to the competent authorities (Central Department of Investigation and Criminal Action of the Attorney General's Office and the Judicial Police Financial Information Unit) involving financial operations amounting to approximately 3.2 million euros.

CTT has procedures in place for the identification of active and passive authors of situations of bribery and corruption with a view to their legal and penal framework, where denunciations and complaints are investigated and procedures and practices that provide or configure irregular and corrupt behaviors are analyzed. SO5

In this context, it is worth noting the existence of a specific channel for receiving communication of irregularities related to accounting matters, internal accounting controls, risk controls, insider dealing, fraud or corruption, banking and financial crime, and money laundering and terrorist financing, with defined procedures for receiving, retaining and handling such communications.

Mention should also be made of the inclusion in the "CTT and Subsidiaries' Code of Conduct" of the Standard of Individual Conduct alluding to the "prohibition of corrupt and bribery practices and external influences", in which the prohibition of the practice of corruption is stated in all its active and passive forms, either through acts and omissions, or through the creation and keeping of favor or irregular situations.

As a result of the audit and inspection actions, 133 post offices, 74 postal agencies and 76 postal delivery offices were audited, representing, respectively, 24%, 21% and 35% of the total number. In the development of investigative actions, there were 8 employment contracts of permanent and fixed-term employees that were terminated for illicit appropriation of assets/cash (5 cases), theft/tampering of postal items (2 cases) and abandonment of postal items (1 case). SO3 SO5

All the operations of Banco CTT are submitted to risk assessment. The customers and transactions made are analyzed according to the risk they might represent in terms of use of the Bank for purposes of money laundering or terrorist financing (which includes the crime of corruption). SO3

The relevant relations with financial and non-financial counterparts are also subject to a due diligence process which seeks to prevent the conduct of business with entities that show risks of money laundering or might represent reputational risks, due to being involved in financial crimes or associated to practices of corruption.

No cases of fraud or other offences were recorded. Banco CTT has an Anti-Money Laundering and Terrorist Financing Policy and a series of processes and procedures aimed at assuring compliance with the legal requirements and mitigating the risks of the Bank being used for these purposes. Every year, a team of external auditors assesses these processes and procedures and perform effectivity tests. No significant risks related to corruption were identified in the assessments made. **G47**

Compliance with ethical requirements

Pursuant to laws and regulations relative to products and services, CTT was fined the amount of €104,018. CTT was not the object of any lawsuits in the context of unfair competition and anti-trust conduct, application of significant fines or non-monetary penalties, derived from non-compliance with environmental or corporate laws and regulations. **PR9 SO7 EN29 SO8**

There were 172 occurrences/proceedings relative to non-compliance with labor laws and regulations, where 17 of the year under analysis were resolved in addition to 96 of previous years. There was a payment of fines in this area in the amount of €87,605. **LA16**

CTT assures the safeguarding of the company's responsibilities on legal matters and complies with the Code of Advertising and Marketing Communication Practice of the ICC (International Chamber of Commerce), being represented at and a member of ICAP (Civil Advertising Self-discipline Agency) and APAN (Portuguese Advertisers Association). CTT complies with codes/regulations, such as the Code of Conduct on Advertising Matters and the Code of Fair Practices on Environmental Advertising, among others. CTT abides by the self-discipline that the industry imposes upon itself, with the objective of quickly and efficiently ensuring respect for the rules in advertising communication. **G16**

The company's Code of Conduct is clear in relation to marketing and advertising practices, with compulsory disclosure of correct and accurate information on the marketed products and services, namely their technical characteristics, after-sales assistance, prices and payment terms.

ANACOM (National Authority on Communications) is responsible for the regulation and supervision of the postal sector. CTT's activity, as a provider of the universal postal service, is subject annually to two types of audits: **G35**

- Audit of the annual values of quality-of-service indicators and of CTT's complaints and information requests system, to verify the reliability of results and adequacy of methodologies for determining service quality levels, as well as the complaints management system and requests for information. Following the audits for the years 2016 and 2017, concluded in 2018, ANACOM defined adjustments in the scope of the measurement system for the quality-of-service indicators, implemented on 01.07.2019. Audits for the years 2018 and 2019 are ongoing.

- Audit of CTT's cost accounting system, to check the conformity of the system and the obtained results, as well as compliance with national and international rules, standards and good practices. On 14.09.2020 ANACOM declared the results of CTT's cost accounting system for the years 2016 and 2017 to be in conformity with the decision of ANACOM which determined the reformulation of those results imposing new criteria for the allocation of expenses between postal activity and the company's banking activity. The results of the audit process on the results for the year 2018 are awaited.

2.7 Risk Management

| G47

2.7.1 Description of the risk management process

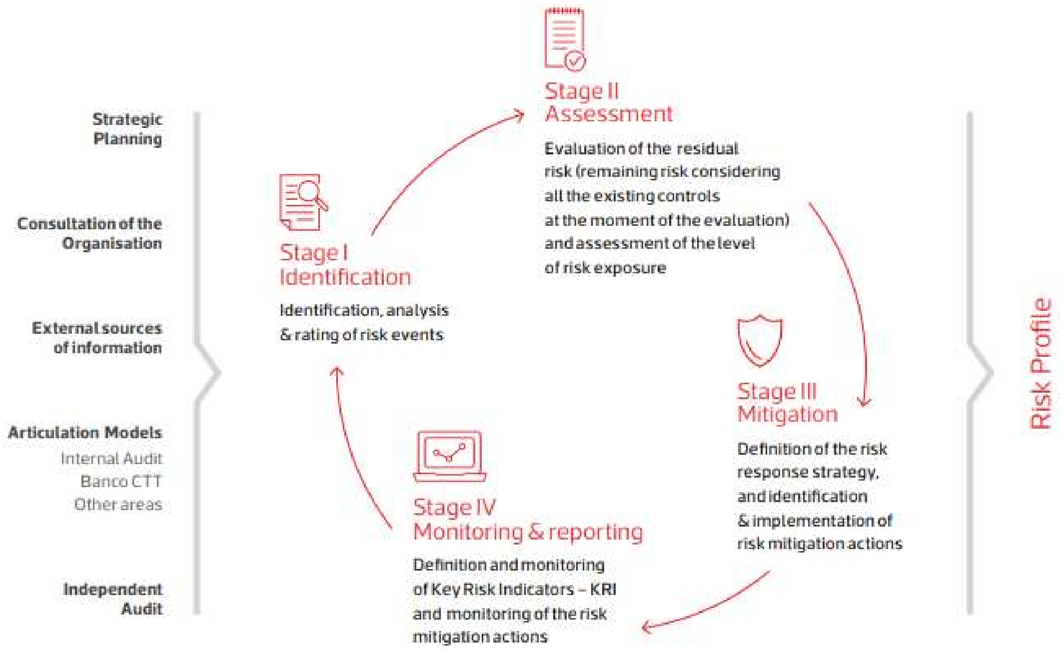
The risks arising from the activity of CTT and its subsidiaries are managed pursuant to the manner described in the **Regulations of the Risk Management System** approved by the Board of Directors. This document, in addition to establishing guiding standards, principles and procedures for Risk Management, defines duties, responsibilities and governance model, ensuring the implementation of a framework supporting the decision-making process, taking into consideration the risks to which CTT is exposed.

Under the banking activity, Banco CTT has an independent risk management system, based on a set of concepts, principles, rules and on an organizational model applicable and adjusted to the specificities and to the regulatory framework of its activity. However, a model has been established for articulation between the areas responsible for the Risk Management of CTT and Banco CTT, to ensure an alignment relative to the main interdependent risks.

The **Risk Profile** is viewed as the main output of the process, reflecting the vision of a given moment on events that, should they occur, could adversely affect the achievement of the strategic objectives, compromising CTT's sustainability. The review and continuous updating of the Risk Profile is, therefore, fundamental, and is based on a dynamic process consisting of four sequential and interrelated phases, fed by a series of inputs, as illustrated in the figure below:

Risk management

Integrated Risk Management System



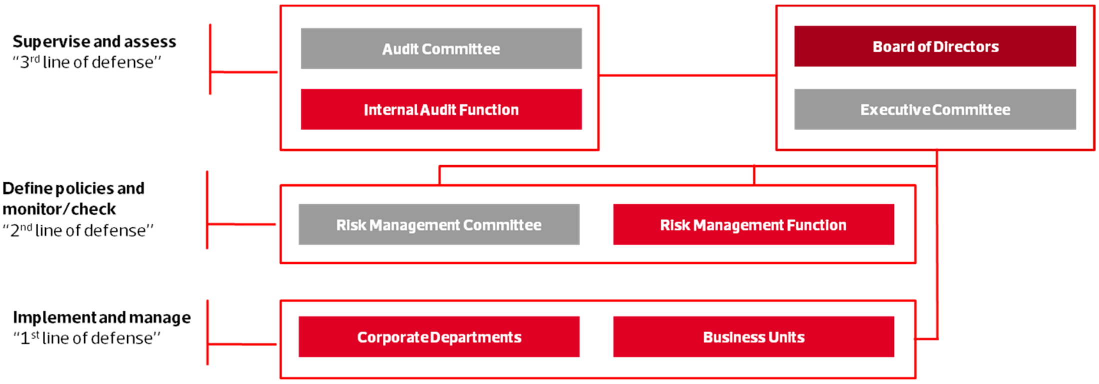
The risks identified during Stage I are assessed in Stage II according to qualitative and quantitative criteria in terms of probability of occurrence, impact and speed of materialization of the effect, pursuant to the guidelines established in the Regulations of the Risk Management System.

The **level of exposure to risk** arises from the combination of its probability and impact. During Stage III, if the level of exposure to a particular risk is higher than the stipulated appetite, corrective or mitigating actions are defined and implemented, aimed at reducing the exposure, by lowering the probability and/or impact. The **risk appetite** thus translates into the maximum level of exposure that CTT consciously assumes and is willing to accept in pursuing its strategy considering its business principles, policies and procedures as well as the fact that they operate in tightly regulated markets. The risk appetite is reviewed annually and is defined by risk typology, according to the approved taxonomy. SO3

The evolution of CTT's main risks (those with higher level of exposure) is monitored in Stage IV through **Key Risk Indicators (KRI)**. The KRI operate as a barometer of CTT's current level of exposure to risks, warning, in due time, of possible changes of the probability of occurrence and/or impact of the risk event. Each KRI has a defined **objective** and **tolerance level**. Surpassing this tolerance level could mean that CTT will incur in financial losses that are higher than expected (value-at-risk), thus requiring the adoption of immediate response measures. In some cases, to maximize the effectiveness of the KRI, action plans are defined *a priori* with specific mitigation measures whose implementation is conditioned to the surpassing of the defined tolerance levels for the KRI. G45 G46

Governance Model

At CTT, risk management and control are undertaken by the entire organizational structure, involving top management down to the more operational levels, through a model of "3 lines of defense" based on good practices of Audit and Internal Control: G45



G46 G47

The **Board of Directors** approves CTT's main risk policies and guidelines, defining its profile and objectives on risk-taking matters and creating systems for their control. It carries out the annual assessment of the effectiveness of the Risk Management system, with a view to ensuring that the risks incurred are consistent with the defined objectives.

The **Audit Committee** supervises and appraises the Risk Management policies and system and may propose measures to the Executive Committee aimed at improving their functioning. It also monitors and appraises the profile and objectives on matters of risk-taking, the levels of exposure to risk and the mitigation measures in this context. G45

The **Executive Committee** approves CTT's risk profile and levels of exposure to risk, as well as the models, processes and procedures for risk management, in addition to the proposed mitigation initiatives, ensuring their implementation and considering the terms and objectives defined and approved by the Board of Directors.

The **Risk Management Committee** supports the Executive Committee in the process of preparation and approval of Risk Management strategies and policies, monitoring their implementation.

The **Finance and Risk Function,** included the Finance & Risk department (see note below) and directly dependent on the Executive Committee (hierarchically reporting to the Chief Financial Officer ("CFO")), is responsible for the centralized coordination of the CTT Risk Management System and the planning and implementation of risk management programs supported by the Company's Regulations of the Risk Management System.

The **Audit & Quality Function,** performed by the Audit division included in the Audit & Quality department, assesses the quality and efficacy of the Risk Management system, and identifies and characterizes risk events under the audit activities carried out.

All the remaining **Corporate Departments** and **Business Units** put in place the approved Risk Management policies and procedures and propose mitigation actions for the main risks identified.

Note: The risk management function is ensured by the Risk Management division. During 2020, this area was integrated in the Finance & Risk department. In 2021, the Risk Management division was integrated in the Audit & Quality department and reports hierarchically to the Chief Executive Officer. This organizational change allows for greater methodological alignment, as well as to leverage synergies between the risk management and internal audit functions.

2.7.2 Identification of risks (risk matrix) and CTT response

| G2

CTT's activity in 2020 was strongly conditioned by the COVID-19 pandemic, namely by the restriction measures imposed on most sectors of the economy - closure of trade and services, industry and retraction of consumption in some sectors due to lockdown. Despite always being part of CTT's risk profile, the risk of epidemics gained a visibility and relevance that it did not have until this year.

Given its importance, we highlight in the following table the evolution over the year of the main risks faced by CTT. For each risk, its rationale is presented, its applicable classification, the business segments affected, a brief description of the mitigation strategies implemented and the trend of exposure in relation to the previous year: | G14

Business affected	Trend	Risk rationale	Evolution and mitigation
		Epidemics **Category:** External **Sub-Category:** Disasters Researchers have long warned of the possibility that pandemic outbreaks could occur with increasing frequency. There are several causes identified, namely deforestation, climate change, consumption of wild animals or population growth. In an increasingly globalized world, a new virus can cross oceans in a few hours and, exploiting the lack of effective medical therapies, be able to multiply on a planetary scale. Phenomena of this nature can cause high economic and social damage while inducing the emergence of new risks and increasing exposure to existing risks.	On 11 March, more than three months after the first cases of infection with a new coronavirus (SARS-CoV-2) were detected in China, the World Health Organization declared COVID-19 as a pandemic. Given the gravity and magnitude of the facts and to comply with the instructions and recommendations of the public health authority, CTT immediately took a series of necessary and appropriate measures to protect employees and customers. A Crisis Management Committee was created, chaired by the CEO, which has coordinated the implementation of all initiatives aimed at both the safety of people and business continuity.
		Iberian CEP ***(Courier, Express & Parcels)*** **challenge** **Category:** Strategic **Sub-Category:** Competitiveness CTT's strategy for the Express & Parcels business aims to develop and consolidate its position as a strong and benchmark Iberian operator, reinforcing its position as leader in the national market and increasing scale in Spain. If CTT fails to consolidate its position in the CEP Iberian business, and this being a fundamental growth lever to respond to the decline of the traditional postal business, the effects on its results will be quite adverse.	The outbreak of the COVID-19 pandemic and the consequent lockdowns had the initial effect of a significant drop in B2B volumes in both countries. However, this drop was offset throughout the year by a strong growth in B2C activity resulting from e-commerce, which led to a substantial increase in Express & Parcels revenue of around 27% compared to the previous year. In this context, and to continuously seek efficiency, work continued on the implementation of an Iberian Express & Parcels platform, namely the investment in new logistical infrastructures, the increase in processing capacity and dynamic routing and the launch of the new D+1 cross-border offer. Finally, seeking to improve the value proposition, the portfolio of products/services was expanded in Portugal (e.g., same-day, night and Saturday deliveries) while in Spain we tried to align installed capacity to the needs of customers.

| EC7 G4

Business affected	Trend	Risk rationale	Evolution and mitigation	
	↑	**Business continuity** **Category:** Operational **Sub-Category:** Operational efficiency The occurrence of certain adverse events that are unpredictable and inevitable, beyond CTT's will and control, could affect computer systems, facilities and people, and ultimately lead to stoppage of postal operations. The lack of a prompt and coordinated response could prolong the stoppage time, causing considerable financial losses in addition to irreparable damage to the Company's reputation and image.	In view of the declaration of a state of emergency, CTT activated its contingency plans for the operational areas, the retail network and the central services managing to ensure the continuity of all activity with the least possible disturbance, considering the very adverse circumstances. Contingency plans were adjusted according to the evolution of the pandemic, ensuring alignment with the guidelines issued by the General Health Directorate.	G26 G27
	↑	**Public image** **Category:** Strategic **Sub-Category:** Brand/Reputation CTT's image and reputation and the confidence and trust of the customers, investors and other stakeholders in the brand are key factors for success. For this reason, the occurrence of events triggering negative media pressure on CTT's image could give rise to materially adverse effects on the Company's business and results.	Pressed by the pandemic context, but aware of the critical role it plays in maintaining vital communication and logistics chains for the Portuguese economy and society, CTT has always maintained its activity throughout the year, adopting a set of preventive measures with a view to the protection and safety of its employees and customers. In addition, CTT joined the #FiqueEmCasa movement, implementing several initiatives with the objective of facilitating customer access to the services provided and thus reinforcing its image of proximity to the population (e.g., online CTT shops, fairs and digital showrooms, CTT local commerce app, 24-hour lockers, partnership with National Association of Pharmacies, partnership with Uber, etc.).	G26 G2
	↑	**Cybersecurity** **Category:** Operational **Sub-Category:** IT Cybercrime is one of the most serious economic and national security challenges facing governments around the world. In view of the increasingly stronger dependence on information technologies in CTT's business lines, the security and protection of information is, therefore, a very critical issue. In addition to behavioral failures, whether deliberate or not, on the part of employees or third parties, the growth in volume and sophistication of cyber-attacks in a pandemic context is of particular concern today. If a target of this type of crime, CTT may have to face disruptions in activity, unforeseen costs, loss of sensitive data, application of sanctions and/or high reputational damage.	The lockdown measures enacted during the pandemic forced the implementation of a teleworking regime in all services where this was possible. With more than 2 thousand employees remotely accessing CTT's internal network from home, the level of exposure has increased considerably to risk, so there was a need to strengthen technological security controls and invest in training on good teleworking and cybercrime awareness practices. At the same time, CTT continued to invest in its information security solutions, reinforcing the standard of robustness and quality and implementing control procedures and tools for the identification of vulnerabilities and threats.	G14 EC8
	↓	**Work accidents** **Category:** Operational **Sub-Category:** Human Resources CTT's business is labor-intensive and requires a large number of employees, especially in the operational areas. Despite the ongoing effort to prevent accidents at work on the road or other causes, the occurrence of accidents at work is a latent problem and constitutes a significant risk in such a vast universe of employees.	In 2020 there was a very significant reduction in occupational accidents due to the implementation of reduced and alternate schedules and the decrease in road traffic resulting from lockdown measures during the COVID-19 pandemic. Within the scope of its Occupational Health and Safety Policy, CTT undertakes the commitment to ensure its employees' safety conditions in all aspects of their work, with a view to preventing injuries and health issues. In this sense, the awareness-raising actions on occupational safety, accident prevention and ergonomics, in postal delivery offices and post offices.	EC7 G27 G26

Business affected	Trend	Risk rationale	Evolution and mitigation	
		E-substitution **Category:** External **Sub-Category:** Macro-trends The intensification of the phenomenon of digitalization and replacement of physical mail by other forms of digital communication have led to a continuous decline of postal volumes. In the last decade, the postal market has lost more than 50% of addressed mail volumes, with a substantial increase in the speed of the decline in recent years. This reality, in addition to putting pressure on CTT's operating income still very dependent on the Mail business, will compel, in a sustainability logic, to rethink current distribution models to adapt them to drastically smaller volumes.	The impact of measures to combat the pandemic on the economy and society has accelerated an expected shift from physical to digital communication, reducing demand in postal services and accelerating the decline in the volume of letter mail. These changes affected CTT's postal activity reflecting a 16% decrease (compared to the previous year) in the volume of addressed mail. Although it is too early to assess it, the changes generated by the pandemic in the consumption habits of citizens and companies worldwide are expected to be definitive, so it is legitimate to believe that part of the lost postal volumes in this context may not be recovered. To respond to this systematic drop in addressed mail volumes, CTT continues to invest in business diversification, while developing new efficiency initiatives to adjust the fixed cost structure to medium-term needs, while maintaining high operational efficiency standards.	EC7
		Regulatory changes **Category:** External **Sub-Category:** Political As the Universal Postal Service provider, CTT operates in an intensely regulated environment, and is subject to a significant number of legal and regulatory requirements relative to the pricing regime, parameters of provision of the Universal Postal Service and service quality. The alteration of these requirements, their application or interpretation could lead to a significant increase in the costs associated to their compliance and consequent adverse effect on CTT's results. Also, in the context of the configuration of the execution aspects of the future universal postal service concession agreement, the escalation of the level of demand and complexity of the conditions and obligations that universal postal service may be defined and presented cannot be ruled out, which, in a scenario in which CTT continues with the mission of providing the public service, will represent an increased risk.	CTT is governed by the practice of active regulatory management and enhancing the sustainability of the universal postal service. Regulatory certainty and predictability are, for this reason, essential conditions for the provision of a public service with high levels of quality and proximity to the population. Despite CTT's efforts, it was not possible for the transition to a new universal postal service concession agreement to occur in due time, with the Government extending the current contract until 31 December 2021, without immediately changing the current terms and conditions of service provision. CTT thus ensures the continuity of the provision of the public mail service and other concessionary services at a particularly difficult time when it is considered crucial to maintain services to the population and the integrity of the logistics chains, without prejudice to the initiatives deemed appropriate, including in the extension period, considering the need for a sustainable and balanced concession agreement.	G27
		Extreme climate phenomena **Category:** External **Sub-Category:** Disasters The increased frequency and severity of extreme phenomena associated with climate change, such as droughts, floods, cold or heat waves, have become a major concern for companies at a worldwide scale. The risk to CTT arises from the potentially devastating effects caused by the occurrence of this type of phenomena and the economic losses derived thereof.	The damages (human and material) to buildings and the fleet caused by extreme weather conditions are covered by insurance. In case these phenomena occur, CTT has established communication channels with the authorities, namely the Civil Protection, aimed at ensuring the protection of the facilities and its employees.	G26 EC2

Business affected	Trend	Risk rationale	Evolution and mitigation
		Environmental damage **Category:** Strategic **Sub-Category:** Brand/Reputation CTT's activity implies direct and indirect environmental impacts, namely the depletion of energy resources of fossil origin, the emission of atmospheric pollutants, in particular greenhouse gas emissions, the consumption of natural resources (e.g., paper and water), potential soil contamination and effluents due to waste produced by CTT as well as noise emission. Risks arise from reputation damage due to a perception of CTT as an environmentally unfriendly company.	To minimize its carbon footprint, CTT has implemented certified environmental management programs and systems. Energy and carbon efficiency are ensured through measures to rationalize electricity, the acquisition of green energy and the promotion of ecological and/or carbon neutral products and services. Sustainable mobility is also promoted by CTT through the management and streamlining of fleet consumption, the expansion of the electric fleet and the search for smooth mobility solutions. Supplemented by training actions, these initiatives strengthen the Company's engagement with its employees and stakeholders.

EC2
SO2
EN30

Emerging Topics

There are some emerging risk trends (mostly resulting from the pandemic) that, despite not being, for the moment, an immediate threat to CTT, may come to assume, in the medium term, a very relevant position in the risk profile, reason for which they will receive special monitoring during 2021. Among these emerging topics, we highlight the following: G2

Social instability

The costs of the measures taken to mitigate the effects of the pandemic, namely lockdowns, were enormous. Analysts anticipate a deep recession, with rising unemployment rates and public debt. The pandemic is also expected to further widen the wealth gap, as the low-skilled labor force disproportionately bears the brunt of economic volatility. This increase in inequality may lead to the emergence of social tensions and conflicts.

Geopolitical uncertainty

In recent years, several countries have taken measures widely considered as nationalist: protectionist trade policies in global trade, barriers to immigration or even the active weakening of international organizations designed to promote multilateral cooperation. The pandemic has brought to the table some questions regarding the risks of Western industry's dependence on Chinese manufacturing and technology. Governments will tend to become more protective of certain industries because of their strategic importance to the economy, introducing greater restrictions and barriers to foreign investment.

Mental health

According to UN warnings, the pandemic could cause a serious global mental health crisis. In addition to the trauma caused by illness and death, social isolation and economic uncertainty are, in themselves, factors that trigger an increase in cases of anxiety and depression. In this scenario, if the mental health support systems are unable to respond effectively to an expected demand that is likely to increase, an increase in absenteeism levels, a fall in productivity and, if this situation persists over time, high socio-economic impacts can be expected.

Climate change

Although it has lost some media attention, there is growing consensus around the threat posed by climate change and its economic and geopolitical consequences. The pandemic and the lockdown measures had the side effect of increasing awareness of the impact of individual behavior on the planet, leading to a gradual adjustment in consumption habits. The transition to a green and low-carbon economy is increasingly certain in the post-pandemic environment and will entail profound legal, regulatory, judicial, technological and market changes that companies will have to adapt to.

03

CTT Business Units

Committed to Deliver

3. CTT BUSINESS UNITS

3.1 Mail

The pandemic accelerated the downward trend in mail volumes as a result of the acceleration of digitalization.

In 4Q20, **mail revenues** reached €114.2m, €7.0m lower (-5.8%) than those of the same period of 2019, with a significant recovery in transactional mail (-7.5%, which compares with -22.1% in 2Q20 and -9.5% in 3Q20), as a consequence of a considerable improvement in registered mail and international outbound mail (mail categories with a higher price per item), addressed advertising mail and philately versus 3Q20. In the full year, revenues reached €422.9m, €48.4m below (-10.3%) those recorded in 2019, mainly due to the decline in the revenues of transactional mail (-€47.5m; -11.7%) and advertising mail (-€4.6m; -19.9%), mitigated by the revenue growth in business solutions (+€5.6m; +54.8%). It should be noted that, excluding the effect of volumes related to the elections of September 2019, the revenues decrease for the year would have been €43.0m (-9.2%). | EC1

Mail volumes | G4

Million items

	4Q19	4Q20	Δ	2019	2020	Δ
Transactional mail	130.1	110.4	-15.1%	536.0	447.2	-16.6%
Advertising mail	12.6	11.3	-10.9%	48.2	39.7	-17.6%
Editorial mail	9.3	7.9	-15.3%	34.8	30.0	-13.7%
Addressed mail	**152.1**	**129.6**	**-14.8%**	**619.0**	**516.9**	**-16.5%**
Unaddressed mail	**144.9**	**107.0**	**-26.1%**	**521.4**	**412.3**	**-20.9%**

In 2020, **transactional mail** volumes decreased by 16.6%, due to reductions in all products, except for **green mail** (+40.9%) which continued to grow throughout the year mostly as a result of product substitution (after discontinuation of the registered mail and priority mail prepaid product lines). The decline of **ordinary domestic mail** reached 15.8%, mainly in contractual clients of the banking and insurance, telecommunications, utilities, and Government segments. **Registered mail** volumes declined by 13.8%, especially in the B2B segment in the 1st half of 2020.

The pandemic has also negatively impacted **international mail** volumes. The yearly decline in international **outbound** mail was 28.1%; excluding the effect of the volumes of the legislative elections of September 2019, that decrease would be 23.0%. International **inbound** mail posted an annual decrease of 20.7% due to the constraints in air cargo transportation.

The **advertising mail** business has been significantly affected, as the pandemic crisis led to reduced utilization of this type of mail, in some cases with full suspension of mailing campaigns. In terms of **addressed** advertising mail volumes there was some pick-up in 4Q20 vis-à-vis the decline recorded in 9M20 (-10.9% vs. -20.0%). In the full year, **unaddressed** advertising mail volumes posted a decrease of 20.9%.

The **business solutions** segment recorded revenues of €15.9m in 2020 (+54.8%). This growth was the result of the investment in products and services through new partnerships, the optimization of the existing offer and the intense commercial drive.

The average price change of the Universal Service[45] in 2020 versus the previous year was 1.76%. After the effect of applying the consumer compensation mechanism[46], the average year-on-year price variation was 1.42%.

Accessibility

As the Universal Postal Service provider, CTT's activity is of an intrinsically social nature. By definition, all residents in Portugal are potential customers, whether active or passive (receivers of letter mail). G8

With close to 68k customers/day at CTT post offices and a daily average of one postal item delivered per household, accessibility is one of its distinctive features. The company provides the largest contact network at a national level, operating as a structuring and determinant element for social cohesion within the country. EC8

At the end of the year, network of contact with the public consisted of 2,366 operational access points, comprising 562 CTT post offices and 1,804 postal agencies (with 18 postal agencies being temporarily closed, due to the COVID-19 pandemic situation), as well as 4,648 postman delivery rounds, ensuring the availability and accessibility of the counter and delivery service, embodying a convenient and multi-service platform. SO1

Supplementing this, the network also had 1,539 points of sale of stamps, 83 automatic stamp vending machines and 14 automatic vending machines of mail products. The network of letter boxes and mailboxes was composed of 10,732 items of equipment, located at 9,615 geographic points at a national level. Apart from these, there are also 5,133 Payshop agents.

The dimensioning of the postal network is determined by two critical factors: the capacity to generate business and the obligations to provide the aforesaid universal public service. This universal service implies that CTT is an operator committed to providing service throughout the entire country, in a permanent form, in the most far-flung and hidden corners, without exceptions and at the same price. SO2

This reality generates conflicting goals between the maintenance of the company's economic sustainability and its action of social responsibility towards the surrounding community, with the inherent costs. In this context and when necessary, CTT has established solutions with local partners, preferably Parish Councils, in this way keeping the relations of proximity and trust that CTT has upheld with the customers and population, while assuring the quality of service.

Any alteration and impact on the community of possible changes in the operating model are analyzed internally, based on information collected onsite by internal and external agents, so as to assure the satisfaction of the population. In that regard, 23 new post offices were inaugurated in 2020. SO10

As established in the Concession Agreement, for 2018/2020 the objectives were defined for postal network density considering factors such as the distance to be travelled by customers in order to reach the closest access point, according to the urban or rural nature of the geographic areas, as well as the citizens' accessibility to the various mail services and the opening hours when they can use them. Full compliance with the objectives defined reinforces the Company's intention to maintain a network offering proximity and convenience to its customers and the population in general.

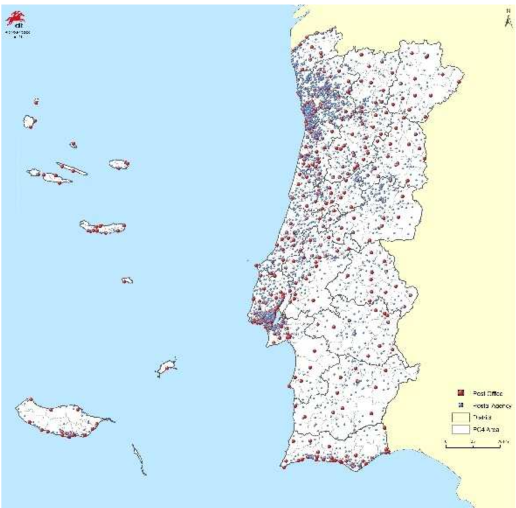
In European terms and based on the available data, CTT continues to show a good level of penetration of the postal services, with a postal coverage above the EU average.

[45] Including letter mail, editorial mail and parcels of the Universal Postal Service, excluding international inbound mail.
[46] Reduction of some prices of the basket of non-reserved services during the month of November, corresponding to -0.5 p.p. of the average price increase allowed for this basket of services, and 0.31% deduction to the special prices of domestic ordinary mail during the months of November and December.

Density and postal coverage G8

	Inhabitants per postal establishment					Km² per postal establishment				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
EU average	4,605	5,167	4,989	5,030	n.a.	40	45	43	43	n.a.
Portugal	4,413	4,350	4,314	4,346	4,352	39	39	39	39	39

Source: UPU.
Note: Considering fixed postal establishments.



Retail network of post offices and postal agencies

Network of postal delivery offices

In terms of accessibility by disabled people, the company continued to pursue modernization and renovation work. The types of accesses which have been constructed include interior or exterior access ramps, lift platforms, removable ramps, ramping in public areas close to the entrance of the post office, alteration of façades with door opening with side elevation, or others. Thus, around 95% of the total post offices currently show improved conditions of accessibility. EC7

Eco portfolio

CTT has progressively experienced the continued interest of its customers in using environmentally friendly mail products which are very often also an element of communication, in view of the customers' sensitivity to these arguments, thus contributing to improve the company's image among the public. Since its launch in 2010, total sales of the range of CTT eco products represent a revenue of approximately 110 million euros, to a large extent driven by the visibility of their environmental and carbon attributes. EN7

Green mail is a 100% ecological offer, which focuses on the environmental component and guarantees the carbon neutrality of its products, at no additional costs for customers. In 2020, there was an increase of both revenues and volumes, with close to 8.1 million items having been sold, corresponding to a 38% increase year-on-year. On average, 50.5 grams of CO_2 are emitted for each green mail item delivered by CTT. EN27 EN19

During the Christmas season of 2020, CTT joined the NOS Christmas campaign, strengthening the commitment to keep Portuguese people and families connected, through green mail. Thousands of green mail large envelopes transported the Little Bear Present, ensuring that the surprise arrived in time for Christmas, reinforcing CTT's mission to connect people, during such atypical times as those currently being experienced with the COVID-19 pandemic. The proceeds of the sale of the Little Bear Present were entirely donated to the "Coração Amarelo" (Yellow Heart) Association.

The range of eco direct marketing services provides a distinctive symbol for the campaigns which stand out positively due to their environmental performance, through compliance with various ecological criteria. This measure sought to project the use of the channel of mail with ecological merit, through the use of ecological raw materials, responsible production processes and appropriate management of the end-of-life cycle. In 2020, the eco range maintained its relative weight (46%) in the domestic volume of Direct Mail, involving around 18.1 million items.

CTT once again put to public vote the selection of the projects for offsetting of green mail through the CTT website (www.ctt.pt). The winners were the national project of "Conservation of Woods", which fosters the planting of native species, original trees and bushes of the Portuguese flora, and the international project that promotes the use of renewable biomass, through a factory that produces bricks and other construction materials in the northeast of Brazil. This initiative fulfils the expectations of our stakeholders and allows them to participate actively in the decision-making process. G26 G27

Philately

In 2020, **philately** revenues amounted to €5.6m, a decrease of 17.4% compared to 2019 (-€1.2m), due to the effects of the pandemic, as some philatelic events did not take place and the performance of the sales outlets was also affected. The 4Q20 posted a slight recovery compared to the 9M20 (-12.6% vs. -19.4%),

CTT launched the issue "A Time for Hope" within the commemorations of the 500 years of the Postal Service. This is the first commemorative souvenir sheet in the world to ever be produced with a graphene insert that contains an information circuit featuring a poem by Miguel Torga, "Contagion".

For the 12th time, CTT was honored with one of the oldest and most prestigious awards for philatelic design in the world. The souvenir sheet of the "Christmas" stamp issue, notable for being the first in the world with a LED light, won the Asiago 2019 award.

Since 1962, the philately of CTT has been granted 65 international awards for philatelic design and editions, which makes it one of the most awarded in the world.

G4

Commemorative philatelic issues of 2020	
• Figures from History and Culture • Ludwig Van Beethoven's 250th Anniversary • Archbishops of Braga (3rd group) • 75 Years of TAP Air Portugal • 300 Years of the Foundation of the Royal Academy of History • 800 Years of the General Inquiries of King D. Afonso II • Madeira Photography Museum (Madeira issue) • 100th Anniversary of Amália Rodrigues' Birth • Justice League • 150 Years of the Submarine Cable in Portugal • 40 Years of the Motor Guarantee Fund • Thank you, Portuguese population • 500 Years of the Portuguese Postal Service (5th group) • 100 Years of Aeronautics at Granja do Marquês • 50 Years of the Cape Verdean Association • 175 Years of the Creation of the Escola Naval • 200th Anniversary of Florence Nightingale's Birth • A Time for Hope	***National and International Events***

Commemorative philatelic issues of 2020	
• Portuguese Autochthonous Breeds (3rd group) • 500 Years of the Navigation of the Strait of Magellan • Centenary Museums of Portugal (2nd group) • 30 Years of AICEP / World Portuguese Language Day - UNESCO • Festivals and Pilgrimages – Places of Faith • EuroMed 2020 – Traditional Gastronomy in the Mediterranean • Festivities of the Divine Holy Spirit (Azores issue) • Europa Issue – Ancient Postal Routes • Prehistoric Route (2nd group) • 75 Years of the United Nations and the 2020 Initiative • International Year of Plant Health – UNESCO	***Environment and Sustainability***
• Numismatics Self-adhesive stamps (1st group) • Madeira Booklet • Azores Booklet	***Self-adhesive***

Definitive stamps series
• Portuguese Numismatics – 1st group

Book editions 2020
• Centenary Museums of Portugal - Volume II • Festivals and Pilgrimages – Places of Faith • 500 Years of the Portuguese Postal Service • Portugal in Stamps 2020 • My Stamp Album 2020

More information on the plan of philatelic issues of CTT at:
https://www.ctt.pt/particulares/filatelia/plano-emissoes/

3.2 Express & Parcels

EC1
G4

The **Express & Parcels revenues** amounted to €193.0m in 2020, €40.6m more (+26.6%) than in 2019. In 4Q20, revenues reached a record amount of €61.5m, corresponding to a growth of €19.1m compared to 4Q19 (+45.2%).

Revenues in Portugal stood at €118.0m in 2020, up 20.2% compared to 2019. In 4Q20 revenues of €36.8m were recorded (+33.1% vs. 4Q19).

The business performance in Portugal in 2020 resulted mostly from the growth of the **CEP** (Courier, Express and Parcels) business, which recorded revenues of €96.5m (+28.6%) with an increasing acceleration in performance, thus at the end of 4Q20 revenues were €31.3m (+41.7%). In the full year 2020, the **banking** documents delivery business revenues amounted to €6.6m (-1.4%), while those of the **cargo** business amounted to €11.4m (-8.2%) and those of the **logistics** business €2.4m (-23.5%).

In 2020, the restrictions imposed on most sectors of the economy due to the COVID-19 pandemic substantially impacted the items' profile, with a reduction in B2B volumes in 1H20 and a strong growth in e-commerce activity (B2C). This, together with great commercial focus and the repositioning of CTT, resulted in solid volume growth. In 2H20, a recovery in the B2B segment was observed, as well as continued growth of e-commerce activity. In Cargo, some pressure was maintained on the industrial and automotive sector, with a relevant impact on this business line, and in Logistics, the expected loss of a relevant customer was not compensated by new businesses.

In 2020, **CEP** volumes in Portugal totaled 25.9 million items, 35.7% more than in 2019. Contributing to this record-level activity was the strong boost of e-commerce, with very relevant growth in the sectors of food, sports and leisure, education and culture, and consumer electronics. In 4Q20, CEP volumes reached 8 million items, 38.4% above those of 4Q19, with a new historical daily high of 270k items.

The **Dott marketplace**[47], launched in May 2019 in partnership with Sonae, had, at the end of December 2020, 1,394 registered vendors on the platform (an increase of 160 in 4Q20) and more than 3 million products available for purchase. At the end of December 2020, circa 200k users were registered (+15% vs. September 2020), evidencing the healthy growth and the acceleration of digitalization and e-commerce during the lockdown period.

Revenues in Spain stood at €72.3m in 2020, 39.6% above those of 2019. In 4Q20, revenues reached €24.1m, corresponding to an additional €10.1m (+72.7%) versus 4Q19, as a result of the capture of new customers in 3Q20 and of e-commerce growth.

Volumes in Spain totaled 24.9 million items in 2020, a 57.7% growth versus 2019. This evolution translates the strong commercial focus on the capture of key B2C accounts and is a consequence of the COVID-19 pandemic, which led to high volumes growth resulting from changes in consumption patterns that drove e-commerce purchases. In 4Q20, **CEP** volumes reached 8.2 million items, 95.0% above those of 4Q19, with over 200k items processed daily in peak days.

The Company proceeds with its strategy to position itself as a reference operator in the urgent delivery of parcels within the Iberian market. Twenty new sorting centers were opened, and the existing premises renovated, through a strong investment in automated sorting machines for its main centers in Madrid, Barcelona, Valencia and Murcia. Along with this investment in equipment, the Company acquired mobile devices and new software tools to optimize the day-to-day life of parcel carriers, their cargo loads and routes, and already has numerous vehicles operating with this equipment, which is already and will continue to contribute to improved productivity and quality of service, as well as to reduce delivery costs.

Revenues in Mozambique stood at €2.7m in 2020, 10.6% above those of 2019. The **CEP** and the **banking documents delivery** businesses positively contributed to this growth, the latter underpinned by the activity in the health area (collection of biological samples), which started in the 2nd half of 2019, as well as by the continued growth of the banking sector. The full year performance was penalized not only by the pandemic, but also by the continuation of military conflicts in the north and center of the country, which led to a contraction in economic activity.

Eco portfolio

In 2020, CTT fully neutralized the Express offer in Portugal. The emissions produced along the value chain, which were unavoidable, are fully offset by the support given to two projects with environmental (fight against climate change and conservation of biodiversity) and social (support to employment creation and improvement of the quality of life of local communities) benefits. The projects in question were selected by the public in 2019,

G26
EN7
EN19
EN27

[47] The Dott marketplace investment is accounted for by the equity method.

and include the national project of "Conservation of fluvial bodies", which seeks to preserve some of the most threatened freshwater fish species in our country, through actions of reproduction of these species to later return them to the natural environment and measures of conservation of their habitat, and the international project "Bandeira & Capelli" which promotes the use of renewable biomass for the production of bricks, roof tiles and structural ceramic products, sold on the local market by two ceramic factories located in the state of Alagoas, Brazil.

The Green Deliveries service was also launched this year, directed at business customers which enables all deliveries at the contracted locations to be made exclusively using electric vehicles. This service has aroused the interest of CTT customers and contributes to improve the quality of the air in cities, as the electric vehicles do not emit NO_x particles during their use. Special note should also be made of the associated carbon neutral impact, as CTT acquired 100% of the electricity from renewable sources.

3.3 Banco CTT

G4

In 2020, a year profoundly marked by the COVID-19 pandemic impact, **Banco CTT** reached consolidated net profit for the first time. This important profitability milestone confirms that Banco CTT is already a benchmark banking institution for Portuguese families, with more than 600k clients with open bank accounts, of which 56k opened during the last year, which have certainly contributed to obtain the award as leader of the National Customer Satisfaction Index (ECSI 2020 award).

Banco CTT revenues reached €82.1m in 2020, a growth of €19.2m (+30.5%) compared to the previous year, of which €12.9m originated in 321 Crédito, acquired in May 2019. Excluding this inorganic effect, revenues would have amounted to €48.2m, up €6.3m (+15.1%) vis-à-vis 2019.

The revenue growth was driven by the positive impact of €44.6m in **net interest income** in 2020, €15.3m (+52.3%) above the level of 2019. Excluding 321 Crédito, the net interest income would be €17.3m, up €4.5m (+35.6%) versus 2019.

EC7
EC8

Banco CTT gross **commissions** grew by €4.7m (+52.9%), mainly due to customer transactionality (+14.6%), mortgage loans (+64.4%), as well as accounts and debit cards (+607.0%), boosted by the introduction of debit card commissions from the beginning of April 2020.

Commissions received in 2020 regarding **consumer credit**, in partnership with BNP Paribas, decreased by 24.4% (-€0.6m) vis-à-vis 2019, due to the reduction in production volumes (-26.5%), in line with what was observed in the market in view of the economic impacts of the health crisis.

Placements of the **PPR** product, which no longer has a guaranteed capital, fell by 78.2% to €72.2m versus 2019, although there was a slight recovery in 4Q20. It should be noted that the PPR production compared to the previous year is influenced by the change in the risk profile of the product, which in itself has retracted demand, added to the effects of the lockdown period. In terms of commissions received, the product continues to grow, in this case by €1.2m (+102.0%) versus 2019. The PPR product volume reached €428.8m (off-balance sheet), up 20.3% versus 2019.

The **payments** business line recorded a year-on-year decrease of €3.0m (-14.7%) in commissions received, and total revenues of €17.2m. It has progressively recovered in 2020 and reached €4.5m in 4Q20 (-8.3% vs. 4Q19 which compares to -14.3% and -30.1% in 3Q20 and 2Q20, respectively). The peak of the decline occurred in April, especially in the payment of tolls and invoices, with a gradual recovery in the two last quarters of the year. Mention should also be made of the launch in September of a new payment solution: the Prepaid School Card for Municipalities.

The volume of **auto loan** production stood at €193.8m (+35.4%) in 2020, with a credit portfolio net of impairments of €560.4m (+19.3% compared to December 2019). The year was strongly affected by the temporary closure of auto dealerships in 2Q20, because of the lockdown measures, affecting the capture of new proposals.

The net **mortgage loan** portfolio stood at €524.6m (29.5% above that of December 2019). The mortgage loan production decreased by 15.5% (-€29.4m) versus the previous year.

Banco CTT business performance continued to allow for growth in customer **deposits** to €1,689.1m (+31.6% vs. December 2019) and in the number of accounts to 517k (56k more than at the end of 2019). The loans-to-deposits ratio stood at 64.8% at the end of the year.

In 2020, total **impairments and provisions** of €9.3m were registered, of which €5.8m in 2Q20, reflecting the credit portfolio's evolution. As a result of the deterioration of the economic situation, 321 Crédito's impairments and provisions reached €8.3m in 2020, of which €5.5m in 2Q20. In the following quarters there was a significant reduction in impairments, with €0.4m recorded in 4Q20.

At the end of 2020, **moratorium requests** reached a total exposure of €40.4m (€31.1m regarding mortgage loans, €6.4m auto loans, and €2.9m other loans), representing 3.6% of the total gross credit portfolio.

The private auto loans moratoria ended on 30 September. As of that date, they amounted to €27.6m and represented 40.1% of the total moratorium requests. At the end of 2020, circa 86.3% of these loans were in compliance status.

3.4 Financial Services

| G4

Financial Services &Retail revenues amounted to €44.0m in 2020 (€30.8m relative to Financial Services and €13.0m to Retail), with a decrease of €3.3m (-7.1%) vis-à-vis 2019. | EC1

The performance in 2Q20 was strongly influenced by the restrictive measures of the state of emergency, namely the effect it generated on the preference for liquidity and consequent lower appetite for medium/long-term financial investments, as well as by the limited customer access to the CTT Retail Network and the reduced post office opening hours.

Financial products obtained revenues of €30.8m in 2020, a decrease of €2.8m (-8.3%) broken down as follows: | EC7

- **Public debt certificates** (Savings Certificates and Treasury Certificates Savings Growth) with revenues of €22.1m, decreased by €3.2m (-12.8%) vis-à-vis 2019, with €3,834.7m in subscriptions (-2.0%). Notwithstanding the slight decrease in subscriptions, the revenue decline was mainly influenced by the change in the terms of the contract between CTT and IGCP, the Treasury and Public Credit Management Institution, which had a negative impact on revenues.

- **Capitalization insurance** products negatively impacted the change in revenues by €0.5m (-32.2%) compared to 2019.

- **Money orders** revenues grew to €6.0m, up €0.4m versus 2019 (+7.5%), due to the partnership with the Government for the delivery of unemployment and other welfare subsidies, as from year-end 2019.

- **CTT payment services** posted revenues of €1.5m in 2020, up €0.4m (+31.0%), as the **payment of taxes** was made at the Retail Network, thus reducing the structural effect of e-substitution in this type of service.

Retail products and services obtained revenues of €13.0m in 2020, a decrease of €0.3m (-2.5%) versus 2019, penalized by third-party retail products and services, mainly in the sale of lottery, books, and in the payment of the air transport subsidy (Azores and Madeira), which posted the sharpest decline. Conversely, merchandising posted a year-on-year growth of €1.7m (+307.2%), and the introduction in September of the sale of instant lottery (scratch cards) in 315 post offices generated revenues of €0.6m.

Retail products and services recorded a significant recovery in the last two quarters of the year, particularly in 4Q20, with a growth of 10.7% versus 4Q19. CTT has been strengthening its position with the sale of new book issues and launch of exclusive CTT collections, the increase in monthly sales of lotteries, the establishment of new partnerships in telecommunications and merchandising, with emphasis on the offer of individual protection products and the consolidation of the gaming and wearables product portfolio.

3.5 Future perspectives

| G4

Due to a new general lockdown as of the second half of January 2021, a negative economic and social impact is anticipated, which will affect society in general and the Group's business, which may impact the current forward-looking perspectives. The Management will continue to monitor the implications to the business and provide the stakeholders with all the necessary information.

In 2021, CTT, supported by the dynamism of Express & Parcels due to the constant growth of e-commerce, as well as the continued good performance of Banco CTT, expects to deliver high single-digit growth in revenues, double-digit growth in EBITDA, EBIT to exceed €50m and Capex of c. €35m (of which €15m of expansion capex). | EC7

On the other hand, the Company intends to resume dividend payment in 2021, and therefore the Board of Directors will propose to this year's General Meeting of Shareholders a shareholder remuneration of €0.085 per share relating to the 2020 financial year, payable in May 2021. The Company will continue to invest to be the shaper of e-commerce in Portugal. | G8

04

Performance

Committed to Deliver

4. PERFORMANCE

4.1 Financial Capital

Revenues

Revenues[48] totaled €745.2m in 2020, a growth of €5.0m (+0.7%) vis-à-vis 2019. This evolution was underpinned by the revenue growth in Banco CTT (+30.5%) and Express & Parcels (+26.6%) business units that offset the decrease in the revenues of Mail & other[49] (-10.8%) and Financial Services & Retail[49] (-7.1%). | EC1

Revenues

€ million

	2019	2020	Δ	Δ% 20/19
Revenues	**740.3**	**745.2**	**5.0**	**0.7%**
Mail & other	477.6	426.1	-51.5	-10.8%
Mail	471.3	422.9	-48.4	-10.3%
Central Structure	6.3	3.2	-3.1	-49.6%
Express & Parcels	152.4	193.0	40.6	26.6%
Banco CTT	62.9	82.1	19.2	30.5%
Financial Services & Retail	47.4	44.0	-3.3	-7.1%

Operating Costs

Operating costs[50] amounted to €654.7m in 2020, an increase of €15.9m (+2.5%) versus 2019, with a €12.5m impact from 321 Crédito. Excluding 321 Crédito, operating costs totaled €642.2m (+1.8%).

Operating Costs

€ million

	2019	2020	Δ	Δ%
Operating costs	**638.8**	**654.7**	**15.9**	**2.5%**
Staff costs	344.1	338.6	- 5.5	-1.6%
ES&S	264.7	282.5	17.9	6.8%
Other operating costs	30.0	33.6	3.5	11.8%

Staff costs declined by €5.5m (-1.6%) in 2020 compared to 2019. Excluding the effect of 321 Crédito, those costs decreased by €7.5m (-2.2%). This is mostly due to the net reduction of the personnel structure initiated in previous years, with a positive impact of -€6.1m in 2020, and due to the savings achieved in medical and healthcare costs, resulting not only from the pandemic but also from the renegotiation of the work accidents insurance contract with savings of -€2.2m.

In contrast, long-term employee benefits increased by €0.8m, mostly due to the decrease in the liability related to the "telephone subscription charge", which took place in 2019, and the update of actuarial assumptions in the remaining benefits. Besides, overtime work costs increased by €0.4m due to the growth in the activity of Express & Parcels.

[48] Excluding specific items.
[49] In 2020 and in the same period of the previous year (proforma), the retail products and services of the Mail & other business unit are considered within the Financial Services & Retail business unit (former Financial Services business unit).
[50] Excluding depreciation / amortisation, impairments and provisions, the impact of IFRS 16 and specific items.

External supplies & services costs increased €17.9m (+6.8%), of which €1.6m resulted from the integration of 321 Crédito. Excluding the inorganic effect, the growth was €16.3m (+6.2%), which includes mainly the increase in direct costs (+€14.6m), namely in handling, transport and delivery costs and in costs related to temporary work (+€5.6m), in both cases mostly in the Express & Parcels growth lever. This increase was partly offset by the reduction in physical resources, commercial and after-sales costs (-€3.9m).

Other operating costs grew €3.5m (+11.8%) compared to those of 2019. Excluding the inorganic effect of 321 Crédito (+€1.0m), these costs grew by €2.5m (+8.7%), mostly due to sales costs related to new partnerships, lottery and other (+€3.9m), which were partly offset by the reduction in the remaining sales costs (-€0.5m) and the decrease in the amount of the indemnities paid to customers (-€1.5m).

EBITDA

In 4Q20, **EBITDA**[51] of the Group grew by 16.4% (+€4.6m), consistently recovering from the declines of 48.2% and 9.6% in in 2Q20 and 3Q20, respectively. In the full year, the Company generated an **EBITDA** of €90.5m, €11.0m less (-10.8%) than in 2019, due to the strong impact of Mail & other (-€34.0m; -43.6%) and Financial Services & Retail (-€1.4m; -6.2%). EBITDA of the remaining business units grew significantly vis-à-vis 2019 – in Banco CTT by €15.5m (+416.7%) and in Express & Parcels by €8.9m (+386.7%). In 2020, the EBITDA margin stood at 12.1% (13.7% in 2019), while in 4Q20 it was 15.6% - the best in the last 15 quarters.

EBITDA by business unit

€ million

	4Q19	4Q20	Δ	Δ%	2019	2020	Δ	Δ%
EBITDA	**28.2**	**32.8**	**4.6**	**16.4%**	**101.5**	**90.5**	**-11.0**	**-10.8%**
Mail & other	19.0	16.4	-2.5	-13.4%	78.0	44.0	-34.0	-43.6%
Mail	30.6	25.4	-5.2	-17.0%	120.6	85.5	-35.2	-29.2%
Central Structure	- 11.6	- 9.0	2.6	22.7%	- 42.6	- 41.4	1.2	2.8%
Express & Parcels	- 0.6	5.6	6.2	966.3%	- 2.3	6.6	8.9	386.7%
Banco CTT	3.4	6.5	3.1	92.7%	3.7	19.2	15.5	416.7%
Financial Services & Retail	6.5	4.3	-2.2	-33.8%	22.1	20.7	-1.4	-6.2%

Specific Items

In 2020, the Company recorded **specific items** in the amount of €7.0m, broken down as shown in the table below:

Specific Items

€ million

	2019	2020	Δ	Δ%
Specific items	**18.2**	**7.0**	**-11.2**	**-61.7%**
Corporate restructuring costs and strategic projects	16.9	4.2	-12.6	-74.9%
Other non-recurring revenues and costs	1.4	2.8	1.4	101.3%

The decline of €12.6m in corporate restructuring and strategic projects is mostly related to spending on (i) compensations paid for termination of employment contracts by mutual agreement and suspension agreements (-€7.9m) within the Human Resources Optimization Program, and consulting services (-€1.6m), both under the Operational Transformation Plan; (ii) fees related to the acquisition of 321 Crédito (-€1.4m); and (iii) the implementation of the changes to the Quality of Service Indicators measurement system required by ANACOM (-€1.0m).

[51] Excluding depreciation/amortization, impairments and provisions, as well as the impact of IFRS 16 and specific items.

In 2020, specific items for an amount of €7.0m relate to (i) corporate restructuring for €3.3m (-€8.6m vs. the same period of the previous year); (ii) strategic projects for €0.9m (-€4.0m), mainly studies to support the renegotiation of the new concession agreement; and (iii) other revenues and costs for €2.8m (+€1.4m), especially the price penalty imposed by ANACOM (+€1.0m) for failure to comply with the 2019 Quality of Service Indicators, costs associated with the COVID-19 pandemic, particularly personal protection equipment, nebulization, temperature measurement, and extra cleaning services (+€1.1m), and payment of an extraordinary bonus to employees who during the confinement period were permanently at the forefront, with enormous professionalism and total commitment to their job (+€0.5m).

EBIT and Net Profit

EBIT grew by 32.1% in 4Q20 (+€4.2m), amounting to €34.5m in the full year 2020, €12.8m below (-27.0%) that recorded in 2019, strongly penalized by the decrease in EBITDA (-€11.0m), the growth in impairments and provisions (+€6.7m) and in depreciation/amortization (+€7.9m), which did not offset the decrease in specific items (-€11.2m).

EBIT by business unit

€ million

	2019	2020	Δ	Δ%
EBIT	**47.3**	**34.5**	**-12.8**	**-27.0%**
Mail & other	42.9	9.9	-32.9	-76.8%
Mail	98.6	66.4	-32.2	-32.6%
Central Structure	- 55.7	- 56.5	-0.7	-1.3%
Express & Parcels	- 12.1	- 0.5	11.6	95.9%
Banco CTT	-4.9	4.6	9.5	193.1%
Financial Services & Retail	21.5	20.5	-1.0	-4.5%

The consolidated **financial results** totaled -€11.4m, corresponding to an improvement of €0.4m (3.2%) compared to 2019.

Financial Results

€ million

	2019	2020	Δ	Δ%
Financial results	**-11.8**	**-11.4**	**0.4**	**3.2%**
Financial income, net	-10.4	-9.6	0.7	6.9%
Financial costs and losses	-10.4	-9.7	0.8	7.3%
Financial income	0.1	0.02	-0.04	-68.4%
Gains /losses in subsidiaries, associated companies and joint ventures	-1.4	-1.7	-0.3	-24.3%

Financial costs and losses incurred amounted to €9.7m, mainly incorporating financial costs related to post-employment and long-term employee benefits of €4.5m, interest associated with financing leases liabilities linked to the implementation of IFRS 16 for an amount of €3.3m, and interest on the financial debt for an amount of €1.7m.

In 2020, CTT obtained a consolidated **net profit** attributable to CTT Group equity holders of €16.7m, €12.5m below (-42.9%) that obtained in the previous year, strongly impacted by the negative evolution of EBIT (-€12.8m).

Investment

Capex stood at €33.4m, corresponding to 26.4% less (-€12.0m) than in 2019.

The financial effort made in an economic environment strongly impacted by the pandemic continued to focus on the growth businesses, namely Express & Parcels (+€10.7m) and Banco CTT (+€6.3m), in order to improve and optimize the systems that support their activity. This amount was offset by initiatives to reduce investment in IT in the remaining business units (-€7.4m) and in sorting equipment in the Mail business unit (-€8.4m) due the strong investment in this area in 2019.

Cash flow

In 2020, the Company generated an operating **cash flow** of €42.9m, €1.6m less than 2019.

Cash flow

€ million

	2019	2020	Δ
EBITDA	101.5	90.5	-11.0
Specific items*	16.8	7.0	-9.9
CAPEX	45.4	33.4	-12.0
Δ Working capital	5.3	-7.2	-12.5
Operating cash flow	**44.5**	**42.9**	**-1.6**
Employee benefits	-14.4	-12.1	2.3
Tax	2.2	-9.0	-11.2
Free cash flow	**32.3**	**21.8**	**-10.5**
Debt (principal + interest)	59.3	-1.5	-60.9
Dividends	-15.0	0.0	15.0
Financial investments	-114.4	-0.3	114.1
Net change in organic own cash	**-37.7**	**20.0**	**57.8**
Changes to consolidation perimeter - 321 Crédito	6.8	0.0	-6.8
Change in own cash	**-30.9**	**20.0**	**51.0**
Δ Liabilities related to Financial Services & other & Banco CTT, net[52]	30.9	63.9	33.0
Δ Other[53]	20.3	-8.8	-29.0
Net change in cash (Balance Sheet)	**20.3**	**75.2**	**54.9**

*Specific items affecting EBITDA.

The negative change in working capital compared to 2019 (-€12.5m) resulted mainly from the high investment at the end of 2019 (€27.0m in 4Q19), which was paid mainly in 1H20 and compares to a lower investment at the end of the year (€15.2m in 4Q20) leading to a negative evolution in working capital related to Capex in the amount of €20.6m in 2020 versus 2019. This change was partially compensated by a positive evolution of working capital related to the current business, with a strong contribution from a more effective management of accounts receivable (+€7.6m) and accounts payable (+€2.0m).

[52] The change in net liabilities of Financial Services and Banco CTT reflects the evolution of credit balances with third parties, depositors or other banking financial liabilities, net of the amounts invested in credit or investments in securities/banking financial assets, of entities of the CTT Group providing financial services, namely the financial services of CTT, Payshop, Banco CTT and 321 Crédito.

[53] The change in other cash items reflects the evolution of Banco CTT's sight deposits at Bank of Portugal, outstanding cheques/clearing of Banco CTT cheques, and impairment of sight and term deposits and bank applications.

Consolidated Balance Sheet

Consolidated Balance Sheet

€ million

	31.12.2019	31.12.2020	Δ	Δ%
Non-current assets	1,734.7	1,984.3	249.6	14.4%
Current assets	778.8	910.6	131.8	16.9%
Assets	**2,513.4**	**2,894.9**	**381.5**	**15.2%**
Equity	**131.4**	**150.3**	**18.9**	**14.4%**
Liabilities	**2,382.0**	**2,744.6**	**362.6**	**15.2%**
Non-current liabilities	512.8	493.4	-19.4	-3.8%
Current liabilities	1,869.2	2,251.2	382.0	20.4%
Equity and Liabilities	**2,513.4**	**2,894.9**	**381.5**	**15.2%**

The key aspects of the comparison between the **balance sheet** as of 31.12.2020 and that as of 31.12.2019 are as follows:

- **Assets** increased €381.5m, mostly due to the increases in Tangible fixed assets (+€31.5m) as a result of the increase in Rights of Use related to the extension of lease contract maturity terms, in Credit to banking clients (+€207.5m), especially mortgage loans, in Debt securities (+€61.4m), and in Cash & cash equivalents (+€75.2m), following the significant increase in new deposits in Banco CTT.

- **Equity** increased €18.9m following the generation of net income attributable to equity holders of CTT Group in 2020 for an amount of €16.7m and the increase in Other changes in equity (+€2.1m) as a result of actuarial gains recognized within CTT Healthcare Plan.

- **Liabilities** increased €362.6m, with emphasis on the increase in Banking clients' deposits and other loans (+€367.0m) and the increase in Debt (+€31.5m) following the extension of lease contracts maturity terms, partially compensated by the decrease in Other banking financial liabilities (-€28.1m) and Income taxes payable (-€4.6m).

The CTT Group consolidated balance sheet excluding Banco CTT from the full consolidation perimeter and accounting it as a financial investment measured by the equity method would be as follows:

Consolidated Balance Sheet excluding Banco CTT

€ million

	31.12.2019	31.12.2020	Δ	Δ%
Non-current assets	615.8	638.8	23.0	3.7%
Current assets	456.9	484.0	27.1	5.9%
Assets	**1,072.8**	**1,122.8**	**50.1**	**4.7%**
Equity	**131.4**	**150.3**	**18.9**	**14.4%**
Liabilities	**941.3**	**972.5**	**31.2**	**3.3%**
Non-current liabilities	432.0	444.0	12.0	2.8%
Current liabilities	509.3	528.5	19.2	3.8%
Equity and Liabilities	**1,072.8**	**1,122.8**	**50.1**	**4.7%**

In 2020, the **liabilities related to employee benefits** (post-employment and long-term benefits) decreased to €283.0m, down €3.7m compared to December 2019, broken down as specified in the table below:

Liabilities related to employee benefits

€ million

	31.12.2019	31.12.2020	Δ	Δ%
Total liabilities	**286.7**	**283.0**	**-3.7**	**-1.3%**
Healthcare	274.4	271.2	-3.3	-1.2%
Healthcare (321 Crédito)	1.3	1.4	0.1	11.4%
Suspension agreements	3.1	2.8	-0.4	-12.1%
Other long-term employee benefits	7.1	6.9	-0.2	-2.8%
Other long-term benefits (321 Crédito)	0.2	0.2	0.0	9.1%
Pension plan	0.4	0.3	-0.1	-19.3%
Other benefits	0.1	0.2	0.1	42.1%

The reduction in CTT, SA healthcare liabilities derives mostly from the introduction of a stop-loss mechanism in 2020 combined with the effect of the lower utilization of healthcare services due to the COVID-19 pandemic. These effects were partly compensated by the reduction in the discount rate.

Consolidated net debt

Consolidated net debt

€ million

	31.12.2019	31.12.2020	Δ
Net debt	**60.0**	**71.4**	**11.4**
Short-term & long-term debt	**175.4**	**206.9**	**31.5**
of which financial leases (IFRS 16)	84.0	115.2	31.3
Own cash (I+II)	**115.4**	**135.4**	**20.0**
Cash & cash equivalents	**443.0**	**518.2**	**75.2**
Cash & cash equivalents at the end of the period (I)	**414.9**	**498.8**	**84.0**
Other cash items	28.1	19.4	-8.8
Financial Services payables, net (II)	**-299.5**	**-363.4**	**-63.9**

The key aspects of the comparison between the **consolidated net debt** as of 31.12.2020 and that as of 31.12.2019 are as follows:

- **Own cash** increased by €20.0m, as the positive evolution of operating cash flow (+€42.9m) more than offset the payment of employee benefits (-€12.1m), taxes (-€9.0m), and debt service (-€1.5m).

- **Short-term & long-term debt** increased by €31.5m mainly due to the increase in the liabilities related to lease contracts in the scope of IFRS 16 (+€31.3m), following the revision of the terms of those contracts. This review of lease terms was carried out by the CTT Group following a recent interpretation of the IFRS Interpretations Committee on the concept of lease term, which essentially determines that an entity should assess whether the contract is enforceable beyond the period in which it can be cancelled, taking into account not only the strict terms of the contract, but also its broader economic aspects.

CTT Group net debt excluding Banco CTT from the full consolidation perimeter and accounting it as a financial investment measured by the equity method would be as follows:

Consolidated net debt excluding Banco CTT

€ million

	31.12.2019	31.12.2020	Δ
Net debt with Banco CTT under equity method	**144.1**	**153.9**	**9.8**
Short-term & long-term debt	**173.2**	**204.7**	**31.5**
of which financial leases (IFRS 16)	81.8	113.0	31.3
Own cash (I+II)	**29.1**	**50.8**	**21.7**
Cash & cash equivalents	**268.2**	**286.4**	**18.3**
Cash & cash equivalents at the end of the period (I)	**268.2**	**286.5**	**18.3**
Other cash items	-0.02	-0.02	0.0
Financial Services payables, net (II)	**-239.1**	**-235.7**	**3.5**

Economic value

EC1

The Company distributed over 342 million euros in wages and benefits, it remunerates its shareholders, is an important taxpayer and invests in the community.

Direct economic value generated and distributed by CTT

€ thousand	2019	2020	Δ 2020/2019
Direct economic value generated	**738,949**	**743,519**	**0.6%**
Revenues	738,949	743,519	0.6%
Direct economic value distributed	**727,889**	**726,752**	**-0.2%**
Operating costs	336,467	364,641	8.4%
Wages and Employee benefits	356,004	342,488	-3.8%
Payments to providers of capital	25,421	9,660	-62.0%
Payments to the Government	8,979	9,080	1.1%
Community investments	1,018	883	-13.3%
Accumulated economic value	**11,060**	**16,767**	**51,6%**

4.2 Human Capital

The management of human resources is guided by the following priorities: definition and implementation of policies for human capital development that enable boosting skills, awarding performance and fostering the agility of the organization; maintenance of a good social environment; continuous investment in training and qualification; optimization and adjustment of the staff, taking into account the need to respond to market evolution and challenges.

4.2.1 Characterization of human capital

As of 31 December 2020[54], the **CTT headcount** (permanent and fixed-term staff) consisted of 12,234 employees, corresponding to 121 less (-1.0%) than as of 31 December 2019. The number of employees leaving 2,000 was and 2,775 new employees joined the Company, a turnover rate of 16.3%.

G10
G9
LA1

[54] For further information, see Table – Employees in Annex III.

Headcount

	31.12.2019	31.12.2020	Δ 2020/2019	
Mail & other	10,709	10,445	-264	-2.5%
Express & Parcels	1,201	1,319	118	9.8%
Banco CTT	406	435	29	7.1%
Financial Services & Retail	39	35	-4	-10.3%
Total, of which:	**12,355**	**12,234**	**-121**	**-1.0%**
Permanent	10,979	10,767	-212	-1.9%
Fixed-term contracts	1,376	1,467	91	6.6%
Portugal	11,874	11,671	-203	-1.7%
Other geographies	481	563	82	17.0%

The overall rate of absenteeism increased both at CTT, S.A. (+1.8 p.p.) to 8.8%, and in CTT Group to 8.3% (+1.7 p.p.). The motives that most contributed to these absences were illness (4.6%), absenteeism due to COVID-19 (0.7%), accidents (0.8%), union activity (0.4%) and maternity/paternity (0.5%). It should be noted that the absenteeism rate, excluding parental leave, stood at 7.8%. The absenteeism rate calculated in conformity with Global Reporting Initiative (GRI) guidelines (excluding parental leave, compassionate leave and leave related to student status) is 6.3%. The rate of return to work after parental leave was 90.9%.

LA8
LA6
LA3

4.2.2 Remuneration

Following a swift negotiation process, on 25 November, the company CTT Expresso and 6 union associations – representing more than 93% of the employees who are union members – reached its first Company Agreement.

G53
G11
G52

The successful completion of this bargaining process related to the first Company Agreement of CTT Expresso represents the beginning of a stage with people management policies aligned with the new strategy for People and Culture, contributing to the full development of the Company's activity, its affirmation as a leader in the market in which it operates, both in the economic and social dimension, and to a better service experience among its customers.

This Agreement takes into account the importance given to an environment of stability and social peace at the Company, which is the purpose of CTT, aimed at valuing the work factor and establishing the principles and rules on matters of professional classification, remuneration and career progress. This Agreement defined the Company's commitment to initiate the salary review process for 2021.

In conformity with the principles of the labor legislation, there is no difference in the attribution of the basic wage of men and women. However, during career progression, for various motives, differences in the average remuneration have occurred historically, within each professional category, which have been more favorable to men, as can be seen in the following table.

Ratios and remunerations, by gender and professional category

LA13

Professional category	Average female salary (€)	Average male salary (€)	F/M Ratio
Senior personnel	1,995.48	2,418.20	0.83
Middle management	1,332.11	1,377.08	0.97
Counter service	1,067.59	1,140.91	0.94
Delivery	823.34	897.49	0.92
Other groups	969.93	1,005.75	0.96
Total	**1,165.56**	**1,092.92**	**1.07**

4.2.3 Career development and talent management

The Company Agreement establishes the objective and professional content for each qualification level and professional category. The criteria for career progression and professional evolution are also defined, based on the principles of recognition, merit and performance, acquisition and increase of skills, with emphasis of each employee's dedication, effort towards development and contribution to the value chain.

CTT has pursued action aimed at retaining suitable skills and high motivation levels, able to accompany its business innovation and evolution requirements. Concerning talent management, CTT considers actions for both the attraction and recruitment on the market of new know-how and skills, and the development of the existing technical staff and managers. | LA10

In this regard, CTT proceeded with the 4th edition of the Trainee Program 2019/21 – "Everything you need to start", which involved 12 trainees. This program seeks to attract and retain high-potential young people, promote their development within a structured overall program, contribute to the rejuvenation of staff, foster a mobility culture and position CTT as an Employer of first choice.

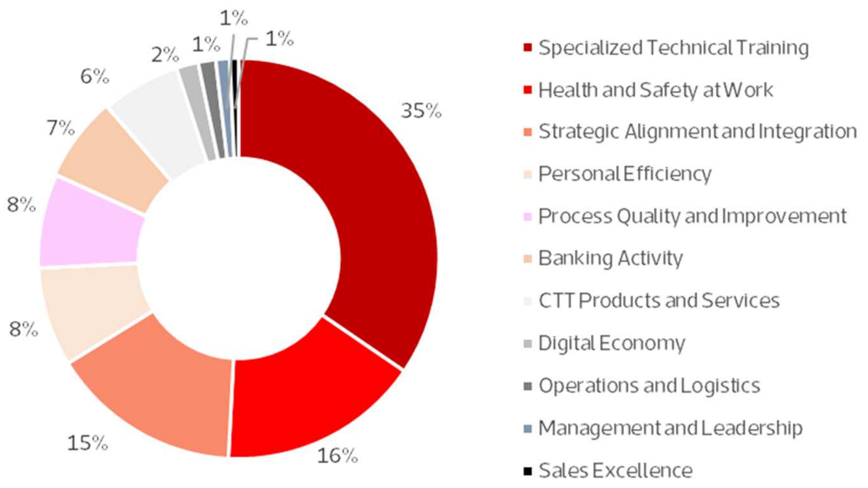
The performance assessment process is carried out annually, in the year following the year to which it refers, covering all the permanent employees with a contract of six months or more who are not in a situation of unpaid leave or suspended contract. This year, relative to the performance of 2019, this involved 9,901 employees, corresponding to the total eligible number. | LA11

The performance management system is based on the assessment of behaviors and the achievement of objectives, established for the employees, according to the various activities and functional groups, with a view to reinforcing the alignment between the business and performance, the consolidation of the corporate culture and values, and the recognition and differentiation of the contributions. This process involves communication between the senior staff and the employees, including the summing up of the activity and the presentation of the objectives for the new cycle, favoring the identification of training actions and development.

4.2.4 Training

During the year, in the whole of the CTT Group, 98% of CTT employees participated in training actions,[55], involving a total of 187k hours, with an average of 15 hours *per capita*, and a training rate of 0.9% (hours of training/hours of work). The training hours are distributed over eleven programs, as shown in the graph below. | LA9

Training programs



[55] For further information, see Table – Employees, in Annex III.

Due to the COVID-19 pandemic, the overall outcome in terms of training and development was reflected in a 25% decrease of the volume of hours carried out. However, in terms of participations, this decrease was only 2%, reflecting the widespread trend of reduction of the duration of each training event.

The effort that CTT had already been making in providing distance training proved to be a powerful ally in maintaining the skills development activity of its employees, accounting for 53% of the volume carried out. Moreover, this was the means of dissemination used to raise the awareness, call for and support the preventive measures to be adopted in the pandemic context, both at the workplaces and in telework, involving more than 6,800 participations. In addition to the asynchronous offer, the use of collaborative platforms – like MS TEAMS – enabled the accomplishment of the majority of the training events.

Significant focus was given to the training in certification of the professionals of the specific post offices selling insurance products, pursuant to the legal system established in Law No. 7/2019 and subsequent regulations issued by the Insurance and Pension Funds Supervisory Authority (ASF). This involved 1,705 employees during 42,580 hours.

The teams of these post offices were also provided with other training programs, in particular:

- Knowledge of the offer sold in the B2C segment (insurance, saving, investment, payments, express, retail, etc.), with 4,270 participations and 9,832 hours;
- Initial bank training (general bank operations and offer, procedures and credit), with 492 participations and 9,002 hours;
- Prevention of Money Laundering and Terrorist Financing, with 981 participations and 3,611 hours; SO3
- Certification in Euro Coins and Banknotes, with 450 participations and 900 hours;

The launch of new post offices in Lamações, Sete Rios and Picoas, with an innovative concept, was also supported by a specific training program focused on improving the customer's experience in the post office.

In the B2C segment, we highlight the training for the employees of CTT points, which has already involved seven distance learning courses: CTT Code of Conduct, Mail and parcel offer, CTT Express offer, Acceptance and delivery of express mail, Easy return, Orion service – customer support portal and NAVe System, in addition to the courses disseminated by the Sales Managers of External Channels, of Initial Training, General Data Protection Regulation, Certification and refresh in Products, services and procedures. More than 1,200 points were covered, involving over 2k participations and over 7k hours.

In the B2B segment, excellence was pursued in marketing the CTT Offer, in particular of the business, cargo, logistics and payment solutions, with more than 900 participations and over 1,900 hours. Fourteen new Sales Managers were also integrated with a program for the development of skills related to sales and management of the commercial agenda.

Due to the COVID-19 pandemic, no training was given in eco-efficient driving in its usual format, in other words, there was no face-to-face training. However, the Road Prevention Program was maintained, which seeks to reduce the road accident rate at CTT, having addressed more than 20 topics, such as new road signs and signals, weather conditions, ecoefficiency, safety, preventive maintenance, among others, and involved 13,402 hours of training and more than 26k participations. Particular note should also be made of the onboarding and integration training given to 780 new employees, covering more than 17k hours, and the insourcing of the ministration of training in the mechanical movement of loads, with the certification of a group of 12 trainers who have already provided a further 78 employees with this training, involving a volume of 296 hours.

Continuing the digital transformation of the activity, the ORION Program covered more than 3,500 participants (>12,000 hours) on the Customer Relationship Management (CRM) platform and on the supporting portal. Training was conducted on various platforms supporting the activity (Hubspot, Nexbitt, Work Force Management, etc.) involving a total of 188 participations and more than 1,000 hours.

In a year in which this has become particularly important – among other things, due to the migration to ISO 45001 standard – training in Occupational Health and Safety surpassed 3,400 participations and 8,500 hours.

In addition to the necessary training offer for effective job performance and for fostering the individual development of each employee, the systematization of a program to support the self-development of skills was started, through the provision of a specific platform with opportunities to carry out certified modular training and other self-study resources.

In order to ensure the follow-up of the business transformation, of the people and culture at the Company, the Training and Development at CTT initiated a new organizational logic, consisting of a CTT Academy characterized by:

- Building a relationship of strategic partnership with the business units, appointing a Learning Business Partner for the B2C and B2B segments and Areas of Operations;
- Focusing on four strategic vectors of development: Customer experience, Operational excellence, Culture and Leadership, Diversity and Ethics;
- Promoting development in five crucial areas of competence: Corporate, People and Culture, Business, Innovation and Sustainability;
- Establishing development programs arising from the matrix of strategic vectors of action and crucial competences to be developed, starting with those that most affect the daily work of the employees at CTT, Onboarding and Integration, with Customer experience in the Post Office, Operational Access Points, B2B Commercial Excellence, Leadership and Lean Management also having been identified;
- Boosting, as routes to development, the predefinition of programs according to the function and needs of improvement, but also the self-development of skills at the initiative of the employees.

4.2.5 Management of labor relations

The employees have a communication channel with management, through the various representative bodies. The Workers Committee and 111 Workers Sub-committees perform their legally attributed duties. CTT maintains permanent contact with the Workers Committee, through monthly meetings, at the highest level and specific meetings, whenever necessary, both with the Workers Committee and each of the unions. G26 G27

As of 31 December 2020, 89.7%[56] of the employees were covered by the Company Agreement and 73.6%[56] were union members (permanent and on fixed term), reflecting a decrease of 0.7 p.p. and 0.3 p.p. in relation to the previous year, respectively. G11

In the European context, the company maintained its participation in the European Social Dialogue Committee for the Postal Sector, which involves representatives of the unions and postal operators of the European Union.

4.2.6 Social benefits and social action

Regulations for Social Work (ROS) have been in force since 2015, regulating CTT's health plan, in contributions to the cost of medication, medical and surgical services and auxiliary diagnostic means, nursing services and hospitalization, in benefits for family expenses for subscribers of Caixa Geral de Aposentações (CGA), attributing child and youth benefit, as well as other allowances.

Health benefits are assured to permanent staff, pre-retired and retired employees and their family under certain conditions, provided that they are members of the scheme. As a rule, employees of CTT's subsidiaries benefit from health insurance which enables coverage of their household members. LA2

In the health plan's agreed network, the company covers 75% of health care costs related to outpatient assistance, 80% of private hospital services and 100% in special cases (support to maternity, infant care up until 2 years and serious illness). The contribution to medication costs implies that up to 50% is incurred by the beneficiary.

[56] Excludes Corre and CTT Express Spain.

In order to ensure social support, the company has a Social Service team, that offers psychosocial support in the areas of mental health, addiction, the elderly and social action. This support is embodied in the identification, assessment, framing and problem-solving of the beneficiaries and employees of the CTT Health Plan in the most diverse areas, in particular regarding disability, chronic, acute and/or serious disorders, economic deprivation, social dysfunctions, work-related issues, among others. Socioeconomic study and case-by-case analysis can give rise to specific support to overcome situations of vulnerability and/or economic deprivation.

In this year of COVID-19 pandemic, the Social Service included an Employee Helpline to answer questions related to the pandemic and their legal frameworks, also offering the possibility of medical assistance through telehealth appointments, a significant alternative during lockdown periods.

At the end of the year, CTT's health plan had 38,781 beneficiaries, of which 19,592 were former or current employees (with 9,396 being active); 19,189 family members (with 12,836 being active). There were 730 special rescissions (employees and family members). | EC3

4.2.7 Occupational health and safety

The Occupational Health services were provided by Viva Mais. During this period, 4,101 medical tests were carried out, 45.1% less than in the same period of the previous year, due to the pandemic. | EC3

A total of 318 interventions were carried out to assess working and risk conditions at CTT establishments, including subsidiaries.

The awareness-raising actions on occupational safety, accident prevention and ergonomics were continued at the postal delivery offices and CTT post offices.

There were 805 work-related accidents and incidents, 25.5% less than in 2019. A very positive difference that occurred as a result of the atypical year that was experienced, and due to the contingency measures implemented by the company: reduction of CTT post office opening hours; telework of the staff of the central services; reduction of employee working hours at sorting centers. This situation was reflected in lower exposure to occupational risk during a significant period.

Likewise, there was also a 24.6% reduction in the number of road accidents, despite factors such as: absence of employees working in the delivery service due to isolation or quarantine, and consequent increased shifts in delivery routes done by colleagues. The substantial increase of the number of EMS deliveries and the increased number of kilometers travelled enhanced the risk of accidents due to travel by motorcycles of heavier weight and volume. Thus, there was an increase of the number of days lost due to accidents, in relation to the previous year, indicating the higher severity of some accidents. However, in overall terms, the number of days lost declined by 19.6%, as a result of the strengthening of prevention and the adoption of more cautious attitudes by the employees.

The motives that most contributed to the occurrence of accidents were road accidents (34.7%), which include traffic accidents and people being run over. This was followed by false movements (16%), 3% more than in 2019 and slipping/stumble (15%). Occupational diseases were not reflected in days lost. | LA6

Accidents and injuries at CTT

Group	No. of accidents	No. of injuries	Injury rate	No. of days lost	Rate of days lost	Number of occupational diseases
Female	205	138	2.2	5,245	83.5	4
Male	600	439	3.4	14,319	111.2	3
Total	**805**	**577**	**3.0**	**19,564**	**102.1**	**7**

No data for 321 Crédito, CORRE and CTT Express Spain.

In the calculation of the rates, the result was multiplied by 100,000, for easier reading, otherwise the results would be around 0.00.

Concerning safety, the contingency scenario experienced due to the COVID-19 pandemic, with the reduction of post office opening hours and increased payment of postal money orders sent to the residence or place of business, implied the reinforcement and surveillance of our facilities and the distance monitoring and follow-up of deliveries to prevent disputes and robbery.

4.2.8 Diversity and equal opportunities

The company guides its action by respect for the guarantees and rights stipulated in the Universal Declaration of Human Rights of the United Nations, the Charter of Fundamental Rights of the European Union, the Constitution of the Portuguese Republic and the Law, in particular in the labor legislation. **HR5** **HR6**

During this year, in the pandemic context, CTT focused primarily on ensuring that all its employees felt safe. A Crisis Management Committee was created to ensure CTT's continuity and contingency plan, and to guarantee the appropriate information and support, promoting measures to mitigate the main risks and always preserving the integrity of its employees. One of the measures involved the implementation of telework in all services in which this proved possible.

On matters of human resources policies directed towards the promotion of equality, the following are highlighted:

- Commitment to develop policies aimed at equal opportunities in recruitment, professional career, promotions and vocational training;

- Renewal of CTT's endorsement agreement of the Business Forum for Gender Equality (IGEN), of which CTT is a founding member, promoted by the Commission for Equality in Labor and Employment (CITE), undertaking new commitments on matters of wage differences. Participation in work meetings at the beginning of the year with the Commission for Equality in Labor and Employment (CITE), although the programed activities were suspended due to the COVID-19 pandemic.

- Creation of a working party for compliance with the commitments stipulated in the company's Gender Equality Action Plan.

The protocol has been maintained with Lisbon CERCI (Cooperative for the Education and Rehabilitation of Non-adapted Citizens), which provides experiences of integration in employment to young people who are disabled, which involved 14 young adults. This CTT/CERCI partnership is a success case, which already has 17 years of experience. The provision of services was suspended in March, in view of the current pandemic context. **HR3**

The employees and their families were encouraged to participate in inhouse games and were challenged to write an account of their experiences at the company. Throughout the lockdown period, they received a great deal of information about prevention and advice for management of work and family. The "I am CTT" program of partnerships with various entities continued to be boosted, offering discount prices and entertainment opportunities to employees and their families. The magazine Revista CTT continuously published articles of interest on nutrition and healthcare.

On matters of diversity, the Board of Directors achieved the target established in the CTT Gender Equality Plan and in Law No. 62/2017, with 33.3% of the members of the Board of Directors and Audit Committee now being women. The weight of women in senior management positions (1st line leadership) increased by 0.4 p.p. to 20.4% and in 2nd line leadership positions decreased by 2 p.p. to 47%. **LA12**

4.3 Intellectual Capital

Digital transformations that continue to permeate all organizations also forced CTT to adapt its activity to new paradigms. Thus, these transformations inspired a series of R&D achievements at the Company, namely: EC7 G4 G9

- Reinforcement of the Mail business:
  - Creation of the "Delivery information" service or Domestic Ordinary Bulk Mail (Zones A and B), up to 50gr. These items have a barcode with information on the achieved or non-achieved delivery and indication of the reasons for non-delivery;
  - Launch of yet another innovative philatelic issue: aromatic stamps, where their production process incorporates an aroma of orange blossom, which remains active for a long time.
- Stimulation of e-commerce:
  - Provision of national Parcel Lockers of the brand CTT Parcerias to boost the e-commerce business with: LIDL (provision of the Lockers24h service), UBER (enabling the expansion of the CTT Now/Express for Today for Cities service in which CTT did not formerly operate), Mar Shopping and CGD, among others; OLX (Online deliveries solution, in a new product door-to-door delivery service format); and AliExpress (associated to Singles Day, 11.11, via promotion of purchases in this marketplace and deliveries in Portugal by CTT.
  - Encouragement of the launch of the services: online stores were easily created for national SME to sell their products), CTT Local Trade (digital service, supported by an app, to facilitate the online presence of local traders and small producers) and trade of small producers in articulation with Marketplace Dott (e.g., Digital Fairs of Protected Designation of Origin Cheese and Products of Viseu Dão Lafões). Launch of CTT shipping plug-ins which shall enable customers to dispatch, in an integrated manner, products sold online from stores created under Prestashop, Shopify, Magento and Woocommerce. G27
  - Organization of CTT eCommerce Moments and eCommerce Day events, in which the most important current affairs are discussed in the areas of e-commerce, with the participation of specialists.
- Strengthening of operational aspects:

  Upgrading of the address reading machines (OCR-RMS): improvements in the recognition of handwritten characters, aimed at higher quality and reliability in the system's decisions, with a 10% average increase in the Optical Character Recognition (OCR) recognition rate.
- In the Retail Network:
  - Implementation of the new post office concept focused on greater convenience for the customer through self-service areas which enable receiving and purchasing retail products and the provision of devices for access to new CTT functionalities and portfolio.
  - Implementation of an "in-store customer" hearing solution, through a QR Code available at various points of access in the store to a page to collect Net Promoter Scores (NPS).
- In the financial area, especially at Banco CTT:
  - Developments for the launch of a new platform to enable customers to invest, supported by a robot-advisory platform, via the digital channels.

- New Prepaid School Account, in partnership with Edubox, to simplify the interaction between Municipalities and Schools. This is a digital wallet that enables paying for school services (meals, stationary, etc.), integrated with the EduBox SIGA school management system.

- The strengthening of Payshop partnerships led to attaining the historical milestone of 5,133 Agents, reinforcing its positioning of Largest Network of Face-to-Face Payments in the country.

- Payshop partnership with EPAY with expansion of the offer of prepaid products in the Payshop Agents Network (e.g., Rakuten Kobo, which enables buying millions of digital books online, and with Spotify Premium that enables subscriptions of the music streaming service).

• Corporate initiatives:

  - INOV +: new platform for management of ideas. Launch of the 9th inhouse cycle of challenges;

  - Fomento I&D (Foster R&D): preparation of CTT and Banco CTT applications to the SIFIDE (Business R&D Tax Incentive) program; EC1

  - First inhouse edition of the CTT Innovation Awards for the categories: solutions, products & services, internal transformation, and environmental and social impact;

  - 1520 CTT StartuProgram: a newsletter that seeks to communicate and capture solutions aligned with the company's goals and strategy,and raise expressions of interest that could lead to partnerships (startups).

  - Holding of the 13th edition of the Innovation Forum and the 4th edition of the Innovation Award, of PostEurop, whose working party is chaired by CTT.

4.4 Social Capital

CTT's activity has a positive social impact on the local communities, as the company fosters a service of proximity, of quality, to all citizens, all over the country, confirmed by the relatively high perception of indicators on reputation. SO2

CTT's social and environmental patronage policy has given priority to the issues of poverty and social exclusion, culture, language, sports for the disabled, health, solidarity, biodiversity, and innovation. During this year of pandemic, the company especially supported initiatives that benefit the community and groups that are deprived or at risk in terms of inclusion, good health, and well-being, while not neglecting biodiversity with an investment of close to €0.9m. Voluntary work actions were organized at the beginning of the year, aimed at making a difference through the presence of the employees, but which had to be suspended due to the COVID-19 pandemic.

Some of these initiatives of social and environmental investments accomplished during this year are highlighted below:

Concerning **solidarity**, CTT donated five computers to the youth association "Nasce e Renasce" to support their computer needs and sent 2,000 community masks produced from scarves of the national team in stock at the Portuguese Football Federation (FPF), with the revenue having been allocated to the Emergency Food Network. CTT supported delivery and logistics of the platform created by Galp and the FPF, enabling direct donations through the purchase of baskets or products required by each institution – "Christmas Energy" Movement to support the Emergency Food Network, the Baby Bank, Vida Norte (North Life) and UPPA (Union for Protection of Animals). SO1

Having reached the 15th year of consecutive support to Fenacerci in raising funds via the sale of Magic Glow-Worms at CTT post offices, this year, CTT was unable to carry out their sale due to the restrictions imposed by the pandemic.

However, CTT supported the Portuguese Red Cross, with the campaign "I help those who help", to raise funds for the purchase of personal protective equipment and food items. For each personalized postcard, €0.50 is donated to the Portuguese Red Cross movement. This action aimed to draw generations closer together, shorten distances and thank the front-line teams in the fight against the pandemic. The value donated to the Portuguese Red Cross was €751.50. CTT also joined forces with NOS to support the "Coração Amarelo" Association with the free sending of the Little Bear Present by green mail, and the XXS-XXL Campaign of the Portuguese Association of Support to Premature Babies.

Payshop continued its protocols of support to Private Social Solidarity Institutions, having raised donations for them of the value of €2,384. CTT Express Spain once again sponsored the organization Save the Children.

Social integration was promoted, through the offer of free postage to the shelter Refúgio Aboim Ascensão, and the Solidarity Father Christmas action was organized for the 11th consecutive year, having attracted "sponsors" for children in socially deprived situations. 1,365 presents were sent to children, up to 12 years old, who had sent letters from 43 Social Solidarity Institutions that care for these children. The letters were published on www.painatalsolidario.pt/, enabling anyone to sponsor them and make these dreams come true. The presents were sent free of charge, always safeguarding the anonymity of the sponsor and the children. Since 2009, through this initiative, CTT, with the help of the Portuguese, has already delivered more than 13,000 presents to deprived children.

CTT has annually answered an average of 100k letters written by many children all over the country, addressed to Father Christmas. From 1985, the "CTT Father Christmas" initiative started to answer all the letters, in addition to sending a small gift.

There were no events sponsored in the area of **health and sports**. Likewise, it was not possible to organize the usual blood donations at the CTT building with the Portuguese Institute of Blood and Transplantation (IPST).

For the preservation of the **environment and biodiversity**, we continued to sponsor the Iberian Lynx at Lisbon Zoo and joined the European Mobility Week. | SO2

In partnership with Quercus, the 7th edition of the project "A Tree for the Forest" was launched, once again appealing to the population to buy the kits, aimed at national re-afforestation. These kits are on sale at CTT post offices and the online store, with free postage. In the spring of 2020, it was not possible to plant 8,000 trees that accumulated with those of 2020. The milestone of the sale of 100k kits was reached by the end of the year, corresponding to the same number of indigenous trees planted through this project. CTT hopes that it will soon be possible to plant these trees with the support of hundreds of external volunteers and companies that have joined this cause. A competition was also launched in the magazine Revista CTT, allusive to this project, with kits worth one tree having been offered to the winners.

Concerning **assistance to development**, the company supports the Campus of the Nova School of Business and Economics, the Order of Malta and the Serralves Foundation. | G15

In order to encourage writing, the Portuguese Communications Foundation launched the 50th international competition of the Universal Postal Union "The Best Letter" among young people resident in Portugal. This year's topic was "Write a message to an adult about the world we live in". The three final prizes are awarded by this UN body. The letter that represented Portugal in the international competition was of the 9 to 11-year-old bracket. The three awards were given to Belarus, Macedonia and Vietnam.

The focus on **voluntary work** continued at the beginning of the year, but these actions had to be suspended. Only 6 initiatives had been carried out by March, involving 110 volunteers and their families, and a total of 413 hours. The rule continued in force which allows the volunteers to participate in ongoing initiatives in the voluntary work plan, with their time assigned by the company for up to 16 hours, per year, per employee.

Moreover, seven years ago we introduced long-term voluntary work with specific rules, associated to the particularities of each project.

Despite the restrictions, the EPIS/CTT Mentoring Voluntary program continued. The 3rd three-year edition was launched with CTT volunteers and tutors to support young people with difficulties at school. This is a continuous voluntary action that requires proximity but has been transferred to digital means. The role of the mentor is to ensure close monitoring and the establishment of a good relationship so as to be able to motivate and stimulate each young person to develop her/his human and academic potential, convey attitudes and values, strengthen the young person's self-esteem and social integration, empowering her/him to construct a positive life project. CTT offered computers to some of these students to enable them to follow distance learning.

The ongoing voluntary actions at the League of Friends of Hospital de Santa Maria, of the street teams of the Vitae Association and at the Zoo, which require physical presence, had to be suspended from March 2020 onwards.

Customer Satisfaction

Communication with customers

CTT has a significant impact on Portuguese society due to its presence throughout the entire country as well as in international markets, reaching the most remote places, its importance in terms of employment and the production of wealth, and as a vehicle of enhancement of the competitiveness of the national business structure. CTT provides information on its website on the characteristics of its products and services as well as on its service quality aggregate performance. **PR3**

CTT is a powerful platform of convenience services with a postal, financial and banking vocation, in terms of quality, efficiency and value creation, aimed at meeting the needs of citizens and economic agents. The company is an essential element of the country's social and economic development, contributing to improve the quality of life of its customers and employees, as a result of its dynamics, service-driven culture and attitude of social responsibility. **EC8**

CTT is driven by the market in general and the corporate segment in particular, offering CTT brand products, which reflect the increasingly more diversified areas of its competence, from mail and business solutions, parcels and express, financial and bank services, printing and finishing, etc. Therefore, each customer is assured regular, presential and specialized attention, enabling an overall and integrated offer of services and products aimed at creating value and the potential boosting of each entrepreneurial business act. There are 212 Banco CTT branches in the entire country, providing bank services to the population and promoting a differentiated offer.

During this year, we transformed the Customer Support channels with a view to improving the customer support services and simplifying the entry channels, facilitating contact and boosting the self-care services, provided on CTT digital channels. **PR3**

In the voice channel, we shifted from having 5 helplines lines to merely 3. Two helplines were created for the B2C segment and one for the B2B segment. In the B2C segment, we started to provide a Helpline for Mail and Express Services (prefix 21) and a Helpline for Payment Services (prefix 707) which includes the toll collection service and Payshop. We provided a Business Service Helpline for the B2B segment (prefix 707). We also sought to standardize the attendance schedules of the helplines in both segments.

At the same time, in the email channel, we started the phased replacement of 12 mailboxes by a single smart form on the website ctt.pt, which shall be completed in early 2021.

We received a total de 3,005,730 contacts through the Customer Support channels, corresponding to 28% overall growth, in relation to the previous year. In the voice channel, we received 1,898,423 calls, representing 63% of the total contacts received and showing growth of 33% in relation to the previous year. In the written channel, we received 1,107,307 contacts, representing 37% of the total contacts received, corresponding to growth of 19%.

The general increase of the number of contacts received reflects the COVID-19 pandemic which led to strong growth of volumes, arising from changes in consumption patterns which, in turn, boosted e-commerce purchases during the lockdown period. The fact that CTT adopted protective measures of an exceptional nature (zero contact), adapted to the state of emergency, also led to additional customer complaints such as, for example, the delivery of registered mail in the letter box without collecting the receiver's signature, among others.

It should be highlighted that the CTT and CTT Expresso lines maintained their Stamp of Quality issued by the Portuguese Association of Contact centers (APCC) relative to the operations of the CTT and CTT Expresso Contact center, following monitoring audits conducted this year. This distinction distinguishes the best Contact center services operating in Portugal and aims to encourage companies of the sector to implement good management practices at their Contact centers, contributing to a better image and credibility of the sector and promoting their self-regulation.

Customer Satisfaction

CTT has been attentive to the social and economic consequences that the COVID-19 pandemic has caused among the Portuguese population and worldwide and has triggered various proximity initiatives that are easy to implement due to its capillarity throughout the entire country. The pandemic accelerated the adaptation of the CTT offer, which is still very much based on physical business, to the digital world. G27 G2

In this regard, taking up its role in driving the economy, CTT has launched services and campaigns for local companies and entities, enabling them to safely continue the management of their activity remotely and in an increasingly digital context. Three solutions launched in this context stand out particularly, which revolutionized the way that companies have started to interact with the digital world, bringing companies and business to the online platform which, up to that time, only had a physical presence: the "Create online shops" offer, the CTT Local Trade offer and the digital fairs and showrooms.

Delivery and logistics partnerships have been established in various areas: with Hovione, the National Pharmacies Association, Uber, the Red Cross, the Portuguese Football Federation, among others.

CTT also decided to bring forward the issue of postal money orders and extend the period of pension payments, so as to foster the safety and wellbeing of Portuguese pensioners in the pandemic and state of emergency context.

These are social responsibility measures that reflect CTT's involvement with the surrounding community, alongside its sustainability strategy.

The customer's opinion on quality of service, expressed through satisfaction questionnaires, shows that 83% of the customers who answered the satisfaction questionnaires consider that CTT's overall quality is good or very good, with the percentage of customers who are satisfied with the overall quality of customer service rising to 92.1%. As to queue waiting time, 76.2% expressed a positive opinion. The overall satisfaction level concerning delivery reached 79.5%, rising to 77.8% with respect to delivery time of priority mail and standing at 67% for delivery time of ordinary mail. PR5

Some subsidiaries heard their customers, in particular: CTT Express in Spain with 75% of the end customers being satisfied with the brand; Banco CTT with 84% of its customers being very satisfied. G26 PR5

CTT has progressively made a considerable investment in the implementation of certified management systems in various areas. This strategic focus has contributed significantly to the consistency and quality of the services provided and optimization of the processes in the different stages of the value chain, creating strong dynamics of internal motivation, by developing and fostering employee participation, with impact on the improvement of customer satisfaction and strengthening of CTT's image.

In the implementation of the management systems, different approaches and timings were adopted for the different areas of the company and Group. The certifications presented in the table below were successfully maintained, with CTT having ensured its migration to the Occupational Health and Safety standard ISO 45001 and extended the Certification of Postal Agencies to more units (total of 350 at the end of the year). The certifications can also be consulted at: www.ctt.pt.

Certifications Distinctions	Quality	Environment	Occupational Health and Safety	Information Security	Services CTT Points
Benchmarks	**ISO 9001**	**ISO 14001**	**ISO 45001**	**ISO 27001 IEC**	**Service certification standards**
Corporate CTT (1)	X	X	X		
Operations (2)	X	X	X	X	
CTT Expresso	X	X	X		
CTT Contacto (3)	X	X			
Network of Postal Agencies (4)					X

(1) Corporate Certification includes the following departments/areas: People and Culture, IT, Procurement & Logistics, Physical Resources & Security, Audit & Quality/Certification and Excellence, Communication & Sustainability/Sustainability and Environment, Customer Support & Quality of Operations/Monitoring and Processes of Customer Support and B2B Commercial/Business Aftersales Support.

(2) The ISO 27001 Certification is applicable to the Business Solutions (Printing and Finishing), included in the Certification of Operations.

(3) The scope of this Certification is "Management and Delivery of semi-addressed and unaddressed mail, as well as a range of logistics products and services".

(4) The Certification of CTT Points is applicable to 350 units.

Claims and inquiries

The processes relative to customer claims constitute a unique and privileged form of detecting anomalies observed in the use of CTT products and services. Accordingly, the aftersales and customer support area is responsible for disseminating the voice of the customer throughout the organization, in the search for new solutions that enable increasing the satisfaction of our customers. **PR4**

During this year, 428,494 cases were submitted to the Mail and Express & Parcels business units, corresponding to a 14% increase year-on-year. This evolution reflects the COVID-19 pandemic which led to strong growth in volumes, arising from changes in consumption patterns, boosting e-commerce purchases during the lockdown period. **LA16**

Claims

SO11

	'19	'20	Δ '19/'20
Claims received[57]	374,808	428,494	14%
Claims received and answered	359,287	405,969	13%

The Mail business unit recorded, in the application supporting the handling of claims, 162,111 cases relative to customer claims about marketed services and products[58] showing a year-on-year increase of 13%.

The main motives underlying the claims are related to the perceived delay in delivery and lost items.

The main origin of the claims answered, in the international service concerning inbound mail (claims about items entered into Portugal) is China followed by Singapore and Germany. In terms of outbound mail, the main destinations of the claimed items are the USA, United Kingdom and France.

The Express & Parcels business unit recorded 266,383 cases related to claims, growing by 15% in relation to 2019. The motives of greatest impact on claims against Express & Parcels are tracing, lost items and damaged items.

Banco CTT had 313 claims in the Complaints Book, received 417 claims online and 189 were addressed to the Bank of Portugal.

4.5 Natural Capital

4.5.1 Environmental management policy and systems

CTT performs a fundamental role in the Portuguese economy and society and has a clear understanding of the environmental impact induced by its activity, dedicating special attention to the mitigation of that impact. Its impacts primarily involve pollutant emissions into the atmosphere, essentially of greenhouse gas (GHG), mainly associated to its own and outsourced transport which currently account for almost all the carbon footprint (*scopes* 1, 2 and 3) of the Company. EN30

Nevertheless, CTT's activity is environmentally friendly and unaggressive in comparison to other activity sectors. CTT's carbon intensity contributes 0.2‰ to total greenhouse gas emissions at a national level (scopes 1 and 2). This impact is very low compared to the creation of value that CTT generates in contributing 1.9‰ to national GDP (GVA/GDP). SO2

With an active and conscious role in the defense of the environment, CTT has implemented its policies on Quality, Environment, Occupational Health and Safety, Information Security, Energy and Carbon Management, Climate Change and Responsible Procurement. CTT's commitment to sustainability and to the ongoing improvement of its performance is visible throughout the entire organization and has a continuous impact on its daily operations and business model, reflecting the company's challenges and response to the needs of its stakeholders.

CTT has identified, assessed and prioritized the following most significant corporate risks that could compromise the attainment of its strategic objectives and negatively affect its sustainable growth (*see* Chapter 2.7. Risk Management). Three strategic and external risks were assessed and prioritized at an environmental level, associated to the frequency and severity of occurrence of extreme weather phenomena, the negative perception of CTT's image by its customers, investors and other stakeholders, with respect to its environmental G46 EC2

[57] Includes cases of claims related to the Universal and Non-Universal Service. Excluding data of CORRE and Banco CTT.
[58] Includes claims about Financial Services.

reputation, and its inability to respond adequately to the emergence of new paradigms in the market, consumer requirements and new regulations and legislation. The response to these risks is based on a strategy that aims to mitigate such risks and enhance opportunities, with an impact at an operational level on brand reinforcement and reputation, value chain optimization and customer loyalty. G2

CTT is actively engaged in the search for and implementation of environmental, energy and carbon management initiatives, in line with the organization's priorities and goals which are on the radar of the managers and all the other employees, from the top to the bottom. Some of the recent and most relevant business decisions in the short and long term were influenced by considerations on reduction of the carbon footprint and enhancement of energy efficiency (further identified below). This is an attitude put into practice on a daily basis, by innovating in processes, in products, in technology at the service of companies, and in a variety of initiatives and support actions that generate value for the community. G47

At the invitation of BCSD Portugal, CTT endorsed the manifesto "Make the most of the crisis to launch a new paradigm of sustainable development", aimed at contributing to the construction of a development model based on five fundamental principles: promotion of sustainable and inclusive development, promotion of growth, search for efficiency, strengthening of resilience, and strengthening of corporate citizenship.

4.5.2 Energy

The various energy sources can be classified as renewable and non-renewable. Currently, one of the most serious environmental problems of the intensive use of non-renewable energy sources is the greenhouse effect and the consequent increased average temperature of the Earth's surface. Hence, energy management is one of the greatest challenges of current times.

At CTT, with a significant weight in the carbon footprint, direct energy consumption accounts for around 5% of the value of the company's total external supplies and services and is a priority issue with respect to the monitoring and implementation of energy efficiency measures. The increased energy efficiency leads to direct environmental gains – each joule of energy saved is reflected in a lower production of carbon emissions – as well as in a more solid consolidated balance sheet of the company in the short and long term.

In 2020, electric energy consumption accounted for about 37% of total energy consumed. However, all consumed electrical energy comes from 100% renewable resources. CTT's annual electricity consumption fell by 7.7%, reflecting the restructuring in progress of the buildings and energy efficiency measures, but also due to the effects arising from the COVID-19 pandemic. EN3

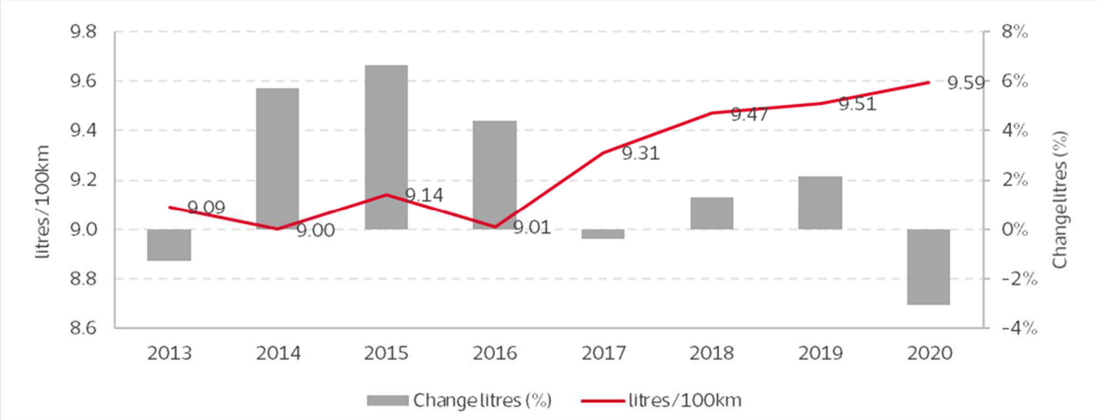
CTT also consumes minor amounts of power produced by the existing thermal solar panels at the Lisbon head office and at the Maia building. Thermal power is also used for air conditioning at the Lisbon head office building, in Lisbon (only building which uses this source of energy).

EN3
EN6

Fuel continues to represent CTT's main energy consumption source (61%). The overall efficiency of CTT's fleet, measured in liters/100 km, declined slightly by 0.8% in relation to 2019.

Evolution of the average consumption of the CTT fleet

EN5



Yet, there has been an increase in the size of the fleet for transport of parcels and express items due to the increased volume of e-commerce; therefore, if we adjust the real consumption to the profile of the fleet in the previous year, it is estimated that efficiency increased by around 2%. It should be noted that there has also been more activity of CTT's own operational fleet for delivery and transport (+2.52% in km and +0.71% in liters in relation to 2019), while the light passenger fleet showed lower activity, which increased the relative weight of kilometers travelled and liters consumed by the fleet of operational vehicles, in particular the light and heavy goods vehicles.

CTT also consumed more gas, for the canteens and heating of water of some CTT buildings, with gas consumption having increased by 3.2% in relation to 2019. In the production and logistics center of the Center region, a higher number of employees allocated to the site caused a higher number of meals and baths. In the production and logistics center of the North, due to having been a colder year, more gas was consumed to keep the water above 60 degrees, a prevention measure against Legionella.

CTT energy consumption

EN3

GJ	'19	'20	Δ '20/'19
Total green electricity consumption	142,892.2	131,880.7	-7.7%
Solar panel power consumption	127.2	127.2	0.0%
Thermal power consumption	6,575.7	5,785.0	-12.8%
Total fuel consumption	231,367.0	221,577.0	-4.1%
Total gas consumption	1,058.4	1,091.9	3.2%
Total	**382,020.5**	**360,461.9**	**-5,6%**

There was an overall reduction in CTT's energy consumption, associated to a reduction in electricity and fuel consumption. EN6

Total energy consumption is reflected in an energy bill of close to €13.3m. EN31 EN4

Buildings

Reinforcing the commitment to reduce energy consumption, with direct consequences on greenhouse gas emissions, CTT has implemented various energy efficiency and facility modernization measures. These interventions have primarily focused on the major components of the energy bills, air conditioning and lighting respectively. Follow-up was also ensured of the legal obligations applicable to CTT's buildings, concerning energy certification, covering 13 buildings. Energy Rationalization Plans were also completed at the production and logistics centers of the North and South, under the Energy Intensive Consumption Management System (SGCIE). Furthermore, a project was awarded for the monitoring of energy consumption at 72 CTT facilities for the three-year period 2020-2022, with a view to identifying opportunities for improvement and action proposals. Under this project, an energy management platform has already been introduced at 38 facilities, representing 90% of the total consumption of the 72 facilities. **EN6**

Operating centers and postal delivery offices

The three production and logistics centers (CPL) are the largest energy consumers, out of CTT's total number of approximately one thousand buildings, with the South and North being energy intensive consumers.

As a result of the effort to rationalize energy consumption and implement energy efficiency measures in these centers, there was an absolute reduction (-4.6%) of electricity consumption in the production and logistics center of the South. **EN6**

At the North Production and Logistics center, work continued towards the optimization of the scheduling of the lighting and areas to be illuminated, the timing adjusted to the production periods of the air conditioning system and the replacement of pendant lights and self-contained units by LED lighting. There was also a substantial change in the mail sorting machines, although it is still too soon to have reliable consumption data be assess the real impact on electricity consumption. However, the main cause of the increased total consumption in relation to 2019 occurred above all during June and July due to the doors of the buildings having been kept open because of the COVID-19 pandemic, which implied higher energy expenditure to cool the interior spaces of the buildings.

At the South Production and Logistics center, the reduction was primarily due to a reformulation of mail sorting machinery, with the removal of 13 machines and installation of 4 new machines that are technologically more advanced and energy efficient.

The postal delivery offices (CDP), delivery offices (CE) and postal logistics and delivery offices (CLD) also underwent interventions, with:

- Reformulation of the lighting systems, including the installation of LED solutions in 12 facilities;
- Remodeling of 1 CLD and 3 CE with construction practices aimed at improving energy efficiency;
- Reinstallation of 1 CLD and 1 CE office with construction practices aimed at improving energy efficiency.

Administrative services building

The CTT head office, in Lisbon, is responsible for 4.5% of CTT's total consumption of energy. Monitoring and control based on advanced solutions has thus become imperative, in order to identify and optimize potential actions to reduce consumption/costs.

Particular note should be made of the fact that part of the power consumed in the building comes from renewable sources, namely thermal solar power produced for hot sanitary water. **EN7**

Other buildings

Following best practice tested in previous years, 219 interventions were carried out in buildings, leading to higher energy efficiency and also contributing to reduce CTT's energy footprint. **EN6**

In general terms, the following actions are noteworthy:

- Opening of 3 new post offices with the new CTT concept at new locations and reopening of 23 post offices, with construction practices aimed at improving energy efficiency;
- Interventions in access ramps at one CTT post office;
- Improvements to the air conditioning of the facilities, with the replacement of older units by equipment with a higher energy efficiency class;
- Interventions in elevators, upgrading of electrical switchboards, replacement of air compressors and review of their network.

CTT also focuses on more ecological and more efficient solutions for buildings, having installed 3 small photovoltaic production pilot plants with a power output of up to 419 kW, in 2019. This solution shall soon be extended to a further 3 facilities, and the consequent installed power to a further 281 kW. **EN7**

In 2021, in addition to the small photovoltaic production plants, an investment is planned in production units for self-consumption, namely at the CTT Expresso facilities located in the MARL (Lisbon Regional Supply Market).

Charging points for electric vehicles were installed at CTT's facilities in Estarreja and at the CTT Expresso Operating center in Sacavém, due to the growing trend of expansion of the electric fleet for mail delivery.

The actions were continued in terms of replacement of computer equipment by more efficient equipment, enabling energy saving in the postal establishments.

Cutting energy consumption is essential for CTT, which annually spends around 6 million euros on electricity. **EN6**

It should be noted that the measures against the COVID-19 pandemic applied at CTT had an impact in lowering the company's energy consumption. These measures include those imposed by the state of emergency from 12 March to 2 May and from 4 November to 31 December, as well as the measures in the interim period of 3 May to 3 November.

Mobility

CTT operates one of the largest and most modern fleets of national companies, composed of 3,851 vehicles under direct operation, with transport services also being outsourced to third parties. CTT's fleet includes 335 less pollutant vehicles.

CTT Vehicles

	'19	'20	Δ '20/'19
Total vehicles in operation[59]	3,697	3,851	4%
Less pollutant vehicles	315	335	6%

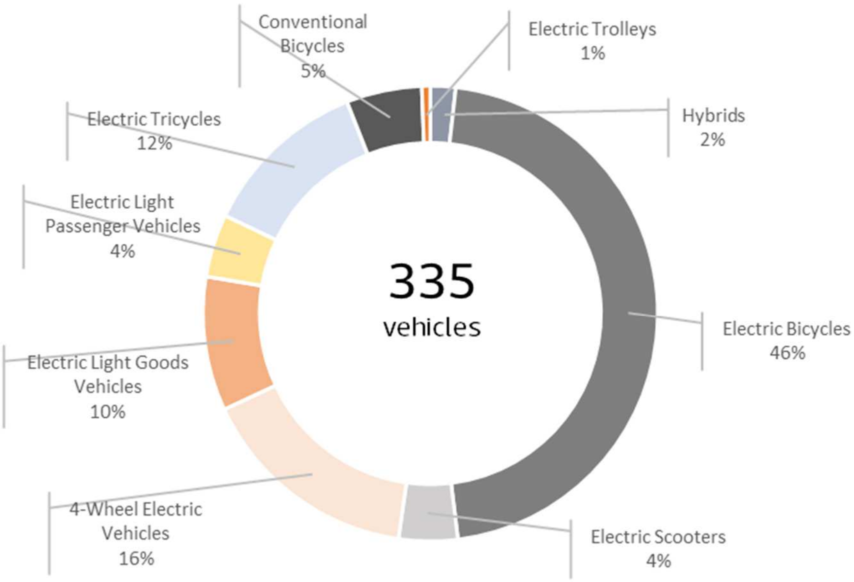
[59] Excludes the fleet of CORRE and 321 Crédito.

CTT's total activity covered 64.0 million km travelled by its own fleet (5.7% less than in 2019), plus 65.5 million km travelled by the outsourced road fleet (5.0% more than in 2019). EN3 EN4

As road transport is responsible for a significant part of the final energy consumed, it is crucial to develop measures aimed at the sustainability of this activity. The solutions are distributed over three areas of action: technological development, mobility management and behavioral change.

The search for economically efficient and environmentally friendly solutions has led to the acquisition of alternative vehicles, primarily electric vehicles, which currently correspond to 9% of CTT's total fleet, comprising 335 vehicles. In the same context, the integration of conventional vehicles with increasingly more recent technological solutions not only enables optimizing operating costs but also the highest possible reduction of the negative impacts of its activity. EN19 EN6

Type of alternative vehicles



The kilometers travelled by CTT's fleet of alternative vehicles increased by 29% in relation to 2019, not only due to the increased quantity of this type of vehicle but also due to the optimization and expansion of its activity.

The following types of vehicles were operationalized in 2020, as a result of the CTT fleet renewal policy: 8 light vans of larger capacity (15 m^3), 4 semi-trailer trucks, 200 motorcycles, 2 motor tricycle, 646 light vans (between 4 and 12 m^3 capacity) and 14 electric vans.

Three light vans of larger capacity (16 m^3) and 5 electric motorcycles were also purchased, which shall be operationalized in the first quarter of 2021.

It should be noted that CTT has progressively shown a change in its activity profile, with increased use of larger-sized vehicles as a consequence of the increased volume of express mail and parcels.

The overall average age of the fleet of CTT, S.A. decreased in relation to the previous year, and currently stands at 2.7 years.

Average age of the CTT, S.A. fleet

	'18	'19	'20
Overall average age	2.3	3.1	2.7

CTT has prepared a new Plan for Rationalization of Consumption and Energy (PRCE) for its fleet, with the seal of approval of the Directorate-General for Energy and Geology (DGEG) for the three-year period of 2018-2020. In 2020, work continued to accomplish the fleet renewal plan, the optimization of the delivery route and transport, the control of supplies and maintenance of vehicles, the installation of GPS systems in the operational vehicles, and the training and awareness-raising of drivers and fleet managers on safe and efficient driving. At the end of 2019, the accumulated reduction reached 6.2% (gep/vehicle.km), corresponding to a reduction of 421,363 liters (higher than the legally required 3.3%). The final information for 2020 is not yet available. However, it is expected that its evolution should be similar to that of the two previous years, with a reduction of around 280,000 liters of fuel. EN6 EN7

In 2019, the delivery operational fleet was subject to 30 monitoring actions onsite, carried out by CTT technical personnel, to raise the drivers' awareness on care and best practice in fleet use and maintenance. Due to the COVID-19 pandemic, these actions were suspended in 2020, with their resumption being expected as soon as this proves feasible.

In pursuing its focus on vehicles with alternative motorization, that are less pollutant and more sustainable, pilot tests were conducted with different electric vehicles in operational contexts: bicycles, cargo-bikes, motor tricycles and goods vans. All these vehicles, due to being electric, are characterized by the fact that they do not emit greenhouse gases during their use, they are silent and also easier to drive (no gearbox). They contribute to reducing CTT's ecological footprint and mitigate the risk of conventional vehicle restrictions to movements in urban/historical zones. This assessment is essential for future options for the increase of CTT's electric fleet. EN15

In 2020, CTT launched a Green Deliveries service, in response to the search for less pollutant and more carbon neutral solutions by its business customers. This service now allows the end customers to receive their parcels by CTT electric vehicles in the city of Lisbon, for the contracted locations.

For CTT's electric fleet, a pilot project for electric mobility was also started in 2020, with a logic of management, monitoring and control of the entire operation, aimed at contributing to an effective cost reduction and higher operational efficiency.

CTT organized the Portugal Drivers' Challenge edition in 2019, hosting 17 participant teams nationwide, at the Production and Logistics Center in Taveiro, Coimbra. This event is part of the IPC Sustainability Program and aims to distinguish best practice in the postal sector concerning reduction of consumption and CO_2 emissions, road safety and quality of service to the customer, among other aspects. The winning team of the national contest (Penafiel Delivery office) shall represent CTT at the international final of the IPC Drivers' Challenge, which shall be held in the Netherlands, initially planned for 2020, but postponed as a result of the pandemic, and with the date still being open to confirmation. EN19

Under the Road Safety program, CTT reduced its road-related accidents by 9.1%, in relation to 2019 (work-related accidents and material damage), with a total of 28.6 accidents per million km travelled. Since this program started in 2015, road-related absenteeism has fallen by 47,690 days, despite the annual increase observed in occupational accidents (15.6% more).

CTT joined the Christmas 2019 and New Year 2020 road prevention campaigns, promoted by the National Road Safety Authority, aimed at raising awareness on safe driving. Nevertheless, this has always been a habitual topic of focus and importance for CTT, in view of the size of the fleet and the large number of employees who travel the country's roads on a daily basis. CTT's Road Prevention Program covers all aspects in which human intervention can exert a positive influence, paying special attention to the training and awareness-raising of all the employees. In this regard, inhouse training and awareness-raising actions were promoted, involving a total of more than 5,500 participations, including all kinds of actions (awareness-raising, practical training of driving and training for senior managers).

CTT also joined the ROADPOL Safety Days, an initiative that seeks to reduce the number of traffic-related deaths per day in Europe to zero, on at least one day of the year. Portugal is among the 16 countries that achieved this goal in 2020. In this context and in celebration of a day without road deaths, CTT organized actions about this topic and concern, which involved the participation of close to 60 services, the majority of which in postal delivery offices, but also in operational centers. About 600 directors, managers responsible for operations and employees of different areas of CTT signed their individual commitment to Road Safety.

CTT once again took part in the European Mobility Week, this an occasion that has been commemorated for various years to reiterate its commitment to values related to the environment and corporate civic participation in the context of soft mobility. In 2020, in the pandemic context, the CTT program included a communication and awareness-raising plan which included games and tips. During this week, CTT invited all the employees to reflect on their mobility habits and find more responsible solutions, such as alternative transport and/or sharing lifts.

In 2020, follow-up was given to the actions foreseen to be accomplished by CTT under the Business Mobility Deal for the City of Lisbon, which CTT signed in 2019, at the invitation of Lisbon City Council, the World Business Council for Sustainable Development (WBCSD) and BCSCD Portugal. This is a public, voluntary, free of charge and collaborative agreement between Lisbon City Council and a group of 55 companies and institutions, aimed at actively improving mobility in the city of Lisbon, through the development of more ecological, safe and efficient mobility actions. The endorsement of this agreement publicly reinforces CTT's commitment to sustainable mobility and carbon management, in a continuous attitude of engagement, transparency and commitment. EN7

4.5.3 Atmospheric emissions and climate change

Climate change affects the company's costs, revenues and reputation, playing a fundamental role in the definition of its strategy. In most cases, the influence of the topic derives from the commitment to adaptation to climate change and potential financial gains, more than from the response to compliance with legal and regulatory obligations.

In 2020, there was a reduction (-2.9%) in CTT's total CO_2 emissions (scopes 1, 2 and 3) in relation to the previous year, primarily derived from the reduction of the owned fleet activity and journeys between home and the workplace (commuting), directly linked to the COVID-19 pandemic.

The emissions arising from CTT's own fleet activity decreased year-on-year (-4.2%). which is reflected in the total direct and indirect emissions derived from the acquisition of energy for own use (scopes 1 and 2). EN15

Scope 3, associated to outsourced transport, continues to represent the largest portion of emissions, accounting for 73.6% of the overall emissions of the company's activity, followed by scope 1 emissions relative to fuel consumption by the fleet and gas consumption in buildings (26.1%), and scope 2 relative to consumption of electricity and air conditioning (0.3%). EN17

EN16
EN17
EN19
EN15

CTT carbon emissions

t CO_2	'19	'20	Δ '20/'19
Direct emissions – Scope 1	16,491.0	15,798.4	-4.2%
Indirect emissions – Scope 2	190.1	165.8	-12.8%
Indirect emissions – Scope 3	45,703.3	44,584.8	-2.4%
Total emissions (Scopes 1, 2 and 3)	**62,384.5**	**60,549.0**	**-2.9%**

Direct emissions (scope 1) decreased, as a result of the lower fuel consumption by CTT's own fleet (previously referred to in the sub-chapter Energy).

Direct atmospheric emissions of CTT (tons)

EN21

Greenhouse gas emissions (t CO_2)	'19	'20	Δ '20/'19
Fleet [60]	16,426.4	15,731.6	-4.2%
Gas	64.6	66.8	3.4%
Total direct emissions (scope 1)	16,491.0	15,798.4	-4.2%
Other pollutants and GHG (t)			
NO_X	178.3	175.2	-1.7%
SO_X	47.0	45.2	-4.0%
CH_4 and N_2O	79.1	70.5	-10.9%

Indirect emissions arise from the electric and thermal energy consumed in buildings, as well as other indirect consumption that occurs along the value chain. These include emissions derived from outsourced road, air and sea transport, delivery by postmen on motorcycles and journeys between home and the workplace (commuting).

EN16
EN19

By acquiring green electricity for 100% of its consumption since 2015, the carbon emissions derived from CTT's electricity consumption are reported as zero based on the specific carbon content of the electricity supplier (market-based approach). By evaluating the total carbon footprint based on the national energy mix (location-based approach), it is found that the acquisition of energy corresponds to approximately 13.06 kt CO_2 per year. Thus, the acquisition of green energy influences CTT's total carbon footprint, as well as its performance in relation to the adopted carbon reduction targets.

Indirect atmospheric emissions from electricity and thermal power consumption by CTT

EN16
EN17

t CO_2 [61]	'19	'20	Δ '20/'19
Electricity consumption	0	0	0.0%
Thermal power consumption	190.1	165.8	-12.8%
Total indirect emissions (Scope 2)	**190.1**	**165.8**	**-12.8%**

There was increased activity of the outsourced road fleet (+5.0% of the distance travelled), with direct impact on the associated carbon emissions.

The emissions resulting from the air transport of mail, express & parcels products registered an increase relative to the previous year. Even though the COVID-19 pandemic caused a reduction in the number of flights, and CTT having recurred to less air mileage, an increase on the weight of postal volumes had a direct impact on emissions. It is worth noting that there was some transfer of volumes via sea routes in order to minimize the negative effects experienced by CTT customers. Part of the international postal volumes was also diverted to road transport.

The emissions arising from commuting by the employees also fell considerably as a result of the measures to fight against the COVID-19 pandemic applied at CTT. These measures include those imposed by the state of

[60] Excludes the fleet of CORRE and 321 Crédito service.
[61] Excludes CORRE and 321 Crédito service.

emergency from 12 March to 2 May and from 4 November to 31 December, as well as the measures in the interim period of 3 May to 3 November.

The carbon emissions arising from business travel abroad declined drastically, primarily due to the restrictions to movement in the pandemic context, but also due to the continuation given to meetings held by audio/videoconference. | EN6

Other indirect atmospheric emissions | EN4

t CO_2	'19	'20	Δ '20/'19
Air transport	11,696.7	11,762.2	0.6%
Sea transport	56.6	105.9	87.0%
Road transport by outsourced fleet [62]	25,523.8	27,320.4	7.0%
Delivery by postmen on motorcycles	2,141.3	2,459.2	14.8%
Air and rail travel on company business [63]	7.0	0.6	-91.6%
Commuting	6,278.0	2,936.6	-53.2%
Total outsourced transport (Scope 3)	**45,703.3**	**44,584.9**	**-2.4%**

Considering direct (scope 1) and indirect (scope 2) carbon emissions, the carbon incorporation of each postal item is 16.0g of CO_2, corresponding to an increase of 14.0% year-on-year. This deterioration was due to the reduction of total postal volumes having been greater than the reduction of fuel consumption. Incorporating scope 3 emissions, there was a 15.8% increase, associated to the factors presented above. | EN18

Climate change

CTT considers that the combat of climate change is an increasingly important topic for society and for companies and has been pursuing a long journey of promoting and supporting energy transition.

CTT has been experiencing increasing pressure from customers to seek less polluting or carbon-neutral solutions. CTT anticipated this trend with the launch of green mail in 2010 and currently the Express offer in Portugal is also carbon neutral, with no added costs for customers. Overall, the carbon neutral offer represents 17.4% of CTT's total revenues.

We joined the United Nations Global Compact initiative "Business Ambition for 1.5ºC", aimed at contributing to halt global warming and limit the increase of the global average temperature below 1.5°C. In this regard, CTT is part of a group of merely 576 companies in the entire world with ambitious targets to reduce carbon emissions approved, on the present date, by the Science Based Target Initiative (SBTi). CTT is committed to reducing absolute emissions by 30% by 2025 in relation to 2013 and emissions by letter or parcel by 20% over the same period.

The postal sector has implemented its own sustainability and carbon management program since 2008, promoted by IPC - International Post Corporation. The sector reached its proposed carbon reduction targets for 2020 ahead of time, and the working party moved forward to a new sustainability program, the Sustainability Monitoring and Measurement System (SMMS). This program is aligned with the 5 United Nations Sustainable Development Goals considered to be of most relevance to the postal sector, and now focuses on 7 areas of intervention: health and safety (SDG 8), learning and development (SDG 8), efficient use of resources (SDG 9), climate change (SDG 13), quality of the air (SDG 11), the circular economy (SDG 11) and sustainable

[62] Excludes CORRE, Transporta and 321 Crédito service.
[63] Only Includes international travel of CTT, S.A.

procurement (SDG 12). CTT was ranked in 2nd place at a worldwide level, among nineteen participants of the postal sector across the world, reflecting CTT's proficiency in the different areas of intervention addressed.

For the second year consecutively, CTT participated in the Green Postal Day, promoted by IPC, together with 14 other worldwide postal operators. This initiative aims to mark the positive results of the collective effort that postal operators worldwide have been putting into practice to counter climate change and reduce their carbon emissions.

CTT was distinguished at the highest level of Leadership in the category of Climate Change, with an A grade in the Carbon Disclosure Project (CDP) rating, the capital market index that is the main rating of energy and carbon sustainability at a worldwide level.

CTT also endorsed the Lisbon Green Capital Commitment 2020 – Lisbon 2030 Climate Action, at the invitation of Lisbon City Council and BCSD Portugal, which seeks to ensure the contribution of the different economic agents in the achievement of the goals and targets defined under the Action Plan for Sustainable Energies and the Climate and fosters a new vision of the city of Lisbon with a view to carbon neutrality by 2050. To this end, CTT submitted 14 measures in the following categories, aimed at improving the company's environmental performance: energy, mobility, water, circular economy and citizenship, and participation.

Under the identification and assessment of impacts derived from climate phenomena, with implications in terms of costs and operations, 5 events occurred, in particular winter storms and snowfalls. It is estimated that these events had an impact of €18k in operational terms and €1.2k in terms of work potential.

CTT adopts the following formulation of principles on these matters:

Policy on Energy and Carbon Management and Climate Change

- Creation of value for the business, and likewise generating value for society;
- Improvement of the energy efficiency of equipment, facilities, fleet and product design, with a view to continuous improvement of performance;
- Provision of information and resources, in order to achieve the established objectives and targets;
- Respect for the legal and regulatory framework in force and other commitments which the company endorses;
- Active involvement with partners, employees, customers, community and all other stakeholders aimed at the dissemination and promotion of these principles.

4.5.4 Consumption, waste and biodiversity

Water

Postal activity is not particularly intensive in its water consumption, although water constitutes a resource for the daily operation of the facilities, namely for human consumption, irrigation or occasional situations of vehicle washing and use in air conditioning equipment.

CTT Water Consumption

	'19	'20	Δ '20/'19
Consumption (m^3) [64]	40,856.3	31,680.5	-35.0%

EN8

There was a reduction in water consumption, strongly influenced by the lockdown and employee safety measures put in place to combat the COVID-19 pandemic. In addition to this, the measures that have been

[64] Among the subsidiaries, the water consumption of CORRE and 321 Crédito is not included.

progressively implemented to rationalize consumption may also have had an impact on this figure. The practice of reducing the number of times that vehicles are washed was maintained during this year.

CTT monitors the information in real time on the consumption of network water using telemetering, for the buildings of the Lisbon region, with a view to optimizing water consumption and costs.

The total cost related to water consumption at CTT represents €246.2k.

Consumption of materials

Although CTT's activity involves very little incorporation of intermediate or final materials in its supply process, priority has been given to their reduction.

Approximately 3,434.2 tons of consumption[65] of materials were recorded this year, corresponding to an increase of 8.9% year-on-year. In the total figures, the most representative consumption items are paper and plastic, accounting for 72.2% and 20.0% respectively. The recorded increase is associated to the consumption of plastic and wood, as a result of the operational changes related to COVID-19.

It should also be highlighted that from March onwards the COVID-19 factor generated a widespread saving of all the other consumables, such as paper and toner, as a result of the shifting of various more administrative areas to a telework arrangement.

The incorporation of recycled materials in products currently represents 6.2%. **EN2**

The implementation of actions aimed at decreasing the consumption of consumables and the dematerialization of procedures by digital models continued, with the online subscription of forms instead of pre-printed forms, as well as the digital filing of the generated case-files, namely in the operational areas. With regard to this innovation, special reference is made to the cash-on-delivery service, for prepaid items, in which the invoices are sent. **EN27**

Information and awareness-raising actions to minimize the consumption of materials were also directed at the employees, through the internal means of communication. In this regard, we highlight CTT's distinction as a final runner-up in the APCE Grand Award 2020, with the campaign "Even Better Than Recycling is Not Actually Using". This campaign aimed to raise awareness and stimulate an inhouse change of attitude with a view to reducing the consumption of printouts. The positive effects of the campaign enabled achieving a 9% reduction in the total number of printed sheets, equivalent to two hundred reams of paper.

Waste

Continuing the internal management practice and final sending of waste to the most suitable destination, recovery solutions, instead of sending waste to landfills, are given priority. This year, there was an increase in the annual quantity of waste produced, and of the total recovery rate which reached 97.9%, arising from the write-off of obsolete equipment and the cancellation of physical campaigns due to the COVID-19 pandemic. **EN27**

[65] The reported figures were obtained via analysis of the acquisitions made through the e-procurement electronic system. The gradual expansion and improvements introduced to the accounting process regarding the consumption of materials have enabled the inclusion of more products and the identification of different types of materials.

Waste

	'19	'20	Δ '20/'19	Destino
Paper and cardboard	595.5	1212.7	103.6%	Recovery
Plastic	143.8	222.4	54.7%	Recovery
Wooden pallets	209.9	532.0	153.5%	Recovery
Undifferentiated waste	191.9	236.6	23.3%	Recovery/Disposal
Other	156.2	230.2	47.4%	Recovery/Disposal
National Total	**1,297.3**	**2,433.8**	**87.6%**	

EN28

Waste by hazard level and destination[66]

Tons	Recovery	Disposal	Total
Hazardous waste	18.7	16.1	**34.8**
Non-hazardous waste	2,364.7	34.3	**2,399.0**
Total	**2,383.4**	**50.4**	**2,433.8**

CTT has progressively developed processes of reverse logistics with its customers and partners, in order to maximize the network occupation through the return transport of materials, which leads to benefits in terms of the efficiency of CTT's transport and logistics and cost-cutting. EN27

Projects have also been promoted in the field of the circular economy directed at CTT's customers, aimed at fostering a more efficient management of the natural resources used and prolonging the useful life of the products.

In this context, CTT signed an agreement with *Electrão* for collection of electrical and electronic equipment waste, used batteries and their dispatch for recycling.

Biodiversity

CTT pays special attention to the mitigation of its impacts, albeit indirect, on biodiversity. The fact that a significant part of CTT's business is based on communication on paper, makes this a relevant topic for the company. Therefore, while not considered a critical topic, the company manages its impacts on biodiversity in an active manner, focusing on the use of paper derived from sustainable forests and on promoting the use of certified paper in its products and services. EN12 EN27

Mail solutions prioritize the more sustainable options, especially in terms of selection of the materials to be used. It should be highlighted that the CTT large envelopes and boxes and the "Green"Mail offer have Forest Stewardship Council (FSC) certification.

CTT signed the "Act4nature" commitment, an initiative promoted by BCSD Portugal, aimed at encouraging companies to protect, promote and restore biodiversity, contributing to the reversal of its loss. To this end, CTT endorsed the 10 Common Commitments which are aligned with its sustainability program and a set of individual commitments focused on ongoing awareness-raising and communication, internal and external, on the topic of preservation of biodiversity and encouraging the sustainable use of natural resources.

For the 7th consecutive year, another edition of the initiative "A tree for the forest" was launched, within the scope of the partnership between CTT and Quercus. This campaign aims to restore the forest of some zones of the country with indigenous species, namely protected areas, classified areas and national forests at high risk EN13

[66] The amount of waste does not include CORRE or Transporta.

of fire or more affected by forest fires. The 2020 edition featured the sale of a new kit, with *fraxinus angustifolia*, also known as the Portuguese narrow-leafed ash, at CTT post offices countrywide and on CTT's online store, which is available until the launch of the next edition. Up to date, more than 90k trees have been planted, with the collaboration of hundreds of volunteers, outside the company, who joined this initiative.

CTT was once again a partner of the Portuguese government in "Portugal Chama" (or Portugal is Calling where 'chama' means both 'calling' and 'up in flames'), the campaign to raise awareness and prevention of forest fires nationwide, being part of a group of 25 companies committed to this cause. In this regard, a series of contents were disclosed to its employees and customers, warning them of the need to avoid risky behavior and curtail ignitions causing fire.

The launch of various collectable stamp issues on environmental matters included, in 2020, the publication of 2 stamp issues dedicated to the topics of "Indigenous Breeds" (3rd edition) and "International Year of Plant Health", involving a total of 1.03 million philatelic items.

Training and Awareness-Raising

CTT has regularly developed, both internally and externally, a large number of awareness-raising initiatives aimed at boosting knowledge on the matter, disseminating good practices by the employees and all other stakeholders, and drawing attention to certain environmental aspects, such as the conservation of resources, the protection of nature and the need for eco-efficiency, among other issues.

Various articles and contents of an environmental and social nature were published in the magazine Revista CTT, which also includes a section dedicated to Road Prevention, with an inhouse circulation of close to 21k copies per edition, aimed at raising the awareness of the employees. Likewise, environmental contents were also broadcast on the inhouse broadcasting channel CTT TV, at the head office building.

Reference is made to the inhouse celebration of thematic days throughout the year, which involved various games for the employees and their families, namely World Earth Day, National Energy Day, International Biodiversity Day, World Nature Conservation Day, European Car-Free Day, and European Day Without a Road Death (EDWARD). Tips and suggestions on small daily habits that we can all adopt aimed at protecting the environment and biodiversity were also publicized and, an awareness-raising action was carried out during the Christmas season with tips on sustainable gift wrapping.

The internal communication network (intranet), a point of connection for all CTT personnel, discloses CTT's sustainability policies and commitments, its performance and initiatives undertaken with a view to environmental protection and social integration. The dissemination of e-newsletters continued, with sustainability contents directed at the employees of the operational areas.

An internal webinar was also conducted about the theme of "The effects of plastic on the environment and in health", with a view to raising the awareness of the employees on the harmful consequences of microplastics and the use of plastic, a relevant topic during current times.

At an external level, CTT regularly shares news items on sustainability, through its Facebook page – Esfera CTT, which currently has over 48k fans. CTT is also present on the social networks Linkedin and Instagram, which has more than 76.5k followers. In 2020, a competition "A Tree for the Forest 2020" was launched on Instagram, that reached more than 10.8k users with more than 50 participations.

Moreover, articles were also published about CTT's sustainability program on the websites of Marketeer, Executive Digest and the digital platform ECO - Capital Verde. CTT also conveyed information to its customers in this sphere through the TV channel of its post offices network at a national level.

The joint action of CTT and two associations of the paper industry launched the campaign "Keep Me Posted – The Citizen's Right to Choose", replicating the European campaign with the same name in our country. This campaign promotes the citizens' right to choose the way they want to receive their information (such as accounts and statements from service providers) – on paper or digital, or both – without any penalization, extra cost or imposition. To this end, posters were displayed, and leaflets were provided at CTT post offices and postal agencies which aroused the interest of the customers, with the campaign having been disseminated on the social networks and the Portuguese website "Keep Me Posted" launched.

CTT once again sponsored the "Smart Cities" initiative that organized a series of conferences and showcases of some of the most advanced solutions for urban sustainability and disclosed various initiatives that seek to make Portuguese cities smarter and more sustainable. Reference is made to CTT's participation in the "Smart Cities Tour 2020", in which a series of sustainability initiatives implemented by CTT, the CTT Green Deliveries service and the CTT green mail offer were presented. CTT also participated in the "Green Fest", being in the panel of speakers and presenting the topic of "Sustainability in CTT's Value Chain", in the BCSD Portugal working party on "Carbon Neutrality", under which it presented a pitch on "Electric Vehicle Batteries", and in the online event of the Act4Nature Portugal – Companies for Biodiversity Program, which included the publication and dissemination of CTT's commitments, among a group of other companies joining this event.

Environmental Investment

In 2020, total environmental investment amounted to approximately €3.4m. In terms of the distribution of the investment, the majority took place at CTT S.A., with a significant focus on fleet renewal, aiming to improve CTT's overall performance. EN31

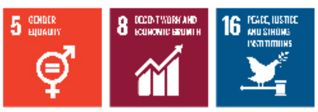
Environmental investment

(€1,000)[67]	'19	'20	Δ '20/'19
Maintenance, Conservation of Buildings	82.47	431.0	422.6%
Renewal of the Conventional Fleet	1,243.8	2,719.1	118.6%
Environmental Reporting, Partnerships, Events and Sponsorships	121.0	86.4	-28.5%
Information Technology Equipment	742.4	71.7	-90.3%
Renewal of the Electric Fleet	0.0	72.9	-
Certifications and Legal Compliance	40.6	35.6	-12.3%
Energy and Carbon Management	88.8	27.9	-68.0%
National Total	**2,319.0**	**3,444.7**	**48.6%**

[67] Excludes CORRE and 321 Crédito service.

05

Corporate Governance



Committed to Deliver

5. CORPORATE GOVERNANCE[68]

TABLE OF CONTENTS

[68] References to points and Parts in this chapter 5 (Part I – Corporate Governance, Points 1 to 92 and Part II – Assessment of Corporate Governance) should be considered within Chapter 5 itself, unless expressly stated otherwise.

Part I – Information on shareholder structure, organization and corporate governance

5.1. SHAREHOLDER STRUCTURE

5.1.1. Capital Structure

1. Capital Structure (share capital, number of shares, distribution of capital among shareholders, etc.), including an indication of shares not admitted to trading, different classes of shares, rights and duties of same and the capital percentage that each class represents (Art. 245-A(1)(a))

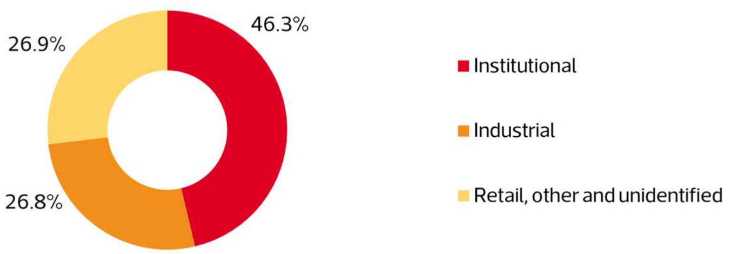
CTT's share capital is €75,000,000.00, fully paid-up and underwritten, being represented by 150,000,000 ordinary (there are no different categories), registered, book-entry shares with nominal value of €0.50 each, listed for trading on the regulated market managed by Euronext Lisbon - Sociedade Gestora de Mercados Regulamentados, S.A. ("Euronext Lisbon").

Characterization of the capital structure

At the end of 2020, a study was conducted aimed at characterizing CTT's capital structure. This study identified 139 institutional shareholders holding over 46% of the Company's capital and 2 industrial shareholders holding around 27%, the latter percentage similar to that held by retail and other investors.

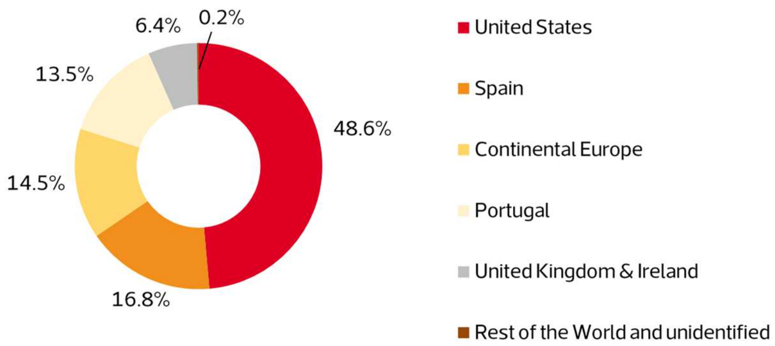
According to this survey, CTT shareholder composition in terms of investor profile was as follows:

CAPITAL STRUCTURE BY INVESTOR PROFILE



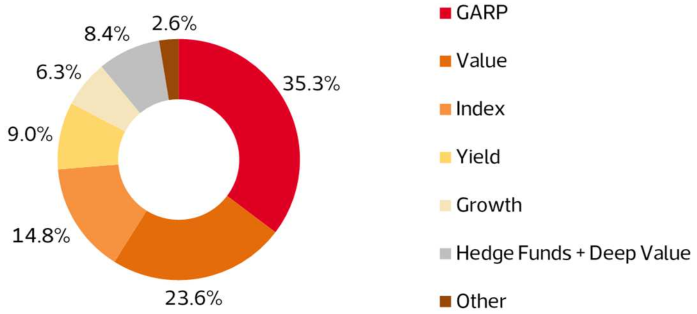
With regard to **geographical breakdown**, according to the same survey, CTT's **institutional shareholders** were mainly based in the **United States of America** (circa 49%), followed by **Spain** (approximately 17%), **Continental Europe** (including France and Germany) with about 15% and **Portugal** with around 14%. Finally, the percentage of CTT's share capital held by institutional investors in the **United Kingdom and Ireland** was higher than 6%. This geographical breakdown is illustrated in the following graph:

GEOGRAPHICAL BREAKDOWN



The study also included an analysis of CTT's shareholder composition by **investment strategy**. According to this analysis, at the end of 2020, institutional investors with a **GARP** (Growth at A Reasonable Price) investment strategy represented over 35% of the Company's institutional investment, while those with a **Value** type of investment strategy represented circa 24%, followed by **Index** investors which represented approximately 15% of the total. Investors with a **Yield** strategy represented 9% of the institutional investment in CTT and those with a **Growth** strategy more than 6%, while institutional investment from **Hedge Funds** (4.6%) and **Deep Value** (3.8%) summed up over 8%, as illustrated graphically below:

INSTITUTIONAL SHARES BY INVESTMENT STRATEGY



Finally, the study demonstrated that, at the end of 2020, the 10 largest shareholders of CTT (including institutional and industrial) held circa 51% of the Company's capital (compared to 50% at the end of 2019), while the 25 largest held a total of more than 63% (at the end of 2019, this percentage was 65%).

2. Restrictions on the transfer of shares, such as clauses on consent for disposal, or limits on the ownership of shares (Art. 245-A(1)(b))

CTT shares are **not subject to any limitations** (whether statutory or legal) regarding their transfer or ownership, in compliance with Recommendation II.2 of the IPCG Governance Code ("IPCG Code ").

Although CTT's shares are freely transferable, their acquisition implies, as of the commercial registration date of Banco CTT (a credit institution fully owned by CTT), **compliance with the legal requirements on direct or indirect qualified shareholdings** established in the Legal Framework of Credit Institutions and Financial Companies laid down in Decree-Law No. 298/92, of 31 December, in its current version.

In particular, and pursuant to article 102 of this Legal Framework, anyone intending to hold a qualified holding in CTT and indirectly in Banco CTT (i.e. direct or indirect holding equal to or higher than 10% of the share capital or voting rights or that, for any reason, enables exerting significant influence on the management) should previously inform Bank of Portugal ("BoP") on their project for the purpose of its non-opposition thereto. In turn, acts or facts that give rise to the acquisition of a shareholding of at least 5% of the capital or voting rights of CTT and indirectly in Banco CTT, should be communicated to BoP, within 15 days as of its occurrence, pursuant to article 104 of said Legal Framework.

3. Number of own shares, the percentage of share capital that it represents and corresponding percentage of voting rights that corresponded to own shares (Art. 245-A(1)(a))

As of 31 December 2020, and on the present date, **CTT held, and holds, 1 own share, with the nominal value of €0.50, corresponding to 0.000% of the share capital**, with all the inherent rights being suspended by force of the provisions of article 324(1)(a) of the Portuguese Companies Code ("PCC").

4. Important agreements to which the company is a party and that come into effect, are amended or terminated in cases such as a change in the control of the company after a takeover bid, and the respective effects, except where due to their nature, the disclosure thereof would be seriously detrimental to the company; this exception does not apply where the company is specifically required to disclose said information pursuant to other legal requirements (Art. 245-A(1)(j))

As of 31 December 2020, and on the present date, the following contracts of strategic relevance to CTT were and are in force, with clauses related to change of control:

- The contract for **selling Cetelem credit products** in the CTT Retail Network and on its website concluded on 23 June 2014 with **BNP Paribas Personal Finance, S.A.**, whose scope was extended to Banco CTT on 31 August 2016. This contract was given an Amendment on 20 December 2018 but remained unchanged as to the possibility of unilateral termination by any of the parties, under certain circumstances, in the event of a change of shareholder control;
- The contract concluded on 16 July 2013 with **Fidelidade – Companhia de Seguros, S.A.** for the brokerage of this entity's insurance, whose scope was extended to Banco CTT on 22 July 2016, was revoked by the parties and replaced by a new contract concluded on 2 September 2020 with **Fidelidade – Companhia de Seguros, S.A.** for the brokerage of this entity's insurance. The possibility of termination by any of the parties in the event of change of the counterpart's shareholder structure was maintained, as well as the possibility of unilateral termination by Fidelidade if CTT should lose control of Banco CTT;
- The contract concluded on 20 September 2018 with **Western Union Payment Services Network EU/EEA Limited ("Western Union")** and **Western Union Payment Services Ireland Limited ("WUPSIL")** for the provision of fund transfer services, which establishes the possibility of unilateral termination of the contract by Western Union in the event of a change of CTT's shareholder structure, remains in force.
- The 3 **contracts concluded on 18 November 2015 between CTT and Banco CTT** (institution entirely held by CTT and which exercises its activity through personal attendance predominantly in CTT's Retail Network), which regulate the provision of means inherent to the Retail Network and CTT/Banco CTT partnership relative to the CTT Channel. The employer plurality regime adopted in the context of employment contracts with employees of the Retail Network and the provision of services between the parties remain in force, establishing the possibility, by initiative of any of the parties, of a renegotiation of the respective bargaining/financial balance, of good faith and based on normal market conditions, in case of the end of the controlling or group relations or an event leading to CTT being controlled by a competitor of Banco CTT.

The aforesaid clauses constitute **normal market conditions in this type of contract for selling/delivering financial products and partnerships** (especially for protection of the parties in the case of acquisition of control of the counterpart by competitors) **and neither seek nor are able to hamper the free transferability of CTT shares**.

On the other hand, the Company is **not a party of any other significant agreements which enter into force, are altered or cease (nor the respective effects) in the case of CTT's change of control following a takeover bid**.

No measures have been adopted and nor is CTT a party in any significant agreements that determine the requirement of payments or the undertaking of costs by the Company in the case of transition of control or change of composition of the governing body and which appear capable of hindering the free transferability of

CTT shares and the free appraisal by the shareholders of the performance of the members of the management body of CTT.

5. A system that is subject to the renewal or withdrawal of countermeasures, particularly those that provide for a restriction on the number of votes capable of being held or exercised by only one shareholder individually or together with other shareholders

The Articles of Association set no limits to the number of votes that may be held or exercised by a single Shareholder, individually or jointly with other Shareholders.

6. Shareholders' agreements that the company is aware of and that may result in restrictions on the transfer of securities or voting rights (Art. 245-A(1)(g))

The Company is **not aware of any shareholder agreements** regarding CTT, namely on matters of transfer of securities or voting rights.

5.1.2. Shareholdings and bonds held

7. Details of the natural or legal persons who, directly or indirectly, are holders of qualifying holdings (Art. 245-A(1)(c) & (d) and Art. 16), with details of the percentage of capital and votes attributed and the source and causes of the attribution

As of 31 December 2020, **based on the communications to the Company** made up to this date, the structure of the qualified holdings in CTT, calculated under the terms of article 20 of the Portuguese Securities Code, was as follows (notwithstanding changes disclosed to the market up to the date hereof and also identified in the table below):

Shareholders		Number of Shares	% Share Capital	% Voting Rights
Manuel Champalimaud SGPS, S.A. (1)		19,330,084	12.887%	12.887%
Manuel Carlos de Melo Champalimaud		353,185	0.235%	0.235%
Manuel Carlos de Melo Champalimaud (1)	**Total**	**19,683,269**	**13.122%**	**13.122%**
Global Portfolio Investments, S.L. (2)		15,057,937	10.039%	10.039%
Indumenta Pueri, S.L. (2)	**Total**	**15,057,937**	**10.039%**	**10.039%**
GreenWood Builders Fund I, LP (3)		10,020,000	6.680%	6.680%
GreenWood Investors LLC(3)	**Total**	**10,020,000**	**6.680%**	**6.680%**
Norges Bank (4)	**Total**	**5,250,000**	**3.500%**	**3.500%**
BBVA Asset Management, SA SGIIC (5)	**Total**	**3,495,499**	**2.330%**	**2.330%**
BPI Gestão de Activos (6)	**Total**	**3,044,307**	**2.030%**	**2.030%**
CTT, S.A. (own shares)	**Total**	**1**	**0.000%**	**0.000%**
Remaining shareholders (7)	**Total**	**93,448,987**	**62.299%**	**62.299%**
TOTAL		**150,000,000**	**100.000%**	**100.000%**

(1) Includes 19,246,815 shares held by Manuel Champalimaud SGPS, S.A. and 83,269 shares held by the members of its Board of Directors of which Duarte Palma Leal Champalimaud, Non-Executive Director of CTT, is Vice-Chairman. Qualified shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud.

(2) Global Portfolio Investments, S.L. is controlled by Indumenta Pueri, S.L.

(3) GreenWood Investors, LLC, of which Steven Duncan Wood, Non-Executive Director of CTT, is Managing Member, exercises the voting rights not in its own name but on behalf of GreenWood Builders Fund I, LP as its management company. The full chain of controlled undertakings through which the voting rights are held includes GreenWood Investors, LLC and GreenWood Performance Investors, LLC.

[4] As the exact amount of shares was not communicated by the shareholder, the amount presented corresponds to a calculation based on the total percentage indicated in the corresponding notification. On 05.01.2021, Norges Bank communicated an increase in its shareholding to 3.51% and on 19.01.2021 a reduction of such shareholding to 2.83%, according to the press releases on qualifying holdings available on CTT's website (https://www.ctt.pt/contentAsset/raw-data/d62924d6-0a5b-464c-b46e-232489d94acd/ficheiroPdf/Norges%20Bank%2005Jan2021_EN.pdf?byInode=true) and (https://www.ctt.pt/contentAsset/raw-data/24d4fcdb-8fd8-45ff-b7dc-1e2ae0b9b75f/ficheiroPdf/Norges%20Bank%2019Jan2021_EN.pdf?byInode=true).
[5] BBVA ASSET MANAGEMENT, SA, SGIIC exercises the voting rights not in its own name but on behalf of the funds BBVA BOLSA FI, BBVA BOLSA EURO FI, BBVA BOLSA EUROPA FI and BBVA BOLSA PLUS FI as their management company. Cidessa Uno, SL is the direct controlling entity of BBVA ASSET MANAGEMENT, SA, SGIIC.

[6] This holding corresponds to the number of shares held by Portuguese securities investment funds managed by BPI Gestão de Activos-Sociedade Gestora de Fundos de Investimento Mobiliário, S.A., as well as held by portfolios regarding which BPI Gestão de Activos -Sociedade Gestora de Fundos de Investimento Mobiliário, S.A. carries out the discretionary management, as per press release on qualifying holdings of 31.10.2019 available on CTT website (https://www.ctt.pt/contentAsset/raw-data/3284b20d-d2e6-4571-a9f2-ff6e5f2c2ad3/ficheiroPdf/BPI%2031Oct2019_EN.pdf?byInode=true).

[7] On 04.01.2021, Citigroup Global Markets Limited submitted a notification of major holdings in CTT as it considered that after 31 December 2020 it no longer satisfied the criteria to rely on the trading book exemption, following the United Kingdom's departure from the European Union and the conclusion of the Brexit transition period (see press release on CTT website, at https://www.ctt.pt/grupo-ctt/investidores/comunicados/index?topic=participacao&year=2021&search=). On 22.02.2021, Citigroup Global Markets Limited communicated a decrease in its shareholding to 1.9042%, so it no longer holds a qualifying shareholding in CTT (see press release on CTT website, at https://www.ctt.pt/grupo-ctt/investidores/comunicados/index?topic=participacao&year=2021&search=).

8. A list of the number of shares and bonds held by members of the management and supervisory boards. [NOTE: the information should be provided so that art. 447(5) of the PCC is complied with]

The tables below show the number of shares held by the members of the managing and supervisory bodies who exercised functions in 2020 (both within the scope of the 2017-2019 term of office and within the 2020-2022 term of office, which is ongoing since 29 April 2020) and who are persons discharging managerial responsibilities according to article248-B of the Portuguese Securities Code and to Regulation (EU) No 596/2014, of 16 April ("Regulation EU"), as per communications made to the Company in 2020, as well as their closely related parties, including all their acquisitions, encumbrances or transfers of ownership, as follows:

Board of Directors[a]	Number of shares as of 31.12.2019	Date	Acquisition	Encumbrance	Disposal	Price (€)	Number of shares as of 31.12.2020
Raul Catarino Galamba de Oliveira	0[b]	14/05/2020	2,500	---	---	1.9160	
		14/05/2020	2,500			1.9180	
		14/05/2020	2,500			1.9060	
		14/05/2020	2,500			1.9200	
		15/05/2020	1,750			1.9860	
		15/05/2020	3,250			1.9880	
		15/05/2020	5,000			1.9660	20,000
João Afonso Ramalho Sopas Pereira Bento	20,000[c]	20/03/2020	2,000	---	---	1.913	
		20/03/2020	2,000			1.960	
		20/03/2020	2,000			1.908	
		06/11/2020	1,000			2.1750	
		06/11/2020	1,500			2.1750	
		09/11/2020	1,000			2.1550	
		09/11/2020	1,000			2.1900	
		11/11/2020	1,000			2.1650	31,500
António Pedro Ferreira Vaz da Silva	3,500[d]	13/05/2020	3,500	---	---	1.96	7,000
Guy Patrick Guimarães de Goyri Pacheco	6,000[e]	19/03/2020	1,000	---	---	1.871	
		19/03/2020	1,000			1.875	8,000
João Carlos Ventura Sousa	300[f]	13/05/2020	2,551	---	---	1.9400	2,851
João Miguel Gaspar da Silva	0[g]	11/05/2020	11,435	---	---	2.055	11,435
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia	0	---	---	---	---	---	0
Steven Duncan Wood	0	---	---	---	---	---	0
Duarte Palma Leal Champalimaud	15,000	---	---	---	---	---	15,000
Isabel Maria Pereira Aníbal Vaz	0	---	---	---	---	---	0
João Eduardo Moura da Silva Freixa [h]	0	---	---	---	---	---	0
Jürgen Schröder	0	---	---	---	---	---	0

Margarida Maria Correia de Barros Couto	0	---	---	---	---	---	0
María del Carmen Gil Marín	0	---	---	---	---	---	0
Susanne Ruoff	0	---	---	---	---	---	0

[a] Composition of the Board of Directors as of 31/12/2020. Includes the members of the Executive Committee and the Audit Committee.
[b] Number of shares held as at the date of his election as Chairman of the Board of Directors at the 2020 AGM, on 29/04/2020. Acquisitions disclosed to the market in a management transactions press release of 18.05.2020 available on CTT website, at https://www.ctt.pt/contentAsset/raw-data/0f80d1dd-df4f-46a6-9d1e-ac66fef66c9a/ficheiroPdf/Mgmt.%20transactions_RGalamba%2018May20_EN.pdf?byInode=true.
[c] Acquisitions disclosed to the market in management transactions press releases of 20/03/2020, 09/11/2020, 10/11/2020 and 22/01/2021 available on CTT website, at https://www.ctt.pt/contentAsset/raw-data/f51d439b-fd26-41ae-89f0-7be4068bcab8/ficheiroPdf/Management%20transactions-CEO%2020mar2020_EN.pdf?byInode=true, https://www.ctt.pt/contentAsset/raw-data/d5d06f96-89e2-4667-9d17-4571b43a2ad1/ficheiroPdf/CEO%20Jo%C3%A3o%20Bento%2009Nov2020_EN.pdf?byInode=true https://www.ctt.pt/contentAsset/raw-data/daa5adbe-e089-48a8-ad98-29dbbaa3ab0f/ficheiroPdf/CEO%20Jo%C3%A3o%20Bento%2010Nov2020_EN.pdf?byInode=true and https://www.ctt.pt/contentAsset/raw-data/61aec5f0-1bc0-40dd-aa37-5d27b6da771c/ficheiroPdf/CEO%20Joao%20Bento%2022Jan2021_EN.pdf?byInode=true.
[d] Acquisition disclosed to the market in a management transactions press release of 15/05/2020 available on CTT website, at https://www.ctt.pt/contentAsset/raw-data/dc1c4552-be06-4cf9-8212-b8cffda825cc/ficheiroPdf/Mgmt.%20transactions_APSilva%2015May20_EN.pdf?byInode=true.
[e] Acquisitions disclosed to the market in a management transactions press release of 19/03/2020 available on CTT website, at https://www.ctt.pt/contentAsset/raw-data/3f3bbecd-e4af-4b8a-bdfe-cf70909d44d0/ficheiroPdf/Management%20Transaction%20-%20CFO%2019Mar2020_EN.pdf?byInode=true.
[f] Acquisition disclosed to the market in a management transactions press release of 15/05/2020 available on CTT website, at https://www.ctt.pt/contentAsset/raw-data/f1e7a368-9eb5-495f-9bee-40d531570a33/ficheiroPdf/Mgmt.%20transactions_JSousa%2015May20_EN.pdf?byInode=true.
[g] Acquisition disclosed to the market in a management transactions press release of 12/05/2020 available on CTT website, at https://www.ctt.pt/contentAsset/raw-data/6d2d915a-c59f-4ec3-9639-bf7131a221e6/ficheiroPdf/Management%20Transactions%20-%20ADJGS%2012May2020_EN.pdf?byInode=true.
[h] Announced his resignation from the position of Member of the Board of Directors of CTT on 10/12/2020, which took effect on 31/01/2021 as provided by law.

Board of Directors[a]	Number of shares as of 31.12.2019	Date	Acquisition	Encumbrance	Disposal	Price (€)	Number of shares as of 31.12.2020
António Sarmento Gomes Mota	0	---	---	---	---	---	0[b]
Nuno de Carvalho Fernandes Thomaz	0	---	---	---	---	---	0[b]
José Manuel Baptista Fino	0	---	---	---	---	---	0[b]
Céline Dora Judith Abecassis-Moedas	0	---	---	---	---	---	0[b]
Maria Belén Amatriain Corbi	0	---	---	---	---	---	0[b]
Rafael Caldeira de Castel-Branco Valverde	0	---	---	---	---	---	0[b]
Francisco Maria da Costa de Sousa de Macedo Simão	0	---	---	---	---	---	0[c]

[a] Members of the Board of Directors who terminated duties before 31/12/2020, including Executive Committee and Audit Committee.
[b] Number of shares held at the date of termination of duties, on 29/04/2020.
[c] Number of shares held as of 06/12/2020, effective date of resignation from office by the Executive Director, communicated to the market on 18/12/2019.

Closely Related Parties	Number of shares as of 31.12.2019	Date	Acquisition	Encumbrance	Disposal	Price (€)	Number of shares as of 31.12.2020
Manuel Champalimaud SGPS, S.A. [a]	19,146,815	[c]	---	---	---	---	19,246,815
GreenWood Builders Fund I, LP [b]	8,759,082	[c]	---	---	---	---	10,020,000

[a] Entity closely related to Duarte Palma Leal Champalimaud, in which the Non-Executive Director of CTT is Vice-Chairman of the Board of Directors.
[b] Entity closely related to Steven Duncan Wood, Non-Executive Director and member of the Audit Committee of CTT and Managing Member of GreenWood Investors, LLC, management company of the GreenWood Builders Fund I, LP.
[c] The details of the transactions are presented in Annex II of this Report.

Statutory Auditor	Number of shares as of 31.12.2019	Date	Acquisition	Encumbrance	Disposal	Price (€)	Number of shares as of 31.12.2020
KPMG & Associados, SROC, S.A.	0	---	---	---	---	---	0

Paulo Alexandre Martins Quintas Paixão	0	---	---	---	---	---	0
Vítor Manuel da Cunha Ribeirinho[1]	0	---	---	---	---	---	0

[1] Alternate Statutory Auditor

9. Special powers of the Board of Directors, especially as regards resolutions on the capital increase (Art. 245-A(1)(i)) with an indication as to the allocation date, time period within which said powers may be carried out, the upper ceiling for the capital increase, the amount already issued pursuant to the allocation of powers and mode of implementing the powers assigned

The powers attributed to the Board of Directors of CTT are described in point 21 of Part I below. Statutorily, **there are no provisions attributing special powers to the Board of Directors regarding capital increases**, since this is a matter of the exclusive competence of the General Meeting.

10. Information on any significant business relationships between the holders of qualifying holdings and the company

The significant commercial relations maintained between the Company and its holders of qualifying holdings during the 2020 financial year correspond to **transactions with related parties** identified in point 92 of Part I below.

5.2. CORPORATE BODIES AND COMMITTEES | LA12

5.2.1. General Meeting

a) Composition of the Presiding Board of the General Meeting

11. Details and position of the members of the Presiding Board of the General Meeting and respective term of office (beginning and end)

Under the terms of article 10 of the Articles of Association of CTT, the Board of the General Meeting is composed of **a Chairman and a Vice-Chairman**, elected every 3 years, at the General Meeting.

As at the date of the Annual General Meeting held on 29 April 2020, the composition of the Board of the General Meeting was as follows:

Members	Position	Term of office [1]
Júlio de Lemos de Castro Caldas [2]	Chairman	2017/2019
Francisco Maria Freitas de Moraes Sarmento Ramalho	Vice Chairman	2017/2019

[1] Members initially elected on 12/11/2013 to complete the term of office 2012/2014, with the General Meeting of 24/03/2014 having deliberated to extend their duties to the term of office 2014/2016. Re-elected for the 2017/2019 term of office at the Annual General Meeting of 20/04/2017.

[2] Júlio de Lemos de Castro Caldas passed away on 04/01/2020.

At the General Meeting held on 29 April 2020, the members of the Board of the General Meeting were elected for the term of office 2020/2022, which, as of 31 December 2020 and on the present date, is composed of:

Members	Position	Term of office
Pedro Miguel Duarte Rebelo de Sousa	Chairman	2020/2022
Teresa Sapiro Anselmo Vaz Ferreira Soares	Vice-Chairman	2020/2022

Pursuant to that same statutory provision, the members of the Board of the General Meeting are assisted by the Secretary of the Company, duties performed in 2020 and currently by Maria da Graça Farinha de Carvalho.

b) **Exercise of voting rights**

12. Any restrictions on the right to vote, such as restrictions on voting rights subject to holding a number of percentage of shares, deadlines for exercising voting rights, or systems whereby the financial rights attaching to securities are separated from the holding of securities (article 245-A(1)(f))

CTT's Articles of Association **do not provide for any limitations in terms of voting rights** or any systems detaching voting rights from ownership rights, so CTT considers sub-recommendation II.1.(1) as complied with, and sub-recommendation II.1.(2) as not applicable, both within the scope of Recommendation II.1. of the IPCG Code.

Pursuant to articles 7 and 8 of the Articles of Association, the right to vote at the General Meeting is given to shareholders who, on the **record date**, corresponding to 0 hours (GMT) of the 5th trading day prior to the General Meeting, hold at least **1 share**. Under these same provisions, the right to vote can be exercised by representation, correspondence or electronic means and can cover all the matters presented in the call notice. The exercise of the right to vote by any of these methods should be carried out under the terms and within the stipulated periods and through the mechanisms established in detail in the call notice in order to encourage shareholder participation.

In 2020, and considering on the one hand the "**Recommendations within the scope of General Meetings**" published on the website of the Portuguese Securities Market Commission ("CMVM") at www.cmvm.pt and on the other hand the recommendations, in the same sense, published by the Portuguese Institute of Corporate Governance ("IPCG"), under which it was recommended that alternative ways of holding General Meetings should be preferred, the participation in CTT's General Meeting was exclusively carried out by electronic means, whereby Shareholders wishing to participate and vote at the General Meeting should qualify for such purpose under the terms described in the call notice and exercise such rights by electronic correspondence or electronic means.

13. Maximum percentage of voting rights that may be exercised by a single Shareholder or by Shareholders related to the former in any of the ways set out in article 20(1) of the Portuguese Securities Code

CTT's Articles of Association **do not contain any limitation on percentage of voting rights** that may be exercised by a single shareholder or by shareholders related to the former in any of the ways set out in article 20(1) of the Portuguese Securities Code (CVM).

14. Shareholder resolutions for which the Articles of Association require a qualified majority, in addition to those stipulated by law

CTT's Articles of Association **do not provide for qualified majorities** in order to take resolutions beyond those prescribed by law.

5.2.2. Management and Supervision

a) **Composition**

15. Details of corporate governance model adopted

The Company has endorsed an **Anglo-Saxon type of governance model** since 2014.

The corporate bodies include the General Meeting, the Board of Directors, which is responsible for the Company's management, the Audit Committee and the Statutory Auditor, with the last two being responsible for its supervision.

System of Checks and Balances

G40

- In this regard, the **General Meeting** has powers to: (i) elect the members of the governing bodies (including the members of the Board of the General Meeting, the Board of Directors and the Audit Committee as well as the Statutory Auditor, this last body upon proposal of the Audit Committee), (ii) assess the annual report of the Board of Directors and the opinion of the Audit Committee, (iii) determine the allocation of profits and (iv) pass resolutions amending the Articles of Association.
- Under its management duties, the **Board of Directors** has delegated day-to-day management powers to the Executive Committee (see description in point 21 of Part I below), whose action is supervised by the non-executive Directors, namely by the Corporate Governance, Evaluation and Nominating Committee which, since 29 April 2020 and currently, is composed of three non-executive Directors who are in the majority independent (in performing the duties referred to in the same point).
- The **Audit Committee** (composed of non-executive directors who are in the majority independent), together with the **Statutory Auditor**, perform the duties of supervision that arise from the applicable legal and regulatory provisions, is responsible for promoting and monitoring the independence of the Statutory Auditor and the Company's internal audit, with a view to contributing to the quality of the financial information and the efficacy of the internal control, including risk management, compliance and internal audit systems (see description in point 38 of Part I below).
- Furthermore, the **Remuneration Committee** (composed of members who are independent in relation to the management and elected by the General Meeting) is responsible for establishing the remunerations of the corporate bodies (see description in point 66 of Part I below).

This governance model has enabled the consolidation of CTT's governance structure and practices, in line with the best national and international practices, promoting the effective performance of duties and coordination of the corporate bodies, the proper operation of a system of checks and balances and the accountability of its management to its shareholders and other stakeholders.

16. Articles of association rules on the procedural requirements governing the appointment and replacement of members of the Board of Directors, the Executive Board and the General and Supervisory Board, where applicable. (Article 245-A(1)(h))

Pursuant to articles 9 and 12 of the Articles of Association, the election of the Board of Directors is entrusted to the General Meeting, including its Chairman and Vice-Chairman, by a majority of the votes cast by the shareholders present or represented (or by the most voted proposal in the event of several proposals), and one of the members of the Board of Directors can be elected from among persons proposed in lists submitted by groups of shareholders, provided that none of these groups holds shares representing more than 20% and less than 10% of the share capital.

PCC provisions regarding the replacement of members of the Board of Directors are applicable in the absence of such provisions in the Articles of Association. Under the terms of article 16 of the Articles of Association, it is provided for that the absence of a Director at more than 2 meetings of this body, whether consecutive or interspersed, without a reason accepted by the Board of Directors, shall be deemed definitively absent and shall be replaced pursuant to the PCC.

No other procedural and substantive requirements are defined in the Company's Articles of Association for the purpose of appointment or replacement of members of the Board of Directors.

The criteria and requirements regarding the profile of new members of the corporate bodies are described in point 19 of Part I below.

17. Composition of the Board of Directors, the Executive Board and the General and Supervisory Board, where applicable, with articles of association's minimum and maximum number of members, duration of term of office, number of effective members, date when first appointed and end of the term of office of each member

G34
LA12

Pursuant to article 12 of the Articles of Association, the Board of Directors is composed of 5 to 15 members, for a 3-year renewable term of office under the applicable law.

Until the date of the Annual General Meeting held on 29 April 2020, the Board of Directors was composed of **14 Directors**, of whom 5 were members of the Executive Committee:

Members	Board of Directors	Executive Committee	Audit Committee	Independence [1]	Date of 1st Appointment [2]
António Sarmento Gomes Mota[8]	Chairman			Yes	12/11/2013
João Afonso Ramalho Sopas Pereira Bento[3]	Member	Chairman			20/04/2017
Nuno de Carvalho Fernandes Thomaz[8]	Member		Member	Yes	24/03/2014
José Manuel Baptista Fino[8]	Member			Yes	19/12/2014
Céline Dora Judith Abecassis-Moedas(8)	Member			Yes	04/08/2016
António Pedro Ferreira Vaz da Silva	Member	Member			20/04/2017
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia	Member		Chairman	Yes	20/04/2017
Maria Belén Amatriain Corbi[8]	Member		Member	Yes	20/04/2017
Rafael Caldeira de Castel-Branco Valverde[8]	Member			Yes	20/04/2017
Guy Patrick Guimarães de Goyri Pacheco	Member	Member			19/12/2017
Steven Duncan Wood [4]	Member				23/04/2019
Duarte Palma Leal Champalimaud [5]	Member				19/06/2019
João Carlos Ventura Sousa [6]	Member	Member			18/09/2019
João Miguel Gaspar da Silva [7]	Member	Member			06/01/2020

[1] The assessment of independence was conducted in accordance with the criteria defined in point 18.1 of Annex I of CMVM Regulation No. 4/2013, and the provisions of Recommendation III.4. of the IPCG Code and in Article 414(5) of the PCC for non-executive members of the Audit Committee.
[2] The date of the first appointment to a management body at CTT is presented here.
[3] João Afonso Ramalho Sopas Pereira Bento was appointed Chief Executive Officer ("CEO") on 13/05/2019, taking effect on 22/05/2019, having up to that date and since 20/04/2017 held office as Member of the Board of Directors of CTT.
[4] Elected to the position of Member of the Board of Directors at the Annual General Meeting of 23/04/2019.
[5] Co-opted by resolution of the Board of Directors of 19/06/2019, with immediate effect, ratified at the General Meeting of 29/04/2020, to the position of Member of the Board of Directors.
[6] Co-opted by resolution of the Board of Directors of 03/09/2019, taking effect on 18/09/2019, ratified at the General Meeting of 29/04/2020, to the position of Member of the Board of Directors and Executive Committee.
[7] Co-opted by resolution of the Board of Directors of 18/12/2019, taking effect on 06/01/2020, ratified at the General Meeting of 29/04/2020, to the position of Member of the Board of Directors and Executive Committee.
[8] Left office on 29/04/2020.

At the Annual General Meeting on 29 April 2020, the members of the Board of Directors were elected for the new 2020/2022 term of office. From that date onwards and as of 31 December 2020, the Board of Directors consisted of the following 15 Directors:

Members	Board of Directors	Executive Committee	Audit Committee	Independence [(1)]	Date of 1st Appointment [(2)]
Raul Catarino Galamba de Oliveira	Chairman			Yes	29/04/2020
João Afonso Ramalho Sopas Pereira Bento	Member	Chairman			20/04/2017
António Pedro Ferreira Vaz da Silva	Member	Member			20/04/2017
Guy Patrick Guimarães de Goyri Pacheco	Member	Member			19/12/2017
João Carlos Ventura Sousa	Member	Member			18/09/2019
João Miguel Gaspar da Silva	Member	Member			06/01/2020
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia	Member		Chairman	Yes	20/04/2017
Steven Duncan Wood	Member		Member		23/04/2019
Duarte Palma Leal Champalimaud	Member				19/06/2019
Isabel Maria Pereira Aníbal Vaz	Member			Yes	29/04/2020
João Eduardo Moura da Silva Freixa[(3)]	Member			Yes	29/04/2020
Jürgen Schröder	Member			Yes	29/04/2020
Margarida Maria Correia de Barros Couto	Member				29/04/2020
María del Carmen Gil Marín	Member		Member	Yes	29/04/2020
Susanne Ruoff	Member			Yes	29/04/2020

[(1)] The assessment of independence was conducted in accordance with the criteria defined in point 18.1 of Annex I of CMVM Regulation No. 4/2013, and the provisions in Recommendation III.4. of the IPCG Code and in Article 414(5) of the PCC for non-executive members of the Audit Committee.
[(2)] The date of the first appointment to a management body at CTT is presented here.
[(3)] Communicated his resignation as Member of the Board of Directors of CTT on 10/12/2020, which took effect on 31/01/2021 as provided by law.

18. Distinction to be drawn between executive and non-executive directors and, as regards non-executive members, details of members that may be considered independent, or, where applicable, details of independent members of the General and Supervisory Board

G39

As of **31 December 2020**, the Board of Directors was composed of **5 executive members and 10 non-executive members, including 7 independent members**. On the present date, and following the resignation of the non-executive member João Eduardo Moura da Silva Freixa on 10 December 2020, taking effect on 31 January 2021, the Board of Directors is composed of 5 executive members and **9 non-executive members, including 6 independent members, among whom the Chairman of the Board of Directors**, indicated in the table of point 17 of Part I above.

47% percent of the total number of members of the Board of Directors and 70% of its non-executive members, in office as of 31 December 2020, are deemed independent, pursuant to the criteria defined in point 18.1 of Annex I of CMVM Regulation No. 4/2013, and with respect to the members of the Audit Committee, pursuant to article 414(5) of the PCC (and pursuant to international criteria and practices).

In order to assess the independence of the members of the Board of Directors and of its non-executive members, the criteria referred to in Recommendations III.4 and III.5 of the IPCG Code were also considered.

The Company believes that it has a sufficient number of non-executive and independent members to efficiently perform the functions entrusted to them, appropriate to its size and the complexity of the risks inherent to its activity, taking into account, namely, the diversity of academic skills, career and professional experience of each of those members, thus allowing an integrated vision of CTT's activity and the safeguarding of the interests of all stakeholders in their different aspects. Furthermore, the number of executive and non-executive members and, among these, the number of independent members, as identified in the table in point 17 of Part I above, also allow for an effective supervision and evaluation of the executive performance, which the Company considers to be suited and balanced to its interests, and therefore it is considered that Recommendations III.2, III.3 and III.4 of the IPCG Code are broadly complied with.

With a view to ensuring coordination and effectiveness in the performance of duties by the non-executive Directors, the Company has adopted, in addition to the mechanisms aimed at making the Executive Committee's supervision effective (see point 21.2 of Part I below), the following procedures:

The non-executive Directors (including the members of the Audit Committee) may request:

a. From the Chairman of the Board of Directors or from the Chairman of the Executive Committee the provision of the necessary or convenient information to carry out their tasks, competences and duties, in particular, information relative to the competences delegated to the Executive Committee and its performance, the implementation of the budget, annual and multiannual plans and the state of the management. This information should be provided in an appropriate and timely manner;

b. The presence at meetings of said bodies/committees of members of the corporate bodies, senior staff or other employees of the CTT Group, in articulation with the Executive Committee.

19. Professional qualifications and other relevant curricular information of each member of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable

Under its Diversity and Inclusion Policy, available for consultation at "Group CTT", "Sustainability", "Strategy and Principles", "Policies and other regulations", "Principles, policies and other regulations", on the **CTT website** (www.ctt.pt), CTT has defined the general principles by which its action should be guided on issues related to diversity and inclusion of its human resources, including with respect to the composition of its corporate bodies. G40

CTT also has internal policies of diversity and selection, aimed at ensuring the implementation of transparent selection processes of the Company's Directors, based on which the following are established:

- Guidelines on the quantitative and qualitative composition of the Board of Directors and a Matrix of Skills; and
- Recommendations concerning the election of the members of the corporate bodies, which are based on the knowledge, experience, dedication, requirements on independence and incompatibilities, and merit of the candidates recommended for election or re-election.

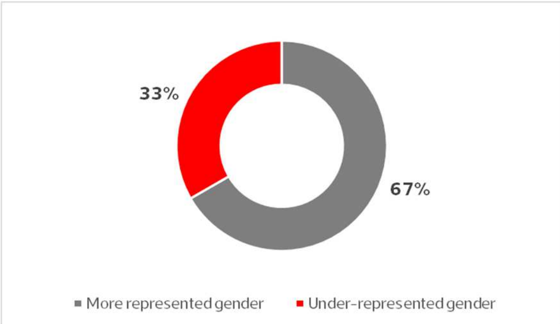
As demonstrated in the Corporate Governance, Evaluation and Nominating Committee recommendations and Terms of Reference disclosed to the shareholders in February 2017 and March 2020 available for consultation in "Group CTT" "Investors" "General Meetings" on the **CTT website** (www.ctt.pt), for the electoral processes of the members of the corporate bodies and specifically for the 2017/2019 and 2020/2022 terms of office, CTT's Diversity Policy seeks to foster an appropriate gender and age diversity, as well as complementary academic and professional skills and experience within its management and supervisory bodies. Particular reference is made to the following aspects taken into account in the selection processes:

- Diversity of skills, knowledge, experience and gender as a crucial factor for the successful performance of these duties;
- A suitable balance of ages and cultural background (arising, for example, from nationalities and role in civil society, etc.);
- Representation in these bodies of a diverse range of knowledge and academic experience considering the strategic challenges facing CTT, namely in the following areas of knowledge and professional experience: Leadership, Strategy and Management; Finance and Risk; Accounting and Audit; Sector/Industry (mail, express & parcels, financial services, banking); Legal and Regulations; Human Resources; Marketing/Commercial and Communication; Information and Technology Systems; Corporate Governance, Social Responsibility and Ethics.

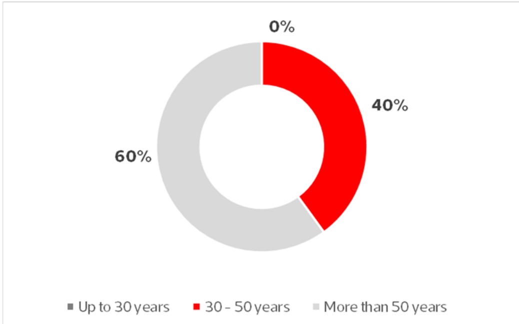
The proposal of a group of shareholders for the election of members of the management and supervisory bodies for the term of office 2020/2022 was supported by the opinion of the Corporate Governance, Evaluations and Nominating Committee on the individual attributes (independence and conditions for the exercise of functions in the interest of the Company and in accordance with standards of loyalty, integrity and availability, incompatibilities, skills, experience and knowledge) and diversity requirements (number of executive, non-executive and independent members, legal requirements on gender diversity, balance of skills, experience and knowledge), which may contribute to the effective performance of these corporate bodies.

The graphs below reflect this action, see Annex I of this Report which presents the *curricula* of the members of the Board of Directors of CTT, highlighting the following level of **diversity of this board in terms of gender, age, independence and professional background as of 31 December 2020**: G40

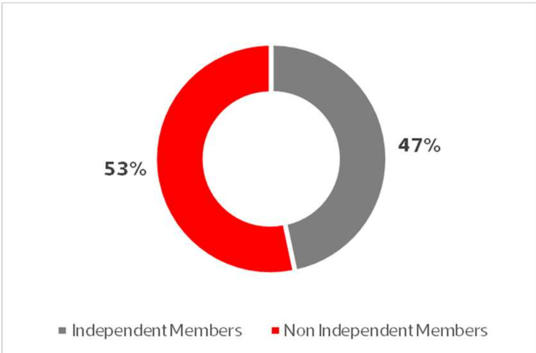
Gender:
33% of Directors of the under-represented gender



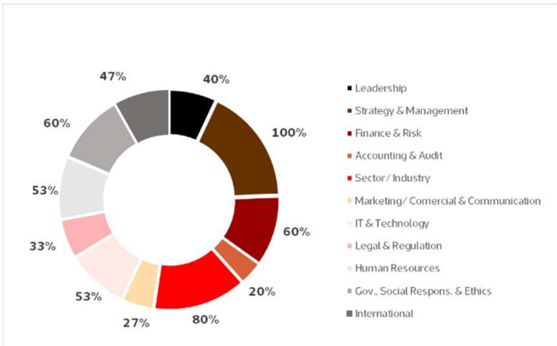
Age:
Average age of 52 years LA12



Independence:
47% of independent Directors, corresponding to 70% of the non-executive Directors



Professional Background:
Balance of skills and relevant experience



20. Customary and meaningful family, professional or business relationships of members of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, with shareholders that are assigned qualifying holdings that are greater than 2% of the voting rights

The **Non-Executive Director** Duarte Palma Leal Champalimaud performs the duties of Vice-Chairman of the Board of Directors of Manuel Champalimaud SGPS, S.A., qualified shareholder of CTT.

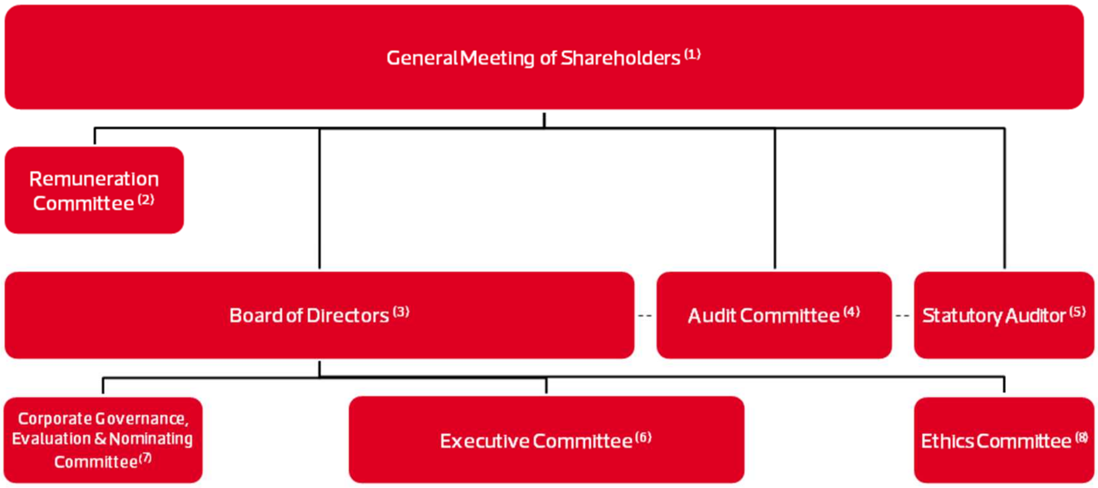
The **Non-executive Director** Steven Duncan Wood performs the duties of Director of GreenWood Investors LLC, the management company of GreenWood Builders Fund I, LP, qualified shareholder of CTT.

The shareholder structure may be consulted at "Group CTT", "Investors", "Shareholder Structure" on the CTT website (www.ctt.pt).

Save as stated in the previous paragraphs, CTT received no notice of any other regular significant family, professional or commercial relationships between Board members and qualified Shareholders with more than 2% of voting rights in CTT, either as of 31 December 2020 or the present date.

21. Organisational charts or flowcharts concerning the allocation of powers between the various corporate boards, committees and/or departments within the company, including information on delegating powers, particularly as regards the delegation of the company's daily management

As of 31 December 2020 and the present date, the powers of CTT's corporate bodies and committees were and are divided as follows, as further detailed in the points of Part I indicated below:



(1) See in particular the powers of the General Meeting described in point 15 above.

(2) See in particular the powers of the Remuneration Committee and its articulation with the Corporate Governance, Evaluation and Nominating Committee described in points 15, 21.4 and 66 of this chapter.

(3) See in particular the powers of the Board of Directors described in point 21.1 of this chapter.

(4) See in particular the powers of the Audit Committee described in points 15, 37 and 38 of this chapter.

(5) See in particular the powers of the Statutory Auditor described in points 15 and 38 of this chapter.

(6) See in particular the powers delegated by the Board of Directors to the Executive Committee, as well as the committees supporting the Executive Committee, under the terms described in points 15, 21.2 and 21.3 of this chapter.

(7) See in particular the powers of the Corporate Governance, Evaluation and Nominating Committee and its articulation with the Remuneration Committee described in points 15, 21.4 and 66 of this chapter.

(8) *See* in particular the duties of the Ethics Committee, described in point 21.5 of this chapter as a committee supporting the Audit Committee and the Board of Directors.

In addition to the bodies and committees indicated above, it should be noted that the Committee for Monitoring the Implementation of the Operational Transformation Plan, created in the term of office 2017/2019, remained in office until 29 April 2020, the date of CTT's General Meeting.

The composition of the corporate bodies and internal committees may be consulted in "Group CTT", "The Company", "Corporate Governance", "Governing Bodies", on CTT's website (www.ctt.pt)

21.1. Board of Directors

G34

The Board of Directors is the corporate body responsible for the Company's management and representation, under the legal and statutory terms, being entrusted to practice all acts and operations relative to the corporate object that are outside the competence attributed to other bodies of the Company, under the terms defined in article 13 of the Articles of Association and in article 5 of its Regulations.

Main powers of the Board of Directors

G42

- Stipulate the strategic guidelines and risk profile of the CTT Group;
- Approve the objectives and main management and risk policies and the general aspects of the business structure of the CTT Group;
- Ensure the effectiveness of the internal control, risk management and internal audit systems of the CTT Group, annually assessing their compliance and approving the necessary adjustments;
- Approve the annual and multi-annual activity, strategic, investment and/or financial plans and the annual budgets of the CTT Group, as well as any amendments that prove necessary;
- Pass resolutions on relocations of registered offices and share capital increases or reductions, mergers, demergers and transformations and amendments to the Articles of Association to be submitted to the Company's General Meeting;
- Approve the annual, half-yearly and quarterly reports and accounts;
- Pass resolutions on the provision of bonds and personal or asset guarantees, as provided by law;
- Define, with the prior binding opinion of the Audit Committee, the procedure for approval, disclosure and verification of transactions with related parties and the conflicts of interest policy of the CTT Group;
- Establish the policies on selection and diversity and the standards of conduct enforced in the CTT Group;
- Present notices to convene the General Meetings of the Company;
- Co-opt Directors of the Company;
- Appoint the Company Secretary and his/her alternate;
- Annually assess the overall performance of the Board of Directors, its internal committees and members;
- Prepare the annual report on remuneration of the members of the management and supervisory bodies, or chapter in the annual report on corporate governance that replaces it, to be submitted annually for consideration by the General Meeting and to be disclosed on the Company's website.

Role of the Independent Chairman of the Board of Directors

G39

- Represent the Board of Directors in and out of court;
- Coordinate the activity of this body, allocating matters to Directors, when advisable for management purposes, and calling and chairing the respective meetings;
- Exercise the casting vote in the context of the Board of Directors' resolutions;
- Oversee the correct implementation of the Board of Directors' resolutions;
- Promote communication between the Company and all its stakeholders;
- Follow-up and consult the Executive Committee on the performance of the competences delegated thereto;
- Contribute to the effective performance of duties and powers by non-executive Directors and the internal committees of the Board of Directors, ensuring that their work is coordinated and that the necessary mechanisms are in place for them to receive, in a timely fashion, the appropriate information for them to make independent and informed decisions;
- Coordinate the assessment of the Board of Directors' performance with respect to compliance with the strategic guidelines and risk profile, the plans, budgets and internal control, risk management and internal audit systems of the CTT Group, and the overall performance of the Board of Directors, its internal committees and members.

21.2. Executive Committee

The Executive Committee discharges the powers delegated to it by the Board of Directors, as set out under article 13 of the Articles of Association and article 6 of the Regulations of the Board of Directors.

Matters of relevance for the strategic lines, general policies and structure of the CTT Group, as well as those that should be considered strategic due to their amount, risk or special characteristics, are excluded from the aforesaid delegation of competences.

Matters reserved to the Board of Directors, excluded from the current management delegated to the Executive Committee

- Acquisitions of shareholdings (i) in countries where the Group is not present, (ii) in new business units for the Group, or (iii) of value per operation greater than €20m;
- Investments by the Group not included in the annual budget whose value per operation exceeds €10m and divestments by the Group of value per operation greater than €10m;
- Disposals or encumbrances of shares (i) that result in the Group's exiting a certain country or business unit, or (ii) whose value per operation is greater than €20m;
- Taking on debt, in the form of financing or the issue of securities, in a value per operation greater than €150m or whose maturity exceeds 5 years;
- Any other business or operation that entails liabilities or obligations greater than €50m, per transaction or act, for the Group;
- The matters indicated as main powers in point 21.1 above, except for powers related to the provision of bonds and personal or asset-backed guarantees under the legal terms.

Role of the Chairman of the Executive Committee

- Ensure that all information on the Executive Committee's activity and resolutions is provided to the other members of the Board;
- Ensure compliance with the limits to the delegation of power and the Company's strategy and proposing to the Board of Directors a list of the management issues that should be specifically entrusted to each Executive Committee's member;
- Coordinate the Executive Committee's activities, chairing its meetings, overseeing execution of resolutions and distributing among its members the preparation or monitoring of the issues to be analyzed or decided by the Executive Committee;
- Exercise the casting vote in the context of the Executive Committee's resolutions.

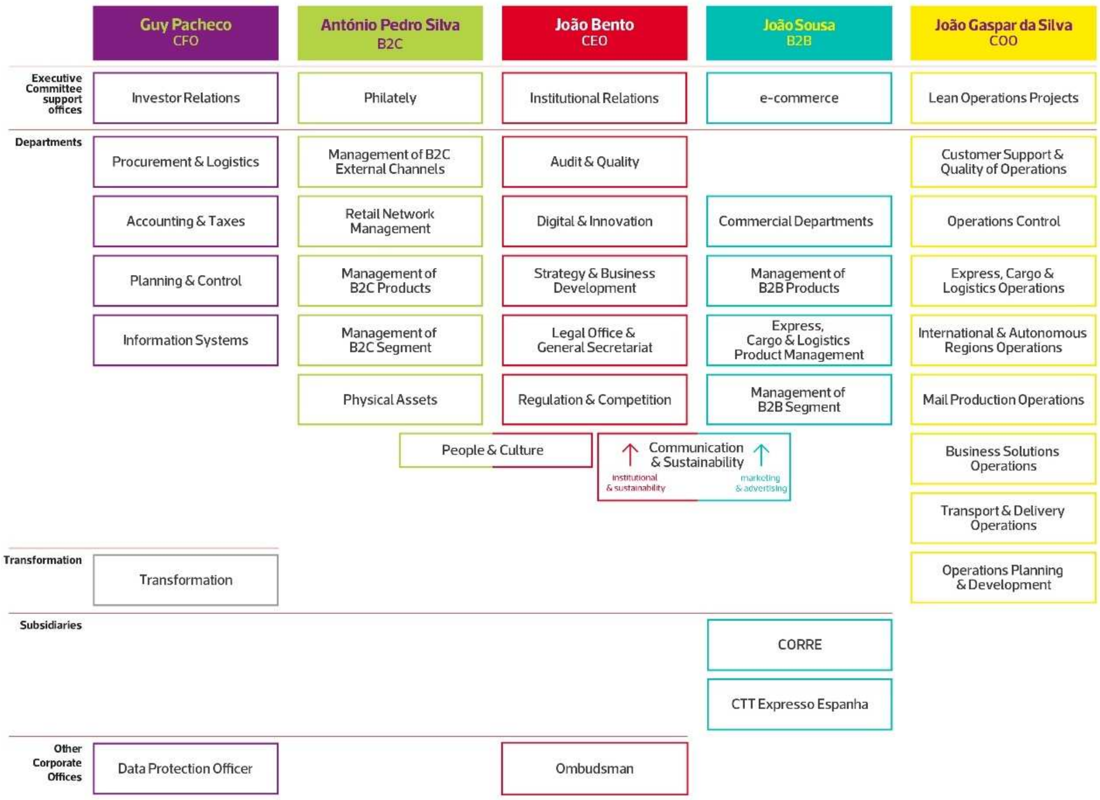
Under the Board of Directors and Executive Committee Regulations, the Company adopts the following mechanisms to better oversee the Executive Committee:

- In order to ensure that all members of the Board of Directors and other corporate bodies and committees are up to date on the status of the Company's management, the Executive Committee's agendas and meeting minutes are sent to non-executive Directors;
- At the Board of Directors' meetings, the Executive Committee presents the summarized information deemed relevant on the activities carried out since the last meeting;
- The Executive Committee is also obliged to provide the members of the Board of Directors and all other members of the corporate bodies and committees with any additional or supplementary clarifications and information that are requested on the performance of their attributions, duties and competences, in due time and appropriately;
- Non-executive members of the Board of Directors shall actively take part in the decisions deemed strategic for the Company due to their amount or risk, as well as in the definition of the main management and risk policies, and in the general aspects of the Group CTT business structure by means of regular Board of Directors' meetings, and shall request the members of the Executive Committee to provide them with clarifications and hold specific meetings, including with the heads of the business units directly involved.

Under its delegated competences, the Executive Committee can entrust one or more of its members to deal with certain matters and subdelegate to one or more of its members the exercise of some of its delegated powers.

G17
G39

On the present date, the powers of the Executive Committee are allocated to its members as follows:



21.3. Executive Committee support Committees

G34
G35
G36
G17

The Executive Committee's support Committees as of 31 December 2020, and on the present date, were, and are, as follows:

MANAGEMENT SUPPORT COMMITTEES AND THEIR GOALS	
Risk Management Committee	
Composed of the members of the Executive Committee and of Head of Audit & Quality, who is responsible for risk management. The Committee is chaired by the Director in charge of Audit & Quality, which integrates risk management, and coordinated by the Head of Audit & Quality. Other Heads of Department may participate whenever invited.	Strengthen organizational engagement around the topic of risk, aggregating the different visions and sensitivities of the areas involved and promoting the integration of risk management in business processes, described in further detail in subchapter 2.7.1. Description of the risk management process, chapter 2.7. Risk Management, of this Report, as referred to in paragraph 52 of Part I below.
Credit Committee	
Composed of the executive Director in charge of the Financial area, the executive Directors in charge of the commercial areas and the Heads of Accounting and Taxes, Finance, Risk & M&A, Small Enterprises, Large Enterprises South, Large Enterprises North, Medium-sized Enterprises, Public Administration, Management of the Retail Network, B2B Commercial Support and B2C Commercial Support. The Committee is chaired by the Director in charge of the Financial area and coordinated by the Head of Accounting and Taxes. The members of the	Define and submit to the Executive Committee the Customer credit policies. Appraise and review the risk levels and credit limits. Decide on granting/reviewing/ suspending credit prior to the formalization of the respective contracts. Assess proposals to conclude payment agreements, when the amounts in question are relevant. Monitor and evaluate the results of the implementation of customer credit policy and identification of measures to achieve the defined goals.

MANAGEMENT SUPPORT COMMITTEES AND THEIR GOALS	
Executive Committee and other Heads of Department participate whenever invited.	
Investment Committee	
Composed of the executive Director in charge of the Financial area, the Directors proposing eligible projects and the heads of the Planning & Control department, and the Finance, Risk & M&A office. The Committee is chaired by the Director in charge of the Financial area and coordinated by the Head of Finance, Risk & M&A. The members of the Executive Committee and other Heads of Department participate whenever invited.	Carry out the analysis of investments whenever requested by the Executive Committee, in order to ensure stronger efficiency of the action of the Executive Committee or Board of Directors in important projects.
Sustainability Committee	
Composed of the executive Directors, the Heads of the Brand & Sustainability, Human Resources, Physical Assets, Procurement & Logistics, Transport & Delivery Operations, and Audit & Quality Departments and by the head of Sustainability within the Communication & Sustainability Department. The Committee is chaired by the Chairman of the Executive Committee and coordinated by the Head of Communication & Sustainability. Other Heads of Department may participate when invited by any of the Directors.	Strengthen the CTT organization's engagement in the diverse aspects of sustainability, as a pillar of economic, social and environmental development.
Human Resources Committee	
Composed of the executive Directors, the heads of the Human Resources, Mail Production Operations, Transport & Delivery Operations, Express, Cargo & Logistics Operations and Management of the Retail Network Departments. The Committee is chaired by the Chairman of the Executive Committee and coordinated by the Head of Human Resources. Other Heads of Department may participate when invited by any of the Directors.	Support the Board of Directors and the Executive Committee in the definition of human resources policies, namely concerning recruitment, selection and hiring, the performance assessment system, vocational training, careers and remunerations.
Innovation Committee	
Composed of the executive Directors, the heads of the Digital, Transformation & Innovation, Mail Product Management, Management of Retail Products, Savings & Payments, Management of Express Products, Cargo & Logistics, Management of Business Solutions & Advertising, and Planning & Operations Development Departments. The Committee is chaired by the Chairman of the Executive Committee and coordinated by the Director of Digital, Transformation & Innovation. Other Heads of Department may participate when invited by any of the Directors.	Support the definitions of the main lines of CTT's innovation strategy and ensure CTT's continued involvement in the overall progression of the components of the program named +INOVAÇÃO by CTT and the main trends of innovation in its various dimensions (technological, economic, cultural, social, organizational, etc.).

In addition to the above-mentioned Committees supporting the Executive Committee, the following Committees were created:

Business Units Executive Committees and their goals	
Mail Executive Committee	
Composed of the Executive Director responsible for the Mail P&L, who performs the duties of Committee Chairman, the Operations Director (COO) and the heads of Mail Product Management, B2B Segment Management, Transport & Delivery Operations, Planning & Control and Mail Production Operations. The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) participate whenever they wish or are invited by the Chairman of the Committee.	Ensure a single vision of Mail P&L. Manage the current business activity, supervising the activity's development projects and monitoring quality of service. Discuss and align key points for decision-making by the Executive Committee and Board of Directors. Prepare the monthly reviews for discussion by the Executive Committee.
Express Executive Committee	
Composed of the Executive Director responsible for the Express, Mail & Logistics P&L, who chairs the Committee, the Operations Director (COO), the representative of the CTT Expresso Branch in Spain, the CTT Heads of Express, Cargo & Logistics Product Management and Planning & Control and the Financial and Operations Directors of the Branch in Spain of CTT Expresso. The members of the Executive Committee participate whenever they wish or are invited by the Chairman of the Committee.	Ensure a single vision of the Iberian express business. Manage current business activity, supervising the activity's development projects and monitoring quality of service. Discuss and align key points for decision-making by the Board of Directors of CTT Expresso. Prepare the monthly reviews for discussion by the Board of Directors of CTT Expresso.
Retail & Postal Financial Services Executive Committee	
Composed of the Executive Director responsible for the Retail & Postal Financial Services P&L, who chairs the Committee, as well as the Heads of Management of the Retail Network, B2C Segment, Retail Product Management, B2C Commercial Support and Corporate Solutions & Advertising Management. The CEO and the CFO participate whenever they wish or are invited by the Chairman of the Committee.	Ensure a single vision of retail and financial services P&L which are specific to CTT as a postal operator. Manage the current business activity, supervising the activity's development projects and monitoring quality of service. Discuss and align key points for decision-making by the Executive Committee and Board of Directors. Prepare the monthly reviews for discussion by the Executive Committee.
Business Solutions and Advertising Executive Committee	
Composed of the Executive Director responsible for the B2B commercial area, who chairs the Committee, the Heads of Corporate Solutions & Advertising Management, Corporate Solutions Operations, B2B Commercial Support, B2B Segment Management and the head of the Management Reporting & Analytics area. The CEO and the CFO participate whenever they wish or are invited by the Chairman of the Committee.	Ensure a single vision of the P&L of the corporate solutions and advertising business area. Manage the current business activity, supervising the activity's development projects and monitoring quality of service. Discuss and align key points for decision-making by the Executive Committee and Board of Directors. Prepare monthly reviews for discussion by the Executive Committee.

21.4. Corporate Governance, Evaluation and Nominating Committee

The Corporate Governance, Evaluation and Nominating Committee is responsible for the following main competences established in the Regulations of the Board of Directors and in its Internal Regulations:

Corporate governance structure and practices, and ethics

- Assist the Board of Directors in the definition and assessment of CTT's governance model, principles and practices;
- Collaborate in preparing the annual corporate governance report of the Company;

- Oversee the definition and monitoring of the ethics and conduct standards within the Group;
- Draft recommendations to the Board of Directors concerning corporate governance requirements and good practices, conflicts of interest, incompatibilities, independence and specialization;
- Prepare a report on the operation and effectiveness of the governance model, principles and practices of the Company, as well as on the Company's level of compliance with the applicable requirements;
- Assess the corporate image of CTT among the shareholders, investors, financial analysts, the market in general and supervisory authorities, monitor the activity of the Company's competent services;
- Support and monitor the Board's definition of the Company's social responsibility and sustainability policies and strategies.

G56
G57
G58

Performance assessment and remunerations

G51
G52

- Propose or issue an annual opinion to the Remuneration Committee on the remuneration policy and remuneration principles for members of the management and supervisory bodies, to be submitted by the Remuneration Committee to the General Meeting, at least every four years and whenever a material change occurs in the remuneration policy in force or when its proposal has not been approved by the General Meeting;
- Support the Board of Directors in preparing the annual report on remuneration of the members of the management and supervisory bodies, or of a chapter in the annual report on corporate governance that replaces it, to be submitted annually for consideration by the General Meeting;
- Monitor and support the annual assessment of the Board of Directors' overall performance, as well as of the Board's internal committees and of the Executive Committee's members, taking into account, in particular, compliance with the Company's strategic plan, the budget and risk management;
- Propose to the Remuneration Committee the result of the qualitative assessment of executive Directors' performance in the context of the overall assessment model for the purpose of stipulating the variable remuneration to be defined by that Committee;
- Propose or issue an opinion to the Board of Directors and the Remuneration Committee, as applicable, on share assignment plans, stock options, or stock options based on Company share price variations.

Nominations

- Draft and update recommendations ("Terms of reference") on qualifications, knowledge and experience (including proposals for a selection and diversity policy to be approved by the Board of Directors, considering both the individual profile and diversity requirements for each position, including gender) in carrying out corporate duties for selecting members for CTT's management and supervisory bodies, after hearing the Chairman and, in the case of executive Directors, the CEO;
- Monitor, support and make recommendations within the scope of the processes of selection and appointment of members of the management and supervisory bodies of CTT and its subsidiaries (including in situations of filling vacant positions), after hearing the Chairman and, in the case of executive members, the Chief Executive Officer (in particular to promote transparent selection processes that include effective mechanisms for identifying potential candidates, and that those with the greatest merit, best suited to the requirements of the position and that promote, within the organization, adequate diversity, including of gender, are chosen for proposal);
- Monitor the processes of selecting the group's top managers and corporate bodies' members of other companies that CTT is entitled to appoint;
- Monitor the drafting, together with the Executive Committee, of succession plans regarding the internal structures and bodies of the Company;
- Propose to the Board of Directors the termination of office of Executive Committee's members, following an assessment and consultation with the CEO;
- Issue opinions relative to the performance, by members of the Executive Committee, of executive duties in companies which are not part of the Group.

21.5. Ethics Committee

The mission of the Ethics Committee is to monitor and supervise all the matters related to the application of CTT and Subsidiaries' Code of Conduct, in the context of the Internal Regulations, as well as the legislative changes related to these matters and always in articulation with the governing bodies, committees and structures of the Group.

This Committee is responsible for:

Group's Code of Conduct
• Promoting the disclosure, application and compliance with the Group's Code of Conduct, for this purpose defining plans and channels of communication for all hierarchical levels, as well as preventive training actions for their dissemination and compliance, supporting the Board of Directors, the Executive Committee and the Corporate Governance, Evaluation and Nominating Committee in performing their duties.
Code of Good Conduct to Prevent and Fight Harassment at the Workplace
• Promoting disclosure, implementation and compliance with the Code of Good Conduct to prevent and fight harassment at the workplace by all those who work there, including the members of the corporate bodies and top management in their relationship with superiors, fellow workers and subordinates.

21.6. Committee for the Monitoring of the Implementation of the Operational Transformation Plan

The Committee for the Monitoring of the Implementation of the Operational Transformation Plan, which ceased functions on 29 April 2020, was composed of the Chairman of the Board of Directors, António Sarmento Gomes Mota, who chaired, and the non-executive Directors Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia and Rafael Caldeira de Castel-Branco Valverde, Steven Duncan Wood and Duarte Palma Leal Champalimaud. It was an *ad hoc* committee created to monitor the implementation of this plan, thus improving the information given to the Board of Directors and reinforcing the continued supervisory activity by all the non-executive members of the Board of Directors.

During the 2020 financial year and until its termination, this Committee held 1 meeting to monitor the execution of the various initiatives of the Operational Transformation Plan and the development of other issues within its duties (See **CTT website** (www.ctt.pt), "Group CTT", "About Us", "Corporate Governance", "Corporate Bodies", "Meetings").

PREVENTION OF CONFLICTS OF INTEREST

Pursuant to the Regulations of the Board of Directors and corporate committees, as well as the Regulation on Assessment and Control of Transactions with Related Parties and Prevention of Conflict of Interests, which can be consulted at "Group CTT", "About Us", "Corporate Governance", "Articles of Association & Regulations", on **CTT website** (www.ctt.pt), the Company adopts mechanisms to prevent the existence of conflicts of interest between the members and the Company, under the following terms:

Mechanisms to prevent the existence of conflicts of interest | G41

- Members of the management and supervisory bodies and of their corporate committees shall inform this body/committee (through the respective Chairman if the conflict does not concern said Chairman and through the Legal Office and General Secretariat) of any situations or facts that may constitute or generate a conflict of interest for the member in question (either directly or indirectly), promptly after becoming aware of the facts or situation in question.
- If any member of the corporate bodies or committees is prevented from passing a resolution on the matter under consideration at the meeting due to a potential conflict of interest, he/she must declare him/herself impeded from participating and abstain from participating and interfering in the respective discussion and voting, under the terms detailed in the respective internal regulations and without prejudice to the respective duties to provide information on the situations in question.
- The impediment must be recorded in the minutes of the meeting of the body or committee concerned.
- Within the scope of preventing situations of conflict of interest, the Audit Committee also has the following duties: (i) submit recommendations to the Board of Directors regarding measures to prevent and identify conflicts of interest; and(ii) make reference in its annual activity report to the adequacy of the Regulation on Assessment and Control of

Transactions with Related Parties and Prevention of Conflicts of Interest to the purposes of prevention and resolution of conflicts of interest.

- To enable the prevention and detection of situations of conflict of interest, the managers and directors of CTT subsidiaries shall also inform the Legal Department and General Secretariat and the Audit Committee of: (i) the identification of their close relatives; (ii) the identification of the entities, regardless of whether their registered office is in Portugal or abroad, controlled by them or by their close relatives; (iii) other persons or entities that may be considered as Interposed Persons under the terms and for the purposes of articles 397 and 423-H of the PCC; and (iii) the management and/or supervisory positions held in other entities, regardless of whether their registered office is in Portugal or abroad.

b) Functioning

22. Availability and place where rules on the functioning of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, may be viewed

The full text of the Board of Directors' and Executive Committee's internal Regulations are available at "Group CTT", "About Us", "Corporate Governance", "Articles of Association & Regulations", on **CTT website** (www.ctt.pt).

23. The number of meetings held and the attendance report for each member of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable

The Board of Directors held **18 meetings in 2020**(see "Group CTT ", "About Us", "Corporate Governance", "Corporate Bodies", "Meetings" on **CTT website** (www.ctt.pt) with the following attendance by its members:

Members (1)	Percentage attendance (2)	Attendance	Representation	Absences
Raul Catarino Galamba de Oliveira	100%	13	0	0
João Afonso Ramalho Sopas Pereira Bento	100%	18	0	0
António Pedro Ferreira Vaz da Silva	100%	18	0	0
Guy Patrick Guimarães de Goyri Pacheco	100%	18	0	0
João Carlos Ventura Sousa	100%	18	0	0
João Miguel Gaspar da Silva	100%	18	0	0
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia	94%	17	1	0
Steven Duncan Wood	100%	18	0	0
Duarte Palma Leal Champalimaud	94%	17	0	1
Isabel Maria Pereira Aníbal Vaz	100%	13	0	0
João Eduardo Moura da Silva Freixa(3)	62%	8	0	5
Jürgen Schröder	92%	12	0	1
Margarida Maria Correia de Barros Couto	100%	13	0	0
María del Carmen Gil Marín	100%	13	0	0
Susanne Ruoff	100%	13	0	0

(1) Percentage in relation to attendance.
(2) Elected members of the Board of Directors for the 2020/2022 term of office at the Annual General Meeting of 29/04/2020.
(3) Communicated his resignation as Member of the Board of Directors of CTT on 10/12/2020, which took effect on 31/01/2021, as provided by law.

Members	Percentage attendance (1)	Attendance	Representation	Absences
António Sarmento Gomes Mota(2)	100%	5	0	0
Nuno de Carvalho Fernandes Thomaz(3)	100%	5	0	0
José Manuel Baptista Fino(4)	100%	5	0	0
Céline Dora Judith Abecassis-Moedas(4)	80%	4	1	0
Maria Belén Amatriain Corbi(3)	100%	5	0	0

Members	Percentage attendance (1)	Attendance	Representation	Absences
Rafael Caldeira de Castel-Branco Valverde(4)	100%	5	0	0

(1) Percentage in relation to attendance.
(2) Left office as Chairman of the Board of Directors on 29/04/2020.
(3) Left office as Member of the Board of Directors and of the Audit Committee on 29/04/2020.
(4) Left office as Member of the Board of Directors on 29/04/2020.

Minutes of the meetings of the Board of Directors are drawn up and signed by all members attending the meetings.

24. Indication of the governing bodies which are competent to carry out the assessment of the performance of the executive directors

G44

Pursuant to article 9 of CTT's Articles of Association, the **Remuneration Committee** is responsible for stipulating remuneration of corporate body members and, consequently, defining the management body's remuneration policy and principles and the overall assessment model for the variable remuneration of the executive Directors, under the terms described in points 66 and following of Part I below.

In turn, pursuant to its Regulation, the **Corporate Governance, Evaluation and Nominating Committee** is responsible for supporting the Remuneration Committee and the Board of Directors in the annual assessment process of the overall performance of the management body and of its internal committees and their members (in the case of the members of the Executive Committee, after hearing its Chairman, as described in point 21 of Part I above and in points 70 and 71 of Part I below.

25. Predetermined criteria for assessing the performance of the executive Directors

For this issue points 66 and following of Part I below present details on the remuneration policy and principles for the management body, including a description of the criteria, objectives and limits of the variable remuneration of the executive Directors, in particular in **point 71 of Part I below which details the applicable performance evaluation criteria**.

26. The availability of each member of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, and details of the positions held at the same time in other companies within and outside the group, and other relevant activities undertaken by members of these boards throughout the financial year

G39

Offices held simultaneously in other companies, in and outside the Group, and other activities carried out by the Company's Directors are detailed in Annex I of this Report.

The performance of executive duties by the executive Directors in entities that were not part of the CTT Group is subject to the issue of an opinion by the Corporate Governance, Evaluation and Nominating Committee, pursuant to the Regulations of this Committee (see point 27 of Part I below).

As supplementary information, we highlight that:

- The full availability of the executive Directors in performing their duties in 2020, which can be confirmed by their 100% attendance of the 18 meetings of the Board of Directors and 99% attendance at the 56 meetings of the Executive Committee and by their performance of executive duties exclusively within the Group;

- The Non-Executive Directors also demonstrated a high degree of availability in 2020, as shown by their 97% average attendance of the 18 meetings of the Board of Directors, 21 meetings of the Audit Committee and 7 meetings of the Corporate Governance, Evaluation and Nominating Committee.

c) Committees within the management or supervisory body and delegated directors

27. Details of the committees created within the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, and the place where the rules on the functioning thereof is available

See point 21 of Part I above on the committees created within the Board of Directors. Concerning the Audit Committee, please also see point 38 of Part I below. The aforesaid committees have adopted internal regulations whose full texts are available at "Group CTT", "About Us", "Corporate Governance", "Articles of Association & Regulations", on **CTT website** (www.ctt.pt).

28. Composition of the Executive Board and/or details of the Board Delegate/s, where applicable

As of 31 December 2020, and on today's date, the Executive Committee was, and is, composed of **5 members, as follows**:

Members	Position
João Afonso Ramalho Sopas Pereira Bento	Chairman
António Pedro Ferreira Vaz da Silva	Member
Guy Patrick Guimarães de Goyri Pacheco	Member
João Carlos Ventura Sousa	Member
João Miguel Gaspar da Silva	Member

As previously mentioned, Francisco Maria da Costa de Sousa de Macedo Simão served on CTT's Executive Committee until 6 January 2020, when the resignation to the position, communicated to the market on 18 December 2019, took effect.

29. Powers of each committee created and overview of the activities carried out in the exercise of those powers

See point 21 of Part I above on the powers of the committees created within the Board of Directors and of the Executive Committee.

29.1 Executive Committee

During 2020, the Executive Committee held **56 meetings** (see "Group CTT", "About Us", "Corporate Governance", " Corporate Bodies", "Meetings", on **CTT's website** (www.ctt.pt)) having passed resolutions on various matters within its powers, namely the following:

- The implementation of the turnaround strategy in Spain.
- The implementation of specific initiatives regarding the express & parcels business profitability in Portugal.
- The full structural revision pricing mechanisms.
- The incorporation of the company CTT Soluções Empresariais for new business development and strengthening of the new commercial dynamics.
- Implementation of a new post office concept with emphasis on 24x7 and self-service.
- At digital level, implementation of the "*CTT comércio local*" app aimed at very small businesses in a partnership with municipalities, launch of the solution to create online shops, as well as digital reconstruction of countless regional markets.
- In terms of distribution and proximity services offered by the Company, home delivery of medicines in a partnership with the National Association of Pharmacies, delivery to nursing homes and health establishments of sanitizer gel,

home delivery of citizen cards, streamlined access to individual protection products to deal with the pandemic, and offer of the service to pay pension cheques at home during the peak of the health crisis.

- Launch of the campaign CTT #FiqueEmCasa.

Minutes of the meetings of the Executive Board are drawn up and signed by all members attending the meetings.

29.2 Corporate Governance, Evaluation and Nominating Committee

Until 29 April 2020, this Committee was composed of **4 independent non-executive Directors**:

Members	Position
António Sarmento Gomes Mota	Chairman
José Manuel Baptista Fino	Member
Céline Dora Judith Abecassis-Moedas	Member
Rafael Caldeira de Castel-Branco Valverde	Member

As of 31 December 2020 and on the present date, the Corporate Governance, Evaluation and Nomination Committee was, and is, composed of **3 non-executive Directors, most of whom are independent**:

Members	Position
Raul Catarino Galamba de Oliveira	Chairman
Duarte Palma Leal Champalimaud	Member
Isabel Maria Pereira Aníbal Vaz	Member

This Committee held **7 meetings** in **2020**, (see "Group CTT", "About Us", "Corporate Governance", " Corporate Bodies", "Meetings", **on CTT's website** (www.ctt.pt)), with the following attendance by its members:

Members (1)	Percentage attendance (2)	Attendance	Representation	Absences
Raul Catarino Galamba de Oliveira(Chairman)	100%	4	0	0
Duarte Palma Leal Champalimaud	100%	4	0	0
Isabel Maria Pereira Aníbal Vaz	100%	4	0	0

(1) Took up office on 29/04/2020.
(2) Percentage in relation to attendance.

Members (1)	Percentage attendance (2)	Attendance	Representation	Absences
António Sarmento Gomes Mota (Chairman)	100%	3	0	0
José Manuel Baptista Fino	100%	3	0	0
Céline Dora Judith Abecassis-Moedas	100%	3	0	0
Rafael Caldeira de Castel-Branco Valverde	100%	3	0	0

(1) Left office on 29/04/2020.
(2) Percentage in relation to attendance.

During this year, the Committee carried out the following main activities:

- Monitoring of election process of the CTT corporate bodies for the 2020/2022 term of office, particularly through the **formulation of recommendations called "Terms of Reference" and the appraisal of the proposal submitted by a group of shareholders**;
- Monitoring and support in the processes of **annual assessment of the overall performance of the Board of Directors, qualitative assessment of the Executive Committee and its members**, and self-assessment of the Committee, with information subsequently reported to the Remuneration Committee on the outcome of the

qualitative assessment of the performance of the members of the Executive Committee, and approval of the standard questionnaires to be used for the purpose;

- **Definition of the models for assessment of independence and the absence of incompatibilities by the members of the CTT corporate bodies** and appraisal of **compliance with the requirements of independence of the Non-Executive Directors who are not part of the Audit Committee**, for purposes of the Annual Report on Corporate Governance;
- Preparation of the **annual Report on appraisal of the operation and efficacy of the Company's corporate governance model, principles and practices and the annual assessment of the overall performance of the Board of Directors relative to the financial year;**
- **Issue of an annual opinion on the annual statement of the Remuneration Committee** relative to the remuneration policy of the corporate bodies submitted to the General Meeting of 29 April 2020 and monitoring of the preparation by the Remuneration Committee of the Remuneration regulation of the corporate bodies for the 2020/2022 term of office;
- Appraisal of the initiatives developed by CTT under its **sustainability and social responsibility policies**;
- Submission to the Board of Directors of the Ethics Committee membership proposal for the 2020/2022 term of office. Definition of the internal Regulations of the Corporate Governance, Evaluation and Nominating Committee and reappraisal of this Regulation with a view to accommodate the amendments to the CVM arising from Law no. 50/2020, of 25 August;
- Revision of the Regulation on Assessment and Control of Transactions with Related Parties and Conflicts of Interest Prevention aiming to accommodate the amendments to the CVM arising from Law no.50/2020, of 25 August.

Minutes of the Corporate Governance, Evaluation and Nominating Committee meetings are drawn up and signed by all members attending the meetings.

29.3 Ethics Committee

As of 29 April 2020, this Committee was composed of the following **3 members**:

Members [(1)]	Position
Nuno de Carvalho Fernandes Thomaz [(2)]	Chairman
Julieta Aurora Barracho Gomes Jorge Cainço [(3)]	Member
Marisa Luz Bento Garrido Marques Oliveira [(4)]	Member

[(1)] António Augusto Labrincha Correia Marques left office on 31/01/2020.
[(2)] In the capacity of independent non-executive director and member of the Audit Committee.
[(3)] In the capacity of Head of Audit & Quality.
[(4)] She integrated this Committee on 19/01/2020 in the capacity of Director of Human Resources.

As of 14 July 2020 and 31 December 2020, the composition of the Ethics Committee was as follows:

Members [(1)]	Position
Margarida Maria Correia de Barros Couto	Chair
Raul Catarino Galamba de Oliveira	Member
Marisa Luz Bento Garrido Marques Oliveira [(1)]	Member
Julieta Aurora Barracho Gomes Jorge Cainço [(2)]	Member

[(1)] In the capacity of Head of People & Culture, formerly Human Resources.
[(2)] She left office on 31/01/2021, having been replaced by Rui Pedro Dias Fonseca Silva who joined this Committee as Head of Audit & Quality.

During 2020, this Committee held **3 meetings** (see "Group CTT", "About Us", "Corporate Governance", "Corporate Bodies", "Meetings", on **CTT website** (www.ctt.pt)), its activity during 2020 having focused on monitoring the communications received in the existing channels for possible situations of violation of the Code of Conduct, as well as the monitoring of the rate of effective training carried out on the CTT and Subsidiaries Code of Conduct and the Code of Good Conduct to Prevent and Fight Harassment at the Workplace, and in monitoring the status of the proceedings in the disciplinary and litigation areas related to the topic of harassment.

Minutes of the meetings of the Ethics Committee are drawn up and signed by all members attending the meetings.

5.2.3. Oversight

a) Composition

30. Details of the Supervisory Body representing the model adopted

The supervision of the Company's activity is entrusted to the **Audit Committee and Statutory Auditor**. For further details on this topic, see point 15 of Part I above.

31. Composition of the Supervisory Board, the Audit Committee, the General and Supervisory Board or the Financial Matters Committee, where applicable, with the articles of association's minimum and maximum number of members, duration of term of office, number of effective members, date of first appointment and date of end of the term of office for each member and reference may be made to the section of the report where said information already appears pursuant to paragraph 17

Pursuant to article 19 of CTT's Articles of Association, the Audit Committee is composed of 3 Directors, 1 of whom is its Chairman. All are elected at the General Meeting (for a renewable term of office of 3 years), together with all the other directors, where the proposed lists for the composition of the Board of Directors should detail the members that are intended to be part of the Audit Committee and indicate its Chairman.

Until 29 April 2020, the Audit Committee of the Company was composed of the following 3 members:

Members	Position	Date of 1st appointment [1]	Independence [2]
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia	Chair	20/04/2017	Yes
Nuno de Carvalho Fernandes Thomaz	Member	19/12/2014	Yes
Maria Belén Amatriain Corbi	Member	20/04/2017	Yes

[1] The date of the first appointment to a supervisory body at CTT is presented here.

[2] The assessment of independence was conducted in accordance with the provisions in article 414(5) of the PCC.

As of 29 April 2020, the new members of the Audit Committee were elected for the 2020/2022 term of office, so since that date, as well as of 31 December 2020 and, on the present date, the Audit Committee is composed of the following **non-executive Directors, who meet the applicable requirements on incompatibilities, independence and expertise**, possessing the academic qualifications that are legally required and appropriate to the performance of their duties and with at least 1 of its members having knowledge of accounting, in compliance with article 423-B of the PCC, article 3 of Law no. 148/2015, of 9 September, and article 19 of the Articles of Association:

Members	Position	Date of 1st appointment [1]	Independence [2]
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia	Chair	20/04/2017	Yes
Steven Duncan Wood	Member	29/04/2020	No
María del Carmen Gil Marín	Member	29/04/2020	Yes

[1] The date of the first appointment to a supervisory body at CTT is presented here.

[2] The assessment of independence was conducted in accordance with the provisions in 414(5) of the PCC.

Thus, the supervisory body of the Company has a number of non-executive and mostly independent members of the supervisory body that largely complies with sub-recommendation III.2.(2) of the IPCG Code, which is considered appropriate to its size and the complexity of the risks inherent to its activity, as well as sufficient to ensure the efficient performance of the duties entrusted to them, particularly in view of the profile of the members of said supervisory body, namely their seniority, academic skills and recognized professional experience as detailed in point 33 below.

32. Details of the members of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, which are considered to be independent pursuant to Article 414(5) CSC and reference to the section of the report where said information already appears pursuant to paragraph 18

See point 31 of Part I above.

33. Professional qualifications of each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, and other important curricular information, and reference to the section of the report where said information already appears pursuant to paragraph 21 | G40

As noted in point 19 above of this chapter, CTT has an **internal diversity policy** approved by the Board of Directors, pursuant to which individual criteria and attributes are defined, namely competence, independence, integrity, availability and experience relative to the profile that the Board of Directors' members, including the Audit Committee members, should have and which, pursuant to the legal and regulatory terms, are mandatory requirements for the appropriate performance of these duties.

The table below presents a summary of the academic and professional qualifications and other curricular elements that were considered pertinent in the application of the individual criteria and attributes established in the Diversity Policy in relation to each one of CTT's Audit Committee members:

Members	Position	Academic Qualifications	Professional experience
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia	Chairwoman	1991: Degree in Management, Universidade Católica Portuguesa(UCP) 1999: Master in Economics, Universidade do Porto 2002: Statutory Auditor, Ordem dos Revisores Oficiais de Contas (OROC) 2009: PhD in Management, ISCTE-Instituto Universitário de Lisboa	She has over 25 years of academic experience, namely as a Professor of Accounting and Tax at Faculdade de Economia e Gestão of UCP and Scientific Coordinator of the Católica Porto Business School of the UCP, and over 10 years of experience of functions in supervisory bodies of large (listed and non-listed) companies in Portugal. She is currently a member of the Audit Committee of Impresa, SGPS, S.A., Chairwoman of the Fiscal Board of Fiscal Board of Sogrape, SGPS, S.A, Member of the Board of Directors of SFS – Gestão de Fundos, SGOIC, S.A. (formerly Sonaegest - Sociedade Gestora de Fundos de Investimento, S.A.) and Chairwoman of the Fiscal Board of Centro Hospitalar Universitário de S. João, EPE. As a Statutory Auditor, she was member of the Management Board of Ordem dos Revisores Oficiais de Contas (Statutory Auditors Bar (OROC)) between 2012 and 2018 and represented this entity at the Comissão de Normalização Contabilística (Commission of Accounting Standards). Since 2011 she has been Tax Arbitrator at CAAD (Portuguese Administrative Arbitration Centre) and Member of the Scientific Council of Associação Fiscal Portuguesa.

Members	Position	Academic Qualifications	Professional experience
Steven Duncan Wood	Member	2005: BA in Economics, Political Economy and International Relations, Tulane University, USA	He is a Chartered Financial Analyst, having started his professional career in the special situations team at Kellogg Capital Group. Later, he worked as an Investment Banking Analyst for RBC Capital Markets in the Syndicated and Leveraged Finance group, where he deepened his knowledge of special investment strategies (deep value investment|). He was also an Analyst at Carr Securities between 2009 and 2013. The experience acquired in these areas led him to create GreenWood Investors. Since 2016, he has served on the Investment Advisory Board of Cortland Associates, a St. Louis-based investment management firm, in the United States of America. In 2017, he founded Builders Institute, Inc. a non-profit educational organization dedicated to long-term value creation, transparent corporate strategies and conscious capitalist principles. He currently performs management duties at several GreenWood companies founded by him.
María del Carmen Gil Marín	Member	**1996:** Higher Degree in Electrotechnical Engineering, Universidad Pontificia Comillas (ICAI), Spain (National Award) **1999:** Academic cycle of the PhD in Environment and Alternative Energies, UNED, Spain **1999:** MBA Program, INSEAD, France (Dean's List) **2019:** The Women's Leadership Forum, Harvard Business School, USA **2019:** Corporate Governance The Leadership of Boards, Nova School of Business & Economics Executive Education **2019:** Santander-UCLA W50, UCLA Anderson School of Management, USA **2020:** Cyber Security and Executive Strategy, Stanford University, USA **2021-...:** Enrolled in the International Directors Program (IDP), INSEAD, France	She started her professional career in 1996 as a Consultant at The Boston Consulting Group, Madrid office, having participated in several strategic projects related to sectors such as electricity, telecommunications, oil & gas and retail. Between 1999 and 2000 she was Professor of Industrial Marketing for the Industrial Engineering and Management degree at Universidad Pontificia Comillas (ICAI) in Madrid, and in 1999 she was also an Associate at Lehman Brothers, an Investment Bank in London and New York, where she was involved in acquisitions and IPO operations in different economic sectors. She started in 2001 her professional career at Novabase Group as responsible for the launch of the Venture Capital area with a technological focus, within the scope of her duties as member of the management body of Novabase Capital, Sociedade de Capital de Risco, S.A., with direct involvement in the innovation and M&A processes of the Group. At the same time she has been coordinating the investment and valuation, financial supervision, risk assessment and operational monitoring processes of the participated entities. She is currently a member of the Board of Directors and of the Executive Committee of Novabase, SGPS, S.A., with the functions of Chief Operations Officer of the Value Portfolio segment , Chief Cybersecurity Officer and Chief Investors Officer. Appointed in 2018 to these positions, she coordinated the work of the Executive Committee in the strategic reformulation process, which resulted in a new transformation plan with a strong focus on new generation technological services and on international markets in Europe and the Middle East.

Most of the members of the Audit Committee are independent, according to the annual statements submitted to CTT. On this issue, refer to point 31 of Part I above as well as Annex I of this Report (see pages 389 to 415) presenting the curricula of the members of the supervisory board of CTT with further details on the professional qualifications and other relevant curricular elements of each of these members.

b) Functioning

34. Availability and place where the rules on the functioning of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, may be viewed, and reference to the section of the report where said information already appears pursuant to paragraph 24

The full text of the internal regulations of the Audit Committee can be consulted at "Group CTT", "About Us", "Corporate Governance", "Articles of Association and Regulations", on CTT website (www.ctt.pt).

35. The number of meetings held and the attendance report for each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, and reference to the section of the report where said information already appears pursuant to paragraph 25

The Audit Committee held **21 meetings in 2020**, (see "Group CTT", "About Us", "Corporate Governance", "Corporate Bodies", "Meetings", **on CTT website** (www.ctt.pt) with the following attendance by its members:

Members	Percentage attendance (1)	Attendance	Representation	Absences
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia (Chair)(2)	100%	21	0	0
Steven Duncan Wood(3)	100%	14	0	0
María del Carmen Gil Marín(3)	100%	14	0	0

(1) Percentage in relation to attendance.

(2) Elected to the position of Chairwoman of the Audit Committee, for the 2017/2019 term of office, at the General Meeting held on 20/04/2017, and re-elected to the same position, for the 2020/2022 term of office, at the General Meeting held on 29/04/2020.

(3) Elected members of the Audit Committee for the 2020/2022 term of office at the Annual General Meeting held on 29/04/2020.

Members(1)	Percentage attendance (2)	Attendance	Representation	Absences
Nuno de Carvalho Fernandes Thomaz	100%	7	0	0
Maria Belén Amatriain Corbi	100%	7	0	0

(1) Left office as Members of the Audit Committee on 29/04/2020.
(2) Percentage in relation to attendance.

During 2020, the Audit Committee carried out the following main activities:

- Regular monitoring of the Company's activity in compliance with the law, the regulations and the articles of association, in particular the decisions of fundamental importance for CTT, namely with respect to the definition of strategic lines, the impact of the COVID-19 pandemic on the Company and the future universal postal service concession agreement through (i) the participation of its members in the meetings of the Board of Directors, (ii) contacts and meetings with members of the Executive Committee of CTT and with the Heads of the competent Departments and divisions and the Statutory Auditor;

- Oversight of the quality and integrity of the financial information contained in the documents presenting CTT's accounts, particularly through the (i) regular monitoring of the process of preparation and disclosure of the financial information and assessment of the accounting policies and standards and amendments thereto, supervising compliance, estimates and judgements, the proceedings and the valuation criteria used, in order to ensure their consistent enforcement throughout each financial year; (ii) Assessment of compliance with the annual budget ; (iii) Analysis of individual and consolidated quarterly and half-yearly financial statements; (iv) Analysis of the Annual Reports of CTT subsidiary companies; (v) Assessment of the half-yearly and annual Integrated Reports of CTT and opinion on same as well as on the proposal for the appropriation of results;

- Supervision of the internal control system, including internal audit, compliance and risk management of the activity, namely through: (i) Follow-up of the work of the Audit & Quality Department related to internal audit and compliance issues, and of the compliance with its Activity Plan; (ii) Monitoring of the risk policy and governance model; (iii) Appraisal of the CTT internal control systems for the prevention and combat of money laundering and terrorist financing, and cybersecurity in financial information systems; (iv) Follow-up of the main litigation underway related to workers and third parties; (v) Prior or subsequent assessment of transactions with related parties in accordance with the provisions of the corresponding regulation; and (vi) Verification of any reported irregularities (whistleblowing);
- Supervision of the performance of duties by the Statutory Auditor, including in particular: (i) appraisal of the proposed hiring of statutory audit services and prior authorization/approval of non-audit services; (ii) Monitoring, analysis and discussion with the Statutory Auditor on its annual work plan, the conclusions of the interim and half-yearly limited review work, the main audit issues, namely impairment tests and models and liabilities related to long-term employee benefits, and the evaluation of the general internal control environment, and the preliminary and final conclusions of the review of the annual accounts, as well as on the recommendations regarding accounting and internal control aspects; (iii) Analysis of the Limited Review Report regarding the Interim Consolidated Financial Statements, of the Statutory Audit Report on the consolidated and individual Financial Statements, and annual Statutory Auditor's Additional Report; (iv) Annual assessment of the independence and work carried out by KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.;
- Conclusion of the process of selection of the new Statutory Auditor for the CTT Group companies (except Banco CTT and its subsidiaries) for the term of office 2021/2023, culminating in the appointment, at CTT's AGM of 29 April 2020, of Ernst & Young Audit & Associados - SROC, S. A. as CTT's Statutory Auditor for the 2021/2023 term of office, represented by Luís Pedro Magalhães Varela Mendes (Statutory Auditor registered with the Statutory Auditors' Association (OROC) under no. 1841 and registered with CMVM under no. 20170024), or by Rui Abel Serra Martins (Statutory Auditor registered with the OROC under no. 1119 and registered with CMVM under no. 20160731), as well as the appointment of João Carlos Miguel Alves (Statutory Auditor registered with the OROC under no. 896 and registered with CMVM under no. 20160515) as Alternate Statutory Auditor.

Minutes of the meetings of the Audit Board are drawn up and signed by all members attending the meetings.

36. The availability of each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, indicating the positions held simultaneously in other companies inside and outside the group, and other relevant activities undertaken by members of these bodies throughout the financial year, and reference to the section of the report where such information already appears pursuant to paragraph 26

Positions held simultaneously in other companies, within and outside the CTT Group, and other activities carried out by the Company's Audit Committee's members are detailed in the *curricula* provided for consultation in Annex I of this Report. (see pages 389 to 415). On this matter, also see points 26 and 33 of Part I above.

c) Powers and duties

37. A description of the procedures and criteria applicable to the supervisory body for the purposes of hiring additional services from the external auditor

When engaging non-audit services, CTT and Banco CTT, as entities of public interest held entirely by CTT, observe the rules in the respective Regulation on the Provision of Services by the Statutory Auditor, according to which **CTT's Audit Committee and Banco CTT's Audit Committee** are responsible for assessing the requests for engaging the Statutory Auditor for non-audit services by CTT, by its parent company or by the entities under its control (as applicable), with its engagement being subject to the **prior authorization** of these bodies, except for the services required by law from the Statutory Auditor of the Company.

The referenced oversight bodies take into account therein, mainly the following aspects:

- Whether the services are prohibited and whether the provision of the services will affect the Statutory Auditor's independence;
- Whether the engagement of this service from the Statutory Auditor does not exceed the maximum limits of fees legally applicable to non-audit services;
- The Statutory Auditor's experience and knowledge of the Company.

38. Other duties of the supervisory body and, where appropriate, the Financial Matters Committee

The **Audit Committee**, as a supervisory body, has the following main powers established by law, the Company's Articles of Association and its Regulations:

Oversight of financial information quality and integrity

- Assess whether the accounting policies and procedures and valuation criteria are consistent with generally accepted accounting principles and whether they are suitable to the correct presentation and valuation of the Company's assets, liabilities and results;
- Supervise compliance with and correct application of accounting principles and standards;
- Issue an opinion on the annual management report, including the non-financial statement, the accounts for the year and the proposals presented by the Company's management;
- Oversee the preparation and disclosure of financial information;
- Certify whether the Company's Annual Corporate Governance Report includes all the items matters referred to in article 245-A of the Portuguese Securities Code.

Supervision of the internal control system, including internal audit, compliance and risk management

- Supervise the effectiveness and adequacy of the internal audit and compliance systems, by annually assessing these systems and proposing, to the Executive Committee, measures aimed at improving their functioning as proven necessary;
- Annually assess the internal controls relative to (i) the process of preparation and disclosure of financial information, (ii) accounting and audit matters, and (iii) matters on prevention of money laundering and terrorist financing;
- Issue an opinion on the work plans and resources of the Company's Audit & Quality Department, including the compliance services and assess their objectivity and independence;
- Receive reports from the Audit & Quality Department, including the compliance services, at least when matters related to financial reporting, the identification or resolution of conflicts of interest and the detection of possible irregularities are at stake;
- Monitor, in coordination with the Board of Directors and the Executive Committee, issues related to internal audit and appraise the reports of the Audit & Quality Department, including the Compliance services of the Company;
- Define and implement, together with the Board of Directors, and oversee the procedures for handling irregularities;
- Assess, in articulation with the Board of Directors and the Executive Committee, the risk policy and the strategic lines of the Company, (i) issuing an opinion on the work plan and resources allocated to the management and risk function and periodically monitoring its work, appraising the content of its reports and requesting from this function the information considered relevant, including with respect to risk management procedures related to financial reporting, the detection of irregularities and the resolution and identification of conflicts of interest; (ii) monitoring and issuing an opinion on the strategic lines and the profile and objectives/limits on matters of risk-taking, the measures of mitigation, the monitoring procedures and integrated risk assessment methodologies, prior to the final approval of this body; and (iii) promoting an annual assessment of the degree of compliance and performance of the risk management policy and system, and the creation of periodic controls to assess whether the risks effectively incurred by the Company are consistent with the risk profile and objectives/limits assumed on risk-taking matters;
- Issue a prior and binding opinion, directed at the Board of Directors, on the internal procedure on approval of significant transactions with related parties and the CTT Group policy on conflicts of interest ;
- Issue an opinion on transactions with members of the Board of Directors and transactions with related parties deemed significant (because they were not carried out within the scope of the current activity or under market conditions or due

to their amount), under the established legal and regulatory terms and the procedure referred to in the previous paragraph;

- Assess every six months all transactions with related parties not requiring its prior opinion and that are submitted to it for subsequent appraisal by the Executive Committee;
- Monitor and supervise the mechanisms implemented for purposes of approval, control and disclosure of transactions with related parties.

Oversight of the statutory auditor

- Select the Statutory Auditor, after appraisal of qualifications and independence for the performance of duties, and proposing to the General Meeting its nomination and issuing an opinion to the Executive Committee on the terms of the contract for provision of services in conformity with the terms detailed in the specific procedure that has been approved on the topic by the Audit Committee;
- Annually assess the work conducted by the Statutory Auditor and its adequacy to perform the duties, and proposing its dismissal to the General Meeting and termination of the contract for provision of services of the Statutory Auditor to the Board of Directors, when on the grounds of fair cause;
- Verify, monitor, oversee and assess the Statutory Auditor's independence as prescribed by law and assess the annual confirmation of its independence vis-à-vis the Company (including the Statutory Auditor's own independence and that of his/her partners and other senior officers/managers, as prescribed by law);
- Verify the adequacy of and give prior consent, in a substantiated manner, to the Statutory Auditor's providing non-audit services to CTT and to the entities under its direct or indirect control, as well as assess the Statutory Auditor's annual statement therein related, in conformity with the terms detailed in the specific procedure that has been approved on the topic by the Audit Committee;
- Discuss threats to its independence with the Statutory Auditor and the safeguards implemented to mitigate them;
- Propose the Statutory Auditor's remuneration to the competent bodies;
- Permanently monitor the activity and contractual ties with the Statutory Auditor, in particular as regards financial information and the effectiveness of internal control mechanisms, namely by (i) procuring the latter is endowed with the conditions necessary to carry out its activity, (ii) being the Statutory Auditor's main liaison within the Company, and (iii) receiving all its reports (never after any other body or committee), and being aware of the exchange of correspondence with the Statutory Auditor relative to the Company and the companies in controlling or group relations with the Company;
- Monitor and oversee the annual individual and consolidated statutory audit, namely its execution, and assess the content of the annual statutory audit reports and audit reports with the Statutory Auditor, namely as regards any possible reservations presented thereby, in order to make recommendations to the Board of Directors and Executive Committee;
- Assess the Statutory Auditor's additional report, which namely sets out the results/issues deemed fundamental to the statutory audit that has been carried out (including debating with the Statutory Auditor those fundamental results/issues);
- Include, in the Audit Committee's annual report on its activities, information about the results of the legal review of accounts and the way that it contributed to the integrity of the process of preparation and disclosure of financial information, as well as the role of the Audit Committee in the process;
- Monitor the situation of the work involved in the legal review of accounts least on a quarterly basis in order to supervise the integrity and quality of the quarterly and half-yearly financial information.

In turn, the **Statutory Auditor** is responsible for examining the Company's accounts, pursuant to the law and Regulations on the Provision of Services by the Statutory Auditor referred to above.

The official review of accounts and audit duties performed by the Statutory Auditor, which include, among others, the verification that the corporate bodies' remuneration policies and systems approved by the Remuneration Committee, as well as the verification of all the data required by law in the remuneration report are applied, the effectiveness and operation of internal control mechanisms and reporting of any deficiencies to the Audit Committee of CTT, are conducted by the entity referred to in points 39 and following of Part I below.

5.2.4. Statutory auditor

39. Details of the statutory auditor and the partner that represents same

At the Annual General Meeting held on 18 April 2018, **KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A.** ("KPMG"), (statutory audit firm registered with the Portuguese Institute of Chartered Accountants ("OROC") under no. 189 and with the CMVM under no. 20161489), represented by the partner Paulo Alexandre Martins Quintas Paixão (statutory auditor registered with the OROC under no. 1427 and with the CMVM under no. 20161037), was re-elected as the Company's Statutory Auditor for the 2018/2020 term of office. At this same General Meeting, Vítor Manuel da Cunha Ribeirinho (statutory auditor registered with the OROC under no. 1081 and with the CMVM under no. 20160693) was elected Alternate Statutory Auditor.

In turn, in the Annual General Meeting held on 29 April 2020, **Ernst & Young Audit & Associados – SROC, S.A.** ("EY"), (statutory audit firm registered with the Portuguese Institute of Chartered Accountants ("OROC") under no. 178 and with the CMVM under no. 20161480), represented by Luís Pedro Magalhães Varela Mendes (statutory auditor registered with the OROC under no. 1841 and with the CMVM under no. 20170024) or by Rui Abel Serra Martins (statutory auditor registered with the OROC under no. 1119 and with the CMVM under no. 20160731) was elected as the Company's Statutory Auditor for the 2021/2023 term of office and, in the same General Meeting, João Carlos Miguel Alves (statutory auditor registered with the OROC under no. 896 and with the CMVM under no. 20160515) was appointed as alternate statutory auditor, with the aforementioned appointments of Effective and Alternate Statutory Auditor only becoming effective on 1 January 2021.

40. State the number of years that the statutory auditor consecutively carries out duties with the company and/or group

KPMG has been CTT's Statutory Auditor **since 5 May 2014**. It was elected on that date to complete the 2012/2014 term of office, re-elected on 5 May 2015 (for the 2015/2017 three-year period) and on 18 April 2018 (2018/2020 three-year period).

On **1 January 2021**, EY began its duties as statutory auditor for the 2021/2023 term of office for which it was elected on 29 April 2020 without prejudice to KPMG's performance of its legal responsibilities relative to the 2020 financial year.

41. Description of other services that the statutory auditor provides to the company

See points 46 and 47 below on the services rendered by the Statutory Auditor to the Company in 2020.

5.2.5. External Auditor

42. Details of the external auditor appointed in accordance with Article 8 and the partner that represents same in carrying out these duties, and the respective registration number at the CMVM

In line with Law no. 148/2015, of 9 September, in its current wording, and with the amendments made to the Portuguese Securities Code in that regard, in 2020 the duties of CTT's Auditor were performed by KPMG, **registered with the CMVM under no. 20161489** and represented by the partner Paulo Alexandre Martins Quintas Paixão.

As of 1 January 2021, and as resolved in the General Meeting held on 29 April 2020, the referred duties were assumed by EY, **registered with the CMVM under no. 20161480** and represented by the partner Luís Pedro Magalhães Varela Mendes or by the partner Rui Abel Serra Martins.

43. State the number of years that the external auditor and respective partner that represents same in carrying out these duties consecutively carries out duties with the company and/or group

KPMG has been the Statutory Auditor/(external) Auditor since 2014. It was represented by its partner Maria Cristina Santos Ferreira until 1 May 2017 and, since then, by its partner Paulo Alexandre Martins Quintas Paixão.

In 2012 and 2013, KPMG was the Company's independent auditor.

EY has been the Statutory Auditor since 1 January 2021, represented by Luís Pedro Magalhães Varela Mendes or Rui Abel Serra Martins.

44. Rotation policy and schedule of the external auditor and the respective partner that represents said auditor in carrying out such duties

Law No. 140/2015, of 7 September ("Statutes of the Portuguese Institute of Statutory Auditors"), sets out mandatory rules on the rotation of the Statutory Auditor and the partner involved, which apply to CTT as a "public interest company". These rules are reflected in the Regulation for the Provision of Services by the Statutory Auditor approved by the Company.

In this regard, considering that KPMG (i) was engaged as the **independent auditor in 2012 and 2013 and as Statutory Auditor from 2014 onwards**, and that (ii) the partner in charge was replaced taking effect on 1 May 2017, as indicated in point 43 of Part I above, the Company is in compliance with the legal rotation period of the Statutory Auditor and respective audit partner defined in the Statutes of the Portuguese Institute of Statutory Auditors.

Considering, however, that the current Statutory Auditor term of office would end in 2020 and in order to ensure (i) that the new Statutory Auditor to be appointed fully complied with the legal requirements regarding independence, as provided for in the Statutes of the Portuguese Institute of Statutory Auditors, approved by Law No. 140/2015, of 7 September, and in the Legal System of Audit Supervision, approved by Law No. 148/2015, of 9 September, and (ii) a better transition in the performance of its duties, allowing for the new Statutory Auditor to start the statutory audit work of the 2021 financial year in a timely manner, EY was elected as Statutory Auditor of the Company for the 2021/2023 term of office, taking effect on 1 January 2021, by the Annual General Meeting of CTT held on 29 April 2020.

45. Details of the Board responsible for assessing the external auditor and the regular intervals when said assessment is carried out

See point 38 of Part I above on the **Audit Committee**'s powers as regards the Statutory Auditor **annual assessment**. In exercising its powers, the Audit Committee verified the Statutory Auditor's independence and positively assessed its work during the 2020 financial year.

46. Details of services, other than auditing, carried out by the external auditor for the company and/or companies in a control relationship and an indication of the internal procedures for approving the recruitment of such services and a statement on the reasons for said recruitment

In 2020, KPMG and entities within its network/group carried out for CTT and the companies in a control relationship with CTT for the following non-audit services (considering the understanding expressed by the CMVM on the "Frequently-asked questions about the entry into force of the new Statutes of the Portuguese

Institute of Statutory Auditors and the Legal System on Audit Supervision"), hereinafter "**Non-Audit Services rendered in 2020**":

- Services of limited review of the interim consolidated financial statements of CTT for the six-month period ended on 30 June 2020;
- Quality assurance services on the sustainability information of CTT for the year 2020;
- Services relative to the adequacy of the process regarding the impairment quantification of the Banco CTT and 321 Crédito credit portfolio and reasonableness of the impairment pursuant to the Instruction 5/2013 of BoP, and corresponding additional services requested by the BoP reported as of 30 June 2020;
- Services to assess the adequacy and the effectiveness of the part of the internal control system underlying the process of preparation and disclosure of financial information in Banco CTT, 321 Crédito and Payshop, pursuant to article 25(5)(b) of Notice 5/2008 of BoP;
- Technical support services on the adequacy and effectiveness of the internal control system of Banco CTT, 321 Crédito and Payshop, to their supervisory body in order to support the issue of this body's opinion in accordance with article 25(5)(b) of Notice 5/2008 of BoP;
- Technical support services to the management and supervisory bodies as well as to the control functions of Banco CTT and 321 Crédito, in the adoption of Notice 3/2020 of BoP and Instruction 18/2020 which regulates the governance and internal control systems and defines the minimum standards on which the organizational culture of the institutions should be based; and
- Technical support services to Banco CTT in the remediation process of alerts of anti-money laundering and terrorist financing in a secondment format.

The **Regulations on the Provision of Services by the Statutory Auditor** includes procedures for the engagement of non-audit services by CTT and the entities under its control, subjecting them to the prior authorization of the CTT Audit Committee and the Audit Committee of Banco CTT (as a public interest entity wholly owned by CTT), except for those resulting from a legal obligation of the Company's Statutory Auditor, as indicated in point 37 of Part I above, which were followed for the Non-Audit Services Engaged in 2020.

Accordingly, the authorization for engaging these Non-Audit Services Engaged in 2020: (a) was based in particular on analysis and confirmation (i) that the services in question are not included in the list of prohibited services and do not constitute a threat to the independence and objectivity of KPMG within the context of statutory auditing work, and do not generate any personal interest situation, and (ii) that the engagement of such services does not exceed the annual amount recommended for the engagement of the aforementioned services from the Statutory Auditor when they are not required by law; and (b) was grounded in general on KPMG's knowledge of the Company and the entities it controls, thus assuring adequate possession of the relevant information for the provision of such services (in particular given the nature of the vast majority of the Non-Audit Services Engaged in 2020) and its experience in carrying out similar work.

Besides the Non-Audit Services Engaged in 2020, non-audit services engaged in 2019 were partially provided by KPMG in 2020, with the total amount of these services being reflected under "Accounted Services" in the table shown in point 47 below.

As seen from the analysis of the information in the aforesaid table, the **Non-Audit Services Engaged in 2020 represent 34.7% of the total amount of the services hired from the Statutory Auditor**, with the entire amount of the non-audit services accounting for **32.8%** of the total amount of the services provided by the Statutory Auditor and entities of its network/group in 2020.

47. Details of the annual remuneration paid by the company and/or legal entities in a control or group relationship to the auditor and other natural or legal persons pertaining to the same network and the percentage breakdown relating to the following services (For the purposes of this information, the network concept results from the European Commission Recommendation No. C (2002) 1873 of 16 May)

The table below indicates the amounts corresponding to the fees of KPMG and entities of its network/group in 2020:

	Engaged Services [1]		Accounted Services [2]		Paid Services [1]	
	Amount (€)	%	Amount (€)	%	Amount (€)	%
By the Company	**373,090**	**44.5%**	**388,102**	**33.4%**	**195,435**	**19.5%**
Amount of Statutory Audit	336,190	40.1%	349,321	30.1%	186,130	18.5%
Amount of Quality Assurance Services	36,900	4.4%	35,727	3.1%	6,150	0.6%
Amount of Tax Consultancy Services	0	0.0%	0	0.0%	0	0.0%
Amount of Non-audit services	0	0.0%	3,055	0.3%	3,155	0.3%
Other Companies within CTT Group	**464,605**	**55.5%**	**773,646**	**66.6%**	**808,268**	**80.5%**
Amount of Statutory Audit	210,770	25.2%	430,846	37.1%	478,726	47.7%
Amount of Quality Assurance Services	200,429	23.9%	292,591	25.2%	263,835	26.3%
Amount of Tax Consultancy Services	0	0.0%	0	0.0%	0	0.0%
Amount of Non-audit services	53,407	6.4%	50,209	4.3%	65,707	6.5%
TOTAL	**837,695**	**100%**	**1,161,748**	**100%**	**1,003,703**	**100%**
Total Audit Services	**546,960**	**65.3%**	**780,167**	**67.2%**	**664,856**	**66.2%**
Total Non-Audit Services [3]	**290,735**	**34.7%**	**381,581**	**32.8%**	**338,847**	**33.8%**

1 Includes VAT at the applicable legal rate.
2 Includes invoiced amounts and specialized amounts of the financial year.
3 See point 46 of this chapter above.

The table above was prepared based on the classification arising from the CMVM's understanding as mentioned in point 46 of Part I above.

5.3. INTERNAL ORGANIZATION

5.3.1. Articles of Association

48. The rules governing amendment to the articles of association (Article 245-A(1)(h))

The General Meeting is responsible for passing resolutions on any amendment to the Articles of Association. CTT's Articles of Association do not contain special provisions for the amendment thereof. The general rules provided for in the PCC apply thereto, i.e. such resolution must be passed by a General Meeting:

- In which, on the first call, Shareholders holding shares corresponding to at least one third of the Company's share capital are present or represented; and
- By a two-thirds majority of votes cast, either on the first or second call, unless, on the second call, Shareholders holding shares corresponding to at least half of the Company's share capital are present or represented, in which case the resolution may be taken by simple majority of votes cast.

5.3.2. Reporting irregularities (whistleblowing)

49. Reporting means and policy on the reporting of irregularities in the company

Pursuant to the Regulation on the Whistleblowing System that sets out the internal procedures for the reception, retention and handling of irregularity communications, in line with best practices in this area, CTT's **Audit Committee** is responsible for receiving irregularity communications presented by the Company's Shareholders, employees and others, in order to ensure the necessary independence of these procedures.

RECEPTION	• Irregularity communications must be addressed, in writing, to CTT's Audit Committee, through any of the following mechanisms and must include the information stated in the Regulation on the Whistleblowing System: Email: irregularidades@ctt.pt Address: Remessa Livre 8335, Loja de Cabo Ruivo, 1804-001 Lisbon • Once an irregularity communication has been received and recorded, the Audit Committee carries out actions to verify the existence of sufficient grounds for an investigation.
INVESTIGATION	• The investigation process is conducted by the Audit Committee, using the services of the Audit & Quality Department or other CTT employees or, if necessary, engaging external means (auditors or experts) to support the investigation.
DECISION	• It is the Audit Committee that makes the final decision on whether the process is to be closed or other measures adopted, under the terms of the referenced Regulation on the Whistleblowing System. • The Audit Committee's resolutions under these procedures are subject to the general safeguards regarding conflicts of interest set out in its Internal Regulation and which are relevant should a reported irregularity entail one of its members. According to this Regulation, members of this body cannot vote or participate in resolutions on matters in which they have a conflicting interest.

Within these procedures and as detailed in the referenced Regulation, the following **rights and safeguards** are granted to anyone presenting a complaint**:**

- Confidential handling of irregularity communications;
- Confidential, secure handling and safeguarding of the records and the information;
- Right to information, access and correction of personal data; and
- Prohibition on CTT from retaliating against any whistleblower under this mechanism.

During 2020, no occurrence of any irregularity was communicated to the Audit Committee.

5.3.3. Internal control and risk management

50. Individuals, boards or committees responsible for the internal audit and/or implementation of the internal control systems

G43
G45
G47
G49

Aligned with the best practices, the **Board of Directors** is the corporate body responsible for ensuring the effectiveness of the Company's internal control, risk management and internal audit systems, encouraging a culture of control throughout the organization, based on an internal control system that aims to ensure the efficient and sustainable conduct of business and operations, the protection of resources and assets, and compliance with applicable policies, plans, procedures and regulations, as well as with:

- Processes for the monitoring and continuous improvement of the Internal Control System, underpinned by the assessment and mitigation of critical risks, ensured by Internal Audit (Operational Risks) and Risk Management (Strategic Risks), in close coordination with the corporate and business units;
- Internal information and reporting mechanisms, allowing the organization's performance to be monitored, observed and improved at all levels;
- Processes for identifying and responding to risks in order to pursue the Company's strategic objectives, as defined by the Board of Directors.

The Audit Committee, as CTT's supervisory body, is responsible for monitoring and assessing (i) the process of preparing and disclosing financial information, (ii) the effectiveness of the risk management, internal audit and internal control systems, (iii) the independence of the Statutory Auditor, monitoring the activity of the statutory auditor and external audit.

The **internal audit function** is ensured by the Audit division integrated in the Audit & Quality Department, which is responsible for the independent assessment of CTT and other Group companies' internal control systems, through the continuous monitoring of major risks and timely reporting to the Management and Supervisory Bodies of action plans to mitigate the identified risks, whose implementation is systematically monitored through follow-up actions.

Therefore, (i) the **Board of Directors** is responsible for stipulating the Company's strategic goals and risk limits and for creating systems for their control, in order to ensure that risks incurred are consistent with those objectives, and (ii) the **Audit Committee** is responsible for assessing the operation of internal control and risk management systems, which was carried out in 2020 as described in this point and in points 51 and 55 of Part I below and subchapters 2.7.1. Description of the risk management process, and 2.7.2. Identification of risks (risk matrix) and CTT response of chapter 2.7 Risk Management of this Integrated Report.

51. Details, even including organizational structure, of hierarchical and/or functional dependency in relation to other boards or committees of the company

The **Audit & Quality Department** reports hierarchically to the Executive Committee (through its CEO) and functionally to the Audit Committee.

In compliance with the Articles of Association and the Audit Committee Regulation, the **Audit Committee** has the following responsibilities:

- Monitoring and evaluating annually the internal controls relating to: (i) the process of preparing and disclosing financial information; (ii) accounting and auditing matters; and (iii) matters of preventing and combating money laundering and the financing of terrorism, proposing to the Executive Committee any measures to improve their functioning that may be necessary;
- Issue an opinion on the work plans and resources of the Company's Audit & Quality Department, including the compliance services and assess their objectivity and independence;
- Receive reports from the Audit & Quality Department, at least when matters related to financial reporting, the identification or resolution of conflicts of interest and the detection of possible irregularities are at stake;
- Monitor, in conjunction with the Board of Directors and the Executive Committee, the internal audit and compliance matters: (i) assessing the contents of the reports of the Audit and Quality department, including the Company's Compliance services and (ii) requesting the Audit and Quality department to provide information considered relevant, including information regarding internal audit procedures and controls;
- Supervising the efficacy and adequacy of the risk management system, by annually assessing said system and proposing, to the Executive Committee, measures aimed at improving their functioning as deemed necessary.

52. Other functional areas responsible for risk control

See subchapter 2.7.1. Description of the risk management process of chapter 2.7. Risk Management.

53. Details and description of the major economic, financial and legal risks to which the company is exposed in pursuing its business activity

See subchapter 2.7.2. Identification of risks (risk matrix) and CTT response of chapter 2.7 Risk Management.

54. Description of the procedure for identification, assessment, monitoring, control and risk management

See subchapter 2.7.1. Description of the risk management process of chapter 2.7. Risk Management.

55. Core details on the internal control and risk management systems implemented in the company regarding the procedure for reporting financial information (Article 245-A(1)(m))

The disclosure of financial information is monitored by both the management and Supervisory Bodies and by the Business Units and Corporate Departments. The financial reporting documents and other financial information are prepared by the Planning & Control Department and the Investor Relations area, based on information provided by the Accounting & Taxes Department and the Business Units.

All the financial reporting documents are approved by the **Board of Directors and reviewed by the Audit Committee and the Statutory Auditor**.

In particular, the Audit Committee is responsible for supervising the adoption of the principles and policies regarding the identification and management of the main financial and operational risks associated with CTT's activity, namely by monitoring the activities of the Audit & Quality Department.

The Audit Committee is also responsible for overseeing the independence of the Statutory Auditor and the preparation and disclosure of the Company's financial information. In this context, this body:

- Holds meetings to monitor these processes with members of the Executive Committee, the Statutory Auditor and with the Heads of Accounting & Taxes, Planning & Control and Investor Relations Departments;
- Assesses the Audit & Quality Department's reports (specifically with respect to internal audit and internal control of the financial report), in order to make any proposals to the Executive Committee;
- Monitors internal audit, together with the Executive Committee, namely with respect to the procedures related to financial reporting, detection of risks, irregularities and conflicts of interest, and the safeguarding of assets;
- Monitors the main vulnerabilities identified by the Company and the mitigation plans.

The work carried out by the Audit Committee during 2020 sought, above all, to supervise the suitability of the preparation and disclosure of financial information and ensure that the internal and external auditors were able to perform their duties with independence and impartiality.In turn, to issue the legal certification of accounts and the audit report, the Statutory Auditor assesses the internal control mechanisms of the main business processes of the Group companies with an impact on financial reporting.

I. INVESTOR SUPPORT

56. Department responsible for investor assistance, composition, functions, the information made available by said department and contact details

See chapter 10. Investor Support.

57. Market Liaison Officer

See chapter 10. Investor Support.

58. Data on the extent and deadline for replying to the requests for information received throughout the year or pending from preceding years

See chapter 10. Investor Support.

5.3.4. Website

| G31

59. Address(es)

See chapter 11. Website.

60. Place where information on the firm, public company status, headquarters and other details referred to in Article 171 of the Commercial Companies Code is available

See chapter 11. Website.

61. Place where the articles of association and regulations on the functioning of the boards and/or committees are available

See chapter 11. Website.

62. Place where information is available on the names of the members of governing bodies, the market relations representative, the investor relations office or equivalent structure, their respective duties and contact details

See chapter 11. Website.

63. Place where the documents are available and relate to financial accounts reporting, which should be accessible for at least five years and the half-yearly calendar on company events that is published at the beginning of every six months, including, inter alia, general meetings, disclosure of annual, half-yearly and where applicable, quarterly financial statements

See chapter 11. Website.

64. Place where the notice convening the general meeting and all the preparatory and subsequent information related thereto is disclosed

See chapter 11. Website.

65. Place where the historical archive on the resolutions passed at the company's General Meetings, share capital and voting results relating to the preceding three years are available

See chapter 11. Website.

5.4. REMUNERATION

G51
G52

5.4.1. Power to establish

66. Details of the powers for establishing the remuneration of corporate boards, members of the executive committee or chief executive and directors of the company

Setting the remuneration of corporate bodies, members of the Executive Committee and Company senior officers - given that CTT's Board of Directors only qualifies as "officers of the Company", within the meaning of article 248-B of the Portuguese Securities Code and article 3 of EU Regulation, the members of CTT's management and supervisory bodies - is the responsibility of the **Remuneration Committee**, appointed for such purpose by the General Meeting pursuant to article 9 of the Articles of Association and in compliance with **Recommendation V.2.2. of the IPCG Code**.

According to article 26-B of the Portuguese Securities Code, introduced by Law no. 50/2020, of 25 August, the Remuneration Committee must submit a **remuneration policy proposal to the General Meeting for approval,** at least every four years and whenever a relevant change occurs in the remuneration policy in force.

As further detailed in point 21.4 above, the **Corporate Governance, Evaluation and Nominating Committee** has consultation powers on performance assessment and remuneration matters and supports the Remuneration Committee in stipulating remuneration.

The attribution of these advisory competences is in line with best practices (namely of the financial sector) in that the body which defines the remuneration should be supported by a committee within the Board of Directors, which contributes with its independence, knowledge and experience to the definition of a remuneration policy suited to the particularities of the sector and the Company, especially with detailed knowledge on its strategic and risk profile.

5.4.2. Remuneration Committee

67. Composition of the remuneration committee, including details of individuals or legal persons recruited to provide services to said committee and a statement on the independence of each member and advisor

Until the date of CTT's Annual General Meeting, on 29 April 2020, the composition of the Remuneration Committee was as follows:

Members (1)	Position	Date of 1st appointment
João Luís Ramalho de Carvalho Talone	Chairman	24/03/2014
Rui Manuel Meireles dos Anjos Alpalhão	Member	24/03/2014
Manuel Fernando Macedo Alves Monteiro	Member	28/04/2016

(1) Members re-elected at the General Meeting held on 20/04/2017 for the 2017/2019 term of office.

All members of the Remuneration Committee were independent from the CTT Board of Directors, since none of them (i) was part of any corporate body of the Company nor of any company within a control or group relationship with CTT and / or (ii) had any family relationship (i.e., through his spouse, relatives and/or kin in a direct line up to the third degree inclusive) with any Board member.

The Chairman of the Remuneration Committee attended the Annual General Meeting held on 29 April 2020, and therefore it is considered that **Recommendation V.2.4. of the IPCG Code** is complied with.

On 29 April 2020, the new members of the Remuneration Committee for the 2020/2022 term of office were elected at the General Meeting, and since then and up to the present date, the composition of said Committee has been as follows:

Members	Position	Date of 1st appointment (1)
Fernando Paulo de Abreu Neves de Almeida	Chairman	29/04/2020
Manuel Carlos de Melo Champalimaud	Member	28/04/2016
Christopher James Torino	Member	29/04/2020

(1) The date of the first appointment to a corporate body at CTT is presented here.

The said Remuneration Committee is **composed of three members, the majority of whom are independent members vis-à-vis the management of CTT** taking into account the criteria referred to in (i) and (ii) above. Only the Member Manuel Champalimaud is not independent vis-à-vis CTT's management as he is a direct relative of the non-executive Director Duarte Champalimaud.

The presence on the Remuneration Committee of a non-independent Member does not determine the loss of independence of this Committee vis-à-vis CTT's management, which is why it is considered that **Recommendation V.2.1. of the IPCG Code** is complied with, and the following should be taken into account:

- The Committee is composed of a majority of independent members, including its Chairman;
- The reason for Manuel Champalimaud's non-independence vis-à-vis CTT's management is a family relationship with a director, in a universe of 14 directors, who does not perform executive functions;
- His presence represents, in fact, an added value given his vast experience in company management and knowledge of the sector and industry in which CTT operates, given his investment in CTT (Manuel Champalimaud SGPS, S.A. is the holder of the largest qualified shareholding in CTT, and the shareholding held by this company in CTT is indirectly attributable to Manuel Champalimaud).

In 2020 and until the termination of duties on 29 April 2020, CTT's Remuneration Committee maintained Mercer's support, for the exercise of its functions, as a consultant specialized in remuneration and human resources matters, and the Remuneration Committee considered, in the context of the engagement process, the experience accumulated by Mercer in the definition of the remuneration policy for the previous term of office, as well as the rigor and professionalism with which it always carried out the work requested to it.

In turn, Mercer was engaged to provide other services to the Company on 18 December 2020. On this date, the Remuneration Committee to which it had provided support, as referred to in the previous paragraph, was no longer in office.

After 29 April 2020, the Remuneration Committee engaged the services of EY to define the remuneration policy of CTT's corporate bodies. This provision of services ended on 31 December 2020. As detailed in point 39 above of this Report, EY was elected as CTT's Statutory Auditor by the General Meeting held on 29 April 2020, and this election only took effect as from 1 January 2021.

In this context, the Company considers that it has fully complied with **Recommendations V.2.5. and V.2.6. of the IPCG Code**.

68. Knowledge and experience in remuneration policy issues by members of the Remuneration Committee

The *curricula vitae* of the members of the Remuneration Committee elected on 29 April 2020 are presented in

Annex I of the Report (see pages 389 to 415). As shown therein, all the members of this Committee have **appropriate knowledge** to analyse and decide on the matters within their power, in view of their training and extensive professional experience, namely via:

- Their experience in the areas of remuneration policy, performance evaluation systems and human resources, particularly in academic, human resources consultancy aspects and the performance of functions in remuneration committees (including in companies of considerable size and with shares listed on the stock exchange);
- Their performance of executive and non-executive administrative positions in various sectors, in Portugal and abroad, in companies of considerable size and with shares listed on the stock exchange, as well the holding of positions in the area of investments;
- Abilities and experience in general in areas of corporate governance, finance and risk.

5.4.3. Remuneration structure

G51
G52

69. Description of the remuneration policy of the Board of Directors and Supervisory Boards as set out in Article 2 of Law No. 28/2009 of 19 June

Following its election at the General Meeting of 29 April 2020, **CTT's Remuneration Committee resolved to maintain in force the remuneration policy applicable to the members of the management and supervisory bodies for the term of office ending in 2019 until the approval of a new remuneration policy**, as well as to initiate a process of reflection and study, with the support of specialized consultants, for the purposes of preparing said new policy.

The remuneration policy applied in 2020 continued to be based on the following main principles contained in the declaration approved at the General Meeting of 29 April 2020:

- Operate as an instrument of the talent management policy;
- Compensate work, stimulate performance, reward outcomes, in view of individual performance and merit;
- Contribute to attract, develop and retain competent professionals, seeking to be competitive in relation to Portuguese market practices by companies of similar complexity;
- Promote the alignment of interests with the values and culture of CTT, with the business strategy, with the Company's shareholders and, in general, with all the other stakeholders;
- Contribute to the creation of value, especially in the medium and long-term, following sustained management practices.

The policy applied in 2020 thus maintained as a basis the **benchmarking analysis** carried out for the purposes of the 2017/2019 term of office, which was based on a peer group composed of 20 companies selected according to 3 non-cumulative criteria: sector, regulated/non-regulated market and cash flow stability, thus covering the remuneration practices applied:

- By 8 European companies of the sector (Bpost, Deutsche Post DHL, La Poste, Poste Italiane, PostNL, Post Nord, Royal Mail and TNT);
- By the 12 most significant companies in Portugal at that date, including large Portuguese companies and PSI-20 companies (BPI, Brisa, EDP, EDP Renováveis, Galp, Jerónimo Martins, Millennium BCP, NOS, Navigator, REN, Semapa and Sonae);
- Specifically in the case of the benefits detailed in points 75 and 76 below, a different peer group was considered, focused on the top management positions in Portuguese companies; and
- Specifically with respect to the members of the Board of the General Meeting, a different peer group was also considered, composed of Portuguese companies, including those listed in the PSI-20.

Additionally, the work initiated by the Remuneration Committee in 2020 included an update of the benchmarking study of European companies' remuneration practices in the sector (i.e., Austrian Post, PostNL, bpost, Royal Mail, Deutsche Post and Kuehne+Nagel) and companies in the PSI-20 (i.e., Altri, Millennium BCP, Corticeira Amorim, EDP, EDP Renováveis, Galp, Jerónimo Martins, Mota-Engil, NOS, Novabase, Pharol, REN, Semapa, Sonae, Sonae Capital and The Navigator). This study was considered for the purposes of the proposal relative to the executive Directors remuneration policy.

The **remuneration policy proposal to be submitted to the next Annual General Meeting by the Remuneration Committee also represents an evolution towards continuous alignment with the best governance practices**, by considering the following aspects:

- The **economic and financial situation of the Company** and its structure and size;
- The promotion of the alignment of management interests with CTT's current strategic goals (through performance assessment criteria and financial and non-financial objectives) and with the pursuit of the Company's **long-term sustainability** and the sustainable development of its businesses (including in terms of environmental sustainability);
- Consideration by the management of the interests of the Company's various **stakeholders**, in particular the interests of employees (promoting measures towards a better balance of remuneration conditions for employees and members of the corporate bodies) and the interests of shareholders (contributing to the creation of value for shareholders); and
- The **efficient functioning and relations of** the various corporate bodies of CTT.

In view of the above, the remuneration of the **executive Directors** includes a **fixed component and a variable component, as explained below**.

The **fixed component** applied since April 2020 and included in the remuneration policy to be submitted by the Remuneration Committee to the next Annual General Meeting was defined taking into account, in particular, the following criteria:

- The sustainability of CTT's performance;
- The nature and complexity of the duties (which is why the remuneration of the CEO, CFO and other executive Directors is differentiated), with special emphasis on the skills required and the responsibilities inherent to these duties; and
- The conclusions of the benchmarking analysis carried out and the Company's recent remuneration practice, as well as the objective of greater balance in the remuneration conditions of employees and members of the corporate bodies, with a reduction of the annual base remuneration ("ABR") by 15% for the CEO and 10% for the other members of the Executive Committee, when compared to the policy approved by the Remuneration Committee then in office for the 2017/2019 term of office (this reduction is due to a partial waiver of fixed remuneration by the executive Directors since April 2020 and is included in the remuneration policy to be presented by the Remuneration Committee to the next Annual General Meeting).

This component includes the annual base remuneration paid 14 times per year and the annual meals allowance (which can be reviewed annually by the Remuneration Committee), as well as the benefits detailed in points 75 and 76 below.

In turn, the **variable remuneration ("VR")** of the executive Directors is composed of:

- An **annual component (Annual Variable Remuneration or AVR)**, conditional on the predefined quantifiable financial and non-financial objectives being achieved in each annual evaluation period and paid in cash, according to the rules and subject to the conditions described in points 71 and 72 below ,whose attribution, as regards 2021 and 2022, will take into account the remuneration policy to be submitted to the next Annual General Meeting by the Remuneration Committee and, as regards 2020, will take into account the remuneration policy in force for the term of office ending in 2019 (as indicated in the said proposal to the next Annual General Meeting); and
- A **long-term component (Long-Term Variable Remuneration or LTVR)**, through participation in a share assignment plan of CTT, in accordance with the rules and subject to the conditions described in points 71, 72 and 74 below and contained in the remuneration policy proposal to be submitted for approval at the next Annual General Meeting by the Remuneration Committee.

In accordance with the remuneration policy applied in 2020 and contained in the proposal to be submitted by the Remuneration Committee to the next Annual General Meeting for the term of office underway, the **non-executive Directors exclusively earn an annual fixed remuneration**, paid 14 times a year.

Since April 2020, there has been a 15% ABR of the Chairman of the Board of Directors when compared to the remuneration policy approved by the Remuneration Committee then in office for the 2017/2019 term of office. This reduction is due to a partial waiver.

The amount of the executive Directors' fixed remuneration was defined cumulatively considering the following criteria: the recent remuneration practice of the Company; the level of commitment in terms of time and dedication (with a differentiated additional remuneration being attributed to the non-executive Directors who are members of committees); and the level of complexity and responsibility of each position determining a valuation of the performance of duties in the Audit Committee (in view of the duties of this supervisory body) and in the Corporate Governance, Evaluation and Nominating Committee and the positions of chairing committees and within the Board of Directors (in particular the role of Chairman described in 21.1 above, whether in the leadership of the Board or before the Company's stakeholders with a dispersed capital structure).

In this context, the remuneration policy that the Remuneration Committee will submit to the next General Meeting is based on the following pillars and principles in line with **best governance practices**:

Remuneration mix	• Exclusively fixed remuneration for non-executive Directors (including members of the Audit Committee); • Balance between ABR and VR for executive Directors; • Combination of VR, including both cash and stock options components, with physical (75%) and financial settlement (25%).
Performance measures	• Combination of financial and non-financial goals; • Performance measures that consider the Company's strategy and are oriented towards the pursuit of the Company's long-term sustainability and the sustainable development of its businesses, also considering the interests of employees and shareholders.
Alignment of interests	• Definition of a minimum performance level to achieve the VR; • Definition of the maximum performance level from which there is no additional payment of variable remuneration (cap of AVR and number of stock option attributed within the plan as LTVR);] • Deferral and withholding mechanisms of the VR; • Adjustment mechanisms to determine the reduction or reversal of the attribution and/or payment of variable remuneration (malus/claw-back provisions); • Absence of dilution effect since the LTVR is based on a stock option plan of CTT shares to be acquired based on an authorization to acquire and dispose of own shares (subject to shareholder approval); • Prohibition on the executive Directors entering into agreements or other instruments, either with the Company or with third parties that have the effect of mitigating the risk inherent to the variability of VR.
Transparency	• Remuneration Committee composed of three members, mostly independent in relation to CTT's management, assisted by specialized consultants and by a specialized internal Board of Directors' committee; • Alignment with the strategic goals of the Company; • Overall remuneration set by CTT's Remuneration Committee, in the event of the performance of duties in companies in a controlling or group relationship with CTT; • Presence of the Chairman or, in his absence, another member of the Remuneration Committee, at the Annual General Meeting and in any others, if the agenda includes an issue related to the remuneration of members of the Company's bodies and committees, or if this presence has been requested by the shareholders.

These principles and structural elements of the remuneration policy of the members of the management and supervisory bodies of CTT are detailed in the following points of this chapter 5 and are also included in the

remuneration policy proposal to be submitted by the Remuneration Committee, under the terms and for the purposes of Articles 26-A and following of the Portuguese Securities Code, for approval at the Annual General Meeting to be held on 21 April 2021, which will be subject to the favorable opinion of the Corporate Governance, Evaluation and Nominating Committee.

The remuneration policy to be submitted by the Remuneration Committee for approval by the Annual General Meeting includes disclosure of the information required under Article 26-C of the Portuguese Securities Code, introduced by Law No. 50/2020. of 25 August, and also information on the rules in force on matters of termination of duties.

70. Information on how remuneration is structured so as to enable the aligning of the interests of the members of the board of directors with the company's long-term interests and how it is based on the performance assessment and how it discourages excessive risk taking

G53

70.1 Setting limits of the annual base remuneration, the AVR and the LTVR, and discouraging excessive risk taking, and balance of remuneration components

The **amount of fixed remuneration** is defined according to the criteria indicated in point 69 above, focused on the sustainability of CTT's performance and alignment with the interests of its stakeholders and taking into account market practices and a remuneration differentiation according to the dedication and degree of complexity and responsibility of the duties held. This component should discourage excessive risk-taking.

CTT's **non-executive Directors** receive exclusively fixed remuneration.

In turn, the **AVR of the executive Directors** is subject to maximum caps defined in the remuneration policy, namely by reference to the annual base remuneration and takes into account allocation rules that consider short and long-term objectives, as well as discouraging excessive risk-taking, as follows:

- The target **AVR for the financial year of 2020** is 55% of the annual base remuneration for each executive Director. Therefore, in a scenario in which 100% of the annual variable remuneration goals are attained, each executive Director will be entitled to AVR in cash of the value of 55% of his/her annual base remuneration. If the goals attained surpass this target, the maximum AVR each executive Director may receive is 85% of his/her annual base remuneration.
- These limits will be maintained for the **remaining years** of the current term of office in accordance with the remuneration policy proposal to be submitted to the next Annual General Meeting;
- The **weight of the non-financial performance evaluation criteria** that, for the purposes of the performance evaluation in 2020, are reflected in the qualitative assessment and, for the purposes of the evaluation of the financial years 2021 and 2022, take the form of quantifiable key performance indicators with a weight of 30% focused on long-term sustainability objectives, as described in point 71 below;
- If the minimum limits of accomplishment described in point 71 below are not achieved, there is no entitlement to annual variable remuneration. If an AVR is to be awarded, it is subject to a **cap** and the **payment of 50% is deferred**, as provided for in the remuneration policy proposal to be submitted to the next Annual General Meeting, thus contributing to balancing the pursuit of sustained performance and discouraging excessive risk-taking.

If the target AVR objectives are attained, the **annual fixed remuneration component will represent on average 65% and the AVR will represent on average 35% of the total annual remuneration (not considering any potential LTVR)** for the executive Directors as a whole.

The **LTVR model for executive Directors** through participation in the share option plan that grants the right to acquire CTT shares subject to the conditions of the plan, to be submitted for approval at the next Annual General Meeting by the Remuneration Committee, promotes an alignment of interests with the Company's performance and provides the following incentives to pursue sustainable performance without excessive risk-taking, as described in points 72 and 74 below:

- The plan sets out the number of options allocated that may be exercised by each executive Director, as well as the allocation price with **different tranches**, which are distinguished only by their distinct allocation price or strike price (establishing five differentiated strike prices, with an identical number of options attached to each strike price, in a gradual logic);

- The plan also provides for mechanisms for **deferring the exercise of options** (the date of exercise is 1 January 2023 considering the end of the 2020/2022 term of office) and **retaining** part of the shares to be delivered (throughout the period from the exercise date and the fifth trading day immediately following the end of the month after the date of approval of the accounts for 2024 at the annual general meeting to be held in 2025, or as of 31 May 2025 whichever occurs later);
- In the event that the **target AVR objectives are met and an exercise price of €3.30 per CTT share occurs** (this value is only for illustrative purposes and corresponds to the average CTT share price as of 31 December 2017, 2018 and 2019), the **fixed component of the annual remuneration will represent on average 53%** and the annualized AVR and LTVR will represent on average 47% of the overall annual remuneration for the whole of the executive Directors.

Finally, and pursuant to article 23 of the Articles of Association, the variable remuneration of the executive Directors may consist of a percentage of the consolidated profits. In this case, the overall percentage of profits allocated to the variable remuneration cannot exceed, in each year, the amount corresponding to 5% of the consolidated profit for the year.

70.2 Performance assessment criteria and resulting alignment of interests

The award and amount of the **AVR are conditional on compliance in each evaluation period (calendar year) with quantifiable goals measured using short and long-term performance evaluation criteria**, described in point 71 below, and its **payment in cash is deferred** by 50% and is also subject to the performance of the Company and individual performance. This component will thus vary according to:

- The degree of achievement of a series of goals established according to financial and non-financial performance evaluation criteria, focused either on the implementation of **CTT's long-term strategic objectives** or on the **promotion of best ESG** (Environmental, Social and Governance) **practices**;
- The balance between **financial and non-financial evaluation criteria**, bearing in mind that: (i) if the minimum limits of the financial criteria are not met, no AVR will be attributed; and that (ii) the non-financial criteria are reinforced to the extent that that will correspond to a quantifiable key performance indicator weighing 10% (Net Promoter score) and to 4 additional quantifiable targets weighing 20% (related to sustainability, strategic performance, operating and commercial, and environmental objectives, as well as the attributions of each Director to the extent possible);
- The payment of the AVR in cash and, according to the remuneration policy to be proposed to the General Meeting for this term of office, will take place in 2 tranches, with the **payment of 50% of the AVR deferred proportionally** over the deferral period of 3 years and subject to the positive performance and sustainable financial situation of the Company and the positive performance of each Executive Director (including the non-verification of the situations that give rise to the application of the adjustment mechanisms mentioned below).

In turn, the **LTVR for the 2020/2022 term of office in the form of participation in CTT's stock option plan**, to be submitted for approval at the next Annual General Meeting by the Remuneration Committee, also depends on the Company's performance and aims to align interests with this performance in the long-term, to the extent that, as described in points 72 and 74 below:

- The plan sets out the **number of options** allocated that may be exercised by the CEO, the CFO and the remaining executive Directors and their allocation or strike price;
- The number of shares to be received depends on the **difference between the strike price and the market price**, i.e., the average price, weighted by trading volume, of the Company's shares traded on the Euronext Lisbon regulated market in the sessions held in the 45 days prior to the exercise date (i.e. 1 January 2023);
- The LTVR attributed under the plan is subject to the **positive evolution of the share price and the positive performance of the Company** and to **eligibility conditions** related to the non-verification of the situations that give rise to the application of the adjustment mechanisms mentioned below and material breaches of the terms of the plan;
- The plan also provides for mechanisms for **deferring** the exercise of options and **retaining** shares which result from the combination of two aspects: (i) the date of the exercise of all options (1 January 2023 considering the end of the 2020/2022 term of office); and (ii) a retention period of part of the shares allocated (throughout the period from the exercise date and the fifth trading day immediately following the end of the month after the date of approval of the accounts for 2024 at the annual general meeting to be held in 2025, or as of 31 May 2025 whichever occurs later).

Moreover, in terms of the mentioned remuneration policy, the executive Directors **cannot conclude contracts**

or other instruments, either with the Company or with third parties, whose effect is mitigating the risk inherent to the variability of the variable remuneration.

Thus, via these performance assessment criteria, achievement goals and conditions of attribution and payment or delivery of each remuneration component, as described in points 71, 72 and 74 below, the aim is to establish a **remuneration mix that promotes the alignment of the interests of the members of the management body with the interests of CTT and its long-term performance**, as follows:

- The **fixed component** serves as a reference for the allocation of AVR, is subject to limits, and can be reviewed annually by the Remuneration Committee thus providing an adequate balance between these two components;
- The **AVR** depends on the assessment of gradual financial and non-financial performance criteria with an assessment period that matches the financial year, and the **LTVR** depends on the CTT share price evolution as well as the Company's performance beyond the end of the perm of office;
- The **AVR** and **LTVR** are subject to eligibility conditions and adjustment mechanisms, as well as the positive performance of the Company, aimed at encouraging the pursuit of long-term performance;
- The **AVR** and **LTVR** are also subject to mechanisms of deferral by deferring for 3 years of the payment of 50% of the AVR and the deferral of the exercise of all options granted until 1 January 2023 (considering the end of the three-year term of office 2020/2022) and retention of part of the shares awarded (throughout the period from the exercise date and the fifth trade day immediately following the end of the month after the date of approval of the accounts for 2024 at the annual general meeting to be held in 2025, or as of 31 May 2025 whichever occurs later).

Therefore, the remuneration policy applied in 2020 and the policy contained in the proposal to be submitted by the Remuneration Committee to the next Annual General Meeting for the current term of office **fully complies with the Recommendations V.2.7. to V.2.10 of the IPCG Code**.

71. Reference, where applicable, to there being a variable remuneration component and information on any impact of the performance appraisal on this component

The performance assessment criteria on which the attribution of AVR and LTVR depends are presented below, showing **full compliance with the Recommendation V.2.7 of the IPCG Code** in the sense that the variable component of the remuneration of executive Directors reflects the sustained performance of the Company.

71.1. Criteria for performance assessment of the AVR for 2020 in line with the remuneration policy in force in the term of office ended in 2019 (as indicated in the remuneration policy proposal to be submitted to the next Annual General Meeting)

The amount of the **AVR** to be earned by the executive Directors with reference to performance in 2020 is **70% of the assessment of the following criteria and quantitative goals**, established by the Remuneration Committee based on the business plan and budget of the CTT Group and on the benchmarking carried out:

- The amount of the annual recurring EBITDA margin of each CTT business unit: (i) mail; (ii) express & parcels; (iii) financial services; and (iv) Banco CTT (30%);
- The growth percentage of the recurring consolidated EBITDA of CTT (as defined by CTT's Audit Committee) vis-à-vis the previous calendar year (25%);
- The ROI growth percentage (ratio between the recurring consolidated EBITDA and invested capital), in comparison to the previous calendar year (25%);
- An annual total shareholder return ("TSR") of Company shares equal to or greater than 0 and its comparison to the weighted average TSR of a peer group (20%). This peer group consists of 2 subgroups: (i) 60% weight to the TSR for the PSI-20 index and (ii) 40% weight to the (simple average) TSR for a set of relevant sector peers (Austrian Post, Bpost, PostNL and Royal Mail, notwithstanding changes defined by the Remuneration Committee due to relevant corporate restructurings).

The awarding of AVR in terms of these goals is also dependent on the observance of (i) a **weighted average of these goals above 80%** and (ii) a **recurring EBITDA margin that complies with at least 85% of the established goal.**

When these conditions are met, the recorded performance in 2020 in terms of the quantitative criteria and goals is remunerated **in a graduated way**, **according to the degree of accomplishment and parameters defined** by the Remuneration Committee, in particular:

- If the recorded performance meets the set goal in less than 80% (90% in the case of the TSR goal), no AVR will be awarded for that quantitative target, nor will it be awarded if the qualitative individual targets are met;
- If the recorded performance is between 80% and 90% of the set goal (between 90% and 95% in the case of the TSR goal), that amount will be between 24.75% and 33% of the annual base remuneration of each executive Director;
- If the recorded performance is between 90% and 130% of the set goal (between 95% and 110% in the case of the TSR goal), that amount will be between 33% and 85% of the annual base remuneration of each executive Director;
- If the recorded performance meets the set goal by more than 130% (over 110% in the case of the TSR goal), that amount will correspond to 85% of the annual base remuneration of each executive Director.

The AVR amount to be granted with reference to performance in 2020 is **30% of the assessment of the individual qualitative goals** defined and subject to assessment by the Corporate Governance, Evaluation and Nominating Committee based on the parameters set by the Remuneration Committee and with a view to fostering the Company's values and sustainability, functioning and efficient relationship with CTT's various corporate bodies and committees and the relationship with its stakeholders. However, this component will only impact the attribution and calculation of the AVR when the **assessment of the quantitative goals of CTT leads to the attribution and payment of the AVR.** According to these **parameters**, the recorded performance in terms of these goals is **remunerated in a graduated way**, as follows:

- The AVR on this account is based on a percentage of the annual base remuneration between 55% and a maximum of 85%, according to the degree of accomplishment. There is only entitlement to this if the general performance recorded corresponds to an assessment of at least the target 3 (on a scale of accomplishment of 1 to 5); and
- The annual qualitative assessment of the CEO cannot exceed, by more than one level, the annual average assessment of all the other members of the Executive Committee.

In this context, the Corporate Governance, Evaluation and Nominating Committee defined an assessment model in which the relevant criteria are the composition, image and activity of the Executive Committee, as well as its relationship with the various corporate bodies and stakeholders (including aspects such as sustainability and environment, organizational culture, corporate reputation and relationship with Shareholders, employees, regulators and customers), as well as each member's individual contribution to the Executive Committee's performance.

71.2. Criteria for performance assessment of the AVR for 2021 and 2022 included in the remuneration policy proposal to be submitted to the next Annual General Meeting

The amount of the **AVR** to be earned by the executive Directors with reference to their performance in 2021 and 2022, as proposed by the Remuneration Committee to be submitted to the next General Meeting is **70% of the assessment of the following quantifiable criteria and objectives of a financial nature and 30% of the assessment of the following quantifiable criteria of a non-financial nature, with the following weights in the allocation and calculation of the AVR** (established by the Remuneration Committee based on the business plan or budget of the CTT Group for the period in question):

- Free Cash Flow per Share (30%): quantifiable financial performance criterion related to the ability of the business to generate cash flows. Excluded from the calculation of this criterion are amounts related to Financial Services and deposits and loans of Banco CTT's clients;
- Recurring Consolidated EBIT (20%): quantifiable financial performance criterion related to the operational performance of the business.
- Earnings per Share (10%): quantifiable financial performance criterion related to the capacity to pay dividends per share;
- Revenue (10%): quantifiable financial performance criterion related to the revenue generated by sales and services;
- Net Promoter Score (10%): quantifiable non-financial performance criterion related to customer experience and business growth capacity;
- Four additional non-financial targets (20%): 4 quantifiable non-financial performance criteria, each with a weight of 5%, to be applied to each or all executive Directors, in relation to each financial year or to the three-year period, by the Remuneration Committee (following a proposal from the Board of Directors and opinion of the Corporate Governance, Evaluation and Nominating Committee) and aimed at promoting long-term performance and the interests of the Company's stakeholders through performance criteria/objectives aligned with the business plan and budget of the CTT Group for the period in question, and related to **(i)** objectives regarding the sustainability of the growth of the Company's business segments, **(ii)** operational or commercial performance objectives of CTT's activity, **(iii)** objectives related to the implementation of strategic projects for CTT, (iv) environmental goals related to CTT's activity and (v) to the extent possible, the duties of each executive Director.

The attribution of the AVR is also dependent on the observance of a weighted average of the objectives of the financial performance evaluation criteria referred to above of more than 80%.

Once this condition is met, the recorded performance in each financial year in terms of the aforesaid criteria and goals of a financial and non-financial nature is remunerated weighting 70% and 30% respectively, of the amount of the AVR and in a **graduated way and according to the degree of accomplishment**, in particular:

- If the recorded performance meets the set goal in less than 80%, no AVR will be awarded for that target;
- If the recorded performance is between 80% and 130% of the set goal, between 35% and 85% of the annual base remuneration of each executive Director, on a straight-line basis, is payable;
- If the recorded performance is more than 130% of the established goal, 85% of the annual base remuneration of each executive Director is payable.

71.3. Criteria for evaluation of LTVR performance for the 2020/2022 term of office, under the share option plan contained in the remuneration policy proposal to be submitted to the next Annual General Meeting

The LTVR model for the current term of office is based on the participation in a **plan for the award of options on shares representing CTT's share capital**, whose award, exercise and delivery rules are indicated in point 74 below and which is **subject to the approval of the General Meeting of Shareholders**, and is included in the remuneration policy proposal to be submitted by the Remuneration Committee to the General Shareholders' Meeting and still dependent on the approval of the proposal to acquire and dispose of own shares to be submitted by the Board of Directors to the General Shareholders' Meeting, which takes into account the CTT share performance as well as the positive sustained performance of the Company as described in points 72 and 74 below.

72. The deferred payment of the remuneration's variable component and specify the relevant deferral period

According to the remuneration policy to be proposed to the General Meeting for the 2020/2022 term of office, the **payment of the AVR** that may eventually be awarded, under the terms described in points 69 and following above, takes place in cash and in **two tranches**, i.e:

- The payment of 50% of the AVR occurs in the month following the date of approval by the General Meeting of the accounts relating to the financial year corresponding to the assessment period; and
- The payment of **the remaining 50% of the AVR is deferred proportionately over a period of 3 years** from the said date of approval of accounts and is **subject to the positive performance and sustainable financial situation of the Company and the positive performance of each executive Director**, including the non-verification of the situations that give rise to the application of the adjustment mechanisms mentioned below.

In turn, the option allocation plan also provided for in the aforementioned remuneration policy proposal also establishes a **deferral period of the exercise of the options and a retention period of the awarded as LTVR**, as follows:

- The automatic **exercise date** of all options is 1 January 2023, given the end of the 3-year term 2020/2022;
- If stock options are granted based on stock market performance and the Company's positive performance is verified, the options will be subject to settlement over the deferral/retention period;
- **50% of the LTVR** is settled on the fifth trading day immediately following the date of the annual general meeting of the Company approving the accounts for the 2022 financial year to be held in 2023, subject to verification of positive performance with respect to each of the 2021 and 2022 financial years, half by way of financial settlement in cash (i.e. 25% of the options on a pro rata basis with respect to each of its 5 tranches) and the other half (i.e. 25% of the options also on a pro rata basis with respect to each of its 5 tranches) by way of physical settlement through the delivery of CTT shares;
- The **remaining 50% of the LTVR** (i.e. 50% of the options equally on a pro rata basis with respect to each of its 5 tranches) are settled through the delivery of CTT shares (physical settlement), in 2 tranches of 1/2 of the shares retained, respectively: (i) on the fifth trading day immediately following the end of the month after the date of approval of the accounts relating to financial year 2023 at the annual general meeting of the Company to be held in 2024, or on 31 May 2024 (whichever date occurs later) and subject to the positive performance of the Company in each of the financial years 2021 to 2023; and (ii) on the fifth trading day immediately following the end of the month after the date of approval of the accounts for the financial year 2024 at the annual general meeting of the Company to be held in 2025, or on 31 May 2025 (whichever date occurs later) and subject to the positive performance of the Company in each of the financial years 2021 to 2024, respectively for each tranche.

In addition, the award of the AVR and the exercise and settlement of the options relating to the LTVR are conditional (as a condition of eligibility) on **the executive Director remaining with the Company**, as follows:

- If the executive Director leaves the company for any reason, with the exception of dismissal for cause or another situation that gives rise to the application of an adjustment mechanism (as described below), after the assessment period but before payment of the **AVR**, it will be paid in full to the extent corresponding to that period;
- The payment of the **AVR** in respect of an assessment period in which there is termination of duties will not be due, nor will the settlement of the **LTVR** under the above mentioned option plan be due in the event of early termination of duties, as its exercise and settlement require the conclusion of the term of office for which the executive Director was appointed (continued performance), except in situations of termination by mutual agreement, retirement, death, disability or other case of early termination of the term of office for reasons not attributable to the Director (namely in case of change of control of the Company), in which case the Remuneration Committee shall define a pro-rata attribution of the AVR and the pro-rata cancellation of the LTVR granted under the plan;
- The taking up of duties during the current term of office by new executive Directors gives rise to AVR on a pro-rata basis determined by the Remuneration Committee, and to LTVR taking into account the period of office held during the term of office.

The AVR and LTVR are also subject to the following adjustment mechanisms, in accordance with the remuneration policy to be proposed to the General Meeting for the 2020/2022 term of office (in line with that applicable to the AVR under the policy approved for the previous term of office):

- The **reduction of the VR** whose attribution and/or payment/settlement does not yet constitute an established right (malus provision) and/or the reversion through retention and/or return of the VR whose payment/settlement already constitutes an established right (clawback provision), as a supplementary mechanism to the reduction;
- Applicable to part or the whole of the **RV (attributable, attributed and/or paid)**;

- When the following **situations** occur: the Director, in the exercise of his/her duties, participated directly and decisively or was responsible for an action that resulted in significant losses; serious or fraudulent non-compliance with the code of conduct or internal regulations with significant negative impact, or situations that justify just cause for dismissal; and/or false statements and/or materially relevant errors or omissions in the financial statements to which an objective conduct of the Director has decisively contributed.

Thus, the Remuneration Committee (after hearing the Corporate Governance, Evaluation and Nominating Committee) assesses annually whether there is room for application of the said adjustment mechanisms (conditions for eligibility of VR), as a result of which it may, as applicable:

- No **AVR** will be attributed or paid to the Director concerned in relation to the relevant assessment period and the attribution of options to the Director in question as **LTVR** is reversed (through the cancellation of the options whose exercise is conditioned to the non-verification of the referred situations);
- The **AVR** already attributed and/or paid to the Director in question to be reversed, in whole or in part, under which terms the right to the payment of the AVR amounts already attributed is subject to the non-verification during the deferral period of the referred situations and that the amounts paid as AVR shall be subject to this adjustment mechanism from the date of approval by the General Meeting of the accounts relating to the financial year corresponding to the assessment period until the next annual meeting of the Remuneration Committee called to deliberate on the application of these mechanisms;
- The **LTVR** already attributed to the Director in question is reversed, and the exercise of the options and their settlement (in cash or through the delivery of shares) subject to the non-verification of situations that give rise to the application of adjustment mechanisms or situations of material non-compliance with the plan, in which terms, should such situations occur until the meetings of the Remuneration Committee called to decide on its application (to be held as of the exercise and before the settlement of the LTVR or the end of each retention period pursuant to the plan), there may be no payment of the amount due as financial settlement of the LTVR or the delivery of the retained shares, or they may have to be returned by the Director, under the terms set forth in the plan.

These rules thus seek to align the interests of the management team in a long-term perspective with the interests of the Company, the Shareholders and all other stakeholders, whose pursuit, in view of the particularities of the Company and sector, also **fully complies with Recommendations V.2.7 to V.2.9 of the IPCG Code**.

73. The criteria whereon the allocation of variable remuneration on shares is based, and also on maintaining company shares that the executive directors have had access to, on the possible share contracts, including hedging or risk transfer contracts, the corresponding limit and its relation to the total annual remuneration value

Not applicable. See point 71 above.

74. The criteria whereon the allocation of variable remuneration on options is based and details of the deferral period and the exercise price

The LTVR model for the 2020/2022 term of office is based on the participation of executive Directors in a **share option plan representing CTT's share capital, which is subject to approval by the General Meeting of Shareholders**, and is set out in the remuneration policy proposal to be submitted by the Remuneration Committee (subject to a favorable opinion by the Corporate Governance, Evaluation and Nominating Committee) and also dependent on the approval of the proposal to acquire and dispose of own shares to be submitted by the Board of Directors, in both cases to the General Meeting of Shareholders.

The said plan provides the following main rules applicable to the allocation and exercise of the options and the financial settlement, and delivery and retention of the shares within the LTVR:

- The plan regulates the allocation to its participants (the executive Directors of CTT that adhere to the plan) of **options which confer the right to acquire shares representing CTT's share capital**, subject to certain conditions applicable to the exercise and settlement of the options (options of a non-transferable nature even between participants, except in the case of succession by death);

- The plan sets out the **number of options granted** to be allocated to each executive Director, differentiating between the nature and complexity of the duties in question (among CEO, CFO and other executive Directors) according to the table below, the date of attribution corresponding to the date of the plan's approval at the General Meeting;
- The plan also sets the **strike price** for five tranches that differ only by their different strike price, as shown in the table below:

Tranche	Number of Options per participant			Strike Price
	CEO	CFO	Other Executive Directors	
1	700,000	400,000	300,000	EUR 3.00
2	700,000	400,000	300,000	EUR 5.00
3	700,000	400,000	300,000	EUR 7.50
4	700,000	400,000	300,000	EUR 10.00
5	700,000	400,000	300,000	EUR 12.50

- The **date of exercise** of all the options is 1 January 2023, given the end of the **3-year term of office 2020/2022** (relevant date for purposes of calculating the number of allocated shares, since the exercise of the options is automatic);
- The **number of CTT shares eventually to be awarded to the participants**, (via physical or financial settlement pursuant to the terms of the plan), following the automatic exercise of the options as foreseen on the plan, depends on the difference between the **strike price** and the **exercise price** (i.e., the average price, weighted by the trading volume, of the Company's shares traded on the Euronext Lisbon regulated market in the sessions carried out in the 45 days prior to the exercise date, i.e., on 1 January 2023) and results from the application of the following formula (rounded down):

  No. of Shares = No. of Options Exercised x [(Exercise Price -Strike Price / Exercise Price)]

  Thus, subject to the eligibility conditions and the retention mechanism referred to in this point 74 and in point 72, each participant is entitled to receive the total number of CTT shares resulting from the sum of the number of shares due for each tranche, calculated according to the referred formula.
- The strike and exercise prices will only be altered, by decision of the Remuneration Committee, in the event of financial transactions carried out by the Company during the term of the plan that are likely to significantly affect the value of the shares, to the extent necessary to neutralize the effect of these transactions and preserve the economic value of the options (such as a reduction or increase in share capital, stock splits, distribution of shareholder remuneration, mergers or other corporate restructuring);
- The plan provides for the **financial settlement of 25% of the options** (net cash settlement) and the **physical settlement of 75% of the options** (net share settlement), without prejudice to, exceptionally and in a scenario where the number of own shares held by CTT is not sufficient, determining that the Remuneration Committee establishes a compensation mechanism through the allocation of a cash amount and financial settlement of the options whose physical settlement is not possible;
- In the event that shares are granted depending on stock market performance and the Company's positive performance as defined in the plan, the options will be subject to settlement over the deferral/retention period;
- **50% of the LTVR** is settled on the fifth trading day immediately following the date of the annual general meeting of the Company approving the accounts for the 2022 financial year to be held in 2023, subject to verification of positive performance with respect to each of the 2021 and 2022 financial years, half by way of financial settlement in cash (i.e. 25% of the options on a pro rata basis with respect to each of its 5 tranches) and the other half (i.e. 25% of the options also on a pro rata basis with respect to each of its 5 tranches) by way of physical settlement through the delivery of CTT shares;
- The **remaining 50% of the LTVR** (i.e. 50% of the options equally on a pro rata basis with respect to each of its 5 tranches) are settled through the delivery of CTT shares (physical settlement), in 2 tranches of 1/2 of the shares retained, respectively: **(i)** on the fifth trading day immediately following the end of the month after the date of approval of the accounts relating to financial year 2023 at an annual general meeting of the Company to be held in 2024, or on 31 May 2024 (whichever date occurs later) and subject to the positive performance of the Company in each of the financial years 2021 to 2023; and **(ii)** on the fifth trading day immediately following the end of the month after the date of approval of the accounts for the financial year 2024 at an annual general meeting of the Company to be held in 2025, or on 31 May 2025 (whichever date occurs later) and subject to the positive performance of the Company in each of the financial years 2021 to 2024, respectively for each tranche.
- The plan thus provides for **deferral and retention** mechanisms that, combined, ensure compliance with the **Recommendation V.2.9. of the IPCG Code**: **(i)** the automatic exercise date of all options (i.e., 1 January 2023 in order to consider the 3-year term of office 2020/2022) which determines the calculation of the number of shares acquired

under the plan; **(ii)** the settlement of 50% of the options after the date of the annual general meeting of the Company approving the accounts for the 2022 financial year to be held in 2023; **(iii)** the aforementioned retention period until 2025 during which the participant does not acquire ownership or the social or economic rights attached to 50% of the shares awarded until the end of each retention period; and **(iv)** the conditions to which the award and settlement of the LTVR are subject in connection with the stock market performance as well as the positive performance of the Company;

- The exercise of the options and their settlement are also subject to the **eligibility conditions** referred to in point 72 above (i.e., remaining in office during the term of office by rule, absence of situations of material non-compliance with the plan, and no situations giving rise to the application of the adjustment mechanisms);
- This plan will not have a diluting effect on shareholders, since it is intended that the shares eventually to be delivered under the plan will be **own shares** to be acquired by the Company, under the authorization of the General Shareholders' Meeting to acquire and dispose of own shares, to be considered at the General Meeting following a proposal from the Board of Directors.

75. Main parameters and grounds of any annual bonus scheme and any other non-cash benefits

The Company has not adopted any system of annual bonuses or other non-cash benefits, without prejudice to the following paragraph.

Supplementing the provisions in point 76 below, the executive Directors earn the following **non-cash supplementary benefits, of fixed nature**: entitlement to use a vehicle (including fuel and tolls), life and personal accident insurance (including during travel) and access to the health benefit system (IOS – Instituto de Obras Sociais) under the same terms as the Company employees.

The Chairman of the Board of Directors was also entitled to use a vehicle (including fuel and tolls) until 29 April 2020.

76. Key characteristics of the supplementary pensions or early retirement schemes for directors and state date when said schemes were approved at the general meeting, on an individual basis

The Company's remuneration policy applied in 2020, as well as the remuneration policy proposal for the current term of office to be submitted by the Remuneration Committee to the next Annual General Meeting, do not consider the attribution of supplementary pensions or the attribution of any compensation in the event of the early retirement of its Directors, without prejudice to the matter referred to in the following paragraph.

The monthly fixed remuneration of the executive Directors includes an amount defined by the Remuneration Committee intended for allocation to a defined contribution pension plan or retirement saving plan (or other retirement saving instruments), specifically chosen by each executive Director (amounting to 10% of the annual base remuneration).

5.4.4. Disclosure of remuneration

G51
G52

77. Details on the amount relating to the annual remuneration paid as a whole and individually to members of the company's board of directors, including fixed and variable remuneration and as regards the latter, reference to the different components that gave rise to same

The tables below indicate the gross remuneration paid in 2020 by the Company to the **members of the Board of Directors and Audit Committee**:

Member	Position	Amounts		
		Fixed Remuneration [1]	AVR 2019 [2]	Total
João Afonso Ramalho Sopas Pereira Bento	Chief Executive Officer (CEO)	542,131.79 €	0.00 €	542,131.79 €
António Pedro Ferreira Vaz da Silva	Executive Director	391,576.30 €	0.00 €	391,576.30 €
Guy Patrick Guimarães de Goyri Pacheco	Executive Director (CFO)	420,747.34 €	0.00 €	420,747.34 €
João Carlos Ventura Sousa	Executive Director	391,576.30 €	0.00 €	391,576.30 €
João Miguel Gaspar da Silva [3]	Executive Director	414,587.70 €	0.00 €	414,587.70 €
Francisco Maria da Costa de Sousa de Macedo Simão [4]	Executive Director	4,537.86 €	0.00 €	4,537.86 €
Total remuneration of the Executive Committee		2,165,157.29 €	0.00 €	2,165,157.29 €

Member	Position	Amount [5]
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia [6]	Non-executive Director and Chairwoman of the Audit Committee	85,574.97 €
Steven Duncan Wood [6][7]	Non-executive Director and Member of the Audit Committee	0.00 €
María del Carmen Gil Marín	Non-executive Director and Member of the Audit Committee	50,416.64 €
Nuno de Carvalho Fernandes Thomaz [8]	Non-Executive Director, Member of the Audit Committee and Chairman of a Committee other than the Audit Committee	21,072.92 €
Maria Belén Amatriain Corbi [8]	Non-executive Director and Member of the Audit Committee	21,072.92 €
Total remuneration of the Audit Committee		178,137.45 €
Raul Catarino Galamba de Oliveira	Chairman of the Board of Directors and Chairman and Member of Committees other than the Audit Committee	199,986.11 €
Duarte Palma Leal Champalimaud [6]	Non-executive Director and Member of a Committee other than the Audit Committee	61,804.21 €
Isabel Maria Pereira Aníbal Vaz	Non-executive Director and Member of a Committee other than the Audit Committee	43,694.46 €
João Eduardo Moura da Silva Freixa [9]	Non-executive Director	33,611.03 €
Jürgen Schröder	Non-executive Director	33,611.03 €
Margarida Maria Correia de Barros Couto [10]	Non-executive Director and Chairwoman of a Committee other than the Audit Committee	45,416.62 €
Susanne Ruoff	Non-executive Director	33,611.03 €
António Sarmento Gomes Mota [11]	Chairman of the Board of Directors and of Committees other than the Audit Committee	86,770.84 €
José Manuel Baptista Fino [8]	Non-executive Director and Member of a Committee other than the Audit Committee	18,263.20 €
Céline Dora Judith Abecassis-Moedas [8]	Non-executive Director and Member of a Committee other than the Audit Committee	18,263.20 €
Rafael Caldeira de Castel-Branco Valverde [6][8]	Non-executive Director and Member of Committees other than the Audit Committee	18,263.20 €
Total remunerationof the non-executive Directors who are not members of the Audit Committee		593,294.93 €
Total remuneration of the non-executive Directors		771,432.38 €
Total remuneration of the Board of Directors and of the Audit Committee members		2,936,589.67 €

[1] Amount of the fixed remuneration of the executive Directors in proportion to the time they performed duties in 2020. This amount includes: ((i) the annual base remuneration ("ABR"), (ii) the annual meals allowance (€9.01 per business day of each month, 12 times a year), and (iii) the fixed amount paid annually allocated to the retirement savings plan corresponding to 10% of the ABR. Since April 2020, the ABR decreased compared to the amount defined in the remuneration policy approved for the 2017/2019 term of office (which remained in force in 2020 due to a resolution of the Remuneration Committee referred to in point 69 above), following the waiver of part of the ABR, corresponding to 15% in the case of the Chief Executive Officer, and 10% for the remaining executive Directors.

[2] Although the result of the assessment for the 2019 financial year is the awarding of an AVR to the executive directors, the payment has not yet been made.

[3] Co-opted to perform the duties of executive Director by resolution of the Board of Directors taken at its meeting of 18/12/ 2019, taking effect on 06/01/2020. The amount of fixed remuneration disclosed includes the amount of €27,675.00 paid as extraordinary performance bonus for the financial year 2019 as Chief Operating Officer, a position he held until his co-option took effect.

[4] Tendered his resignation to the position of Executive Director which took effect on 06/01/2020, as communicated to the market in a press release of 18/12/2019.

[5] Amount of the fixed remuneration of the non-executive Directors in proportion to the time they performed duties in 2020. Non-executive directors do not earn any variable remuneration. The ABR earned by the Chairman of the Board of Directors since April 2020 decreased by 15% relative to the amount defined in the remuneration policy approved for the 2017/2019 term of office (which remained in force in 2020 due to a resolution of the Remuneration Committee referred to in point 69 above), following the waiver of part of the ABR. The Chairman of the Board of Directors did not use the right to use a vehicle (including fuel and tolls) after 29 April 2020.

[6] She/he was also a member of a Committee other than the Audit Committee until 29/04/2020, the date on which the elective annual General Meeting was held, and the remuneration relating to these functions is included in the disclosed remuneration.

[7] Re-elected to the position of non-executive Director and Member of the Audit Committee at the General Meeting of 29/04/2020, having waived the payment of remuneration for the 2020/2022 term of office.

[8] Left office on 29/04/2020.

[9] Tendered his resignation as a non-executive Director, which took effect as provided by law on 31/01/2021, as communicated to the market in a press release of 10/12/2020.

[10] She was appointed Chairman of the Ethics Committee (a Committee different from the Audit Committee) by resolution of the Board of Directors taken at its meeting of 14/07/2020.

[11] Left office on 29/04/2020. The ABR earned by the Chairman of the Board of Directors between 01/01/2020 and 28/04/2020, decreased by 25% in relation to the amount defined in the remuneration policy approved for the 2017/2019 term of office (which remained in force in 2020 by virtue of a resolution of a Remuneration Committee referred to in point 69 above), following the waiver of part of the ABR.

According to the remuneration policy proposal to be submitted by the Remuneration Committee to the General Meeting of Shareholders to be held on 21 April 2021 and subject to its approval (as well as the corresponding authorization for the acquisition of own shares by the Company contained in the proposal for that purpose to be submitted by the Board of Directors to the General Shareholders' Meeting), the LTVR model for the 2020/2022 term of office is based on the participation of executive directors in a share option plan representing CTT's share capital. Under said plan, the following options on CTT shares are granted to the executive Directors who adhere to the plan, the date of attribution corresponding to the date of the plan's approval at the General Shareholders' Meeting and exercise date of 1 January 2023 (taking into account the term of office and as detailed in point 74 above):

Tranche	Number of options per participant		
	João Afonso Ramalho Sopas Pereira Bento	Guy Patrick Guimarães de Goyri Pacheco	António Pedro Ferreira Vaz da Silva João Carlos Ventura Sousa João Miguel Gaspar da Silva
1	700,000	400,000	300,000
2	700,000	400,000	300,000
3	700,000	400,000	300,000
4	700,000	400,000	300,000
5	700,000	400,000	300,000

In 2020, there was no deviation from the application of or derogation from the remuneration policy applicable to members of the management and supervisory bodies in the term of office ending in 2019, in force until the approval of a new remuneration policy for the current term of office. Section 5 of this Report presents the remuneration policy applied in 2020 and the terms of the new remuneration policy to come into force in accordance with the proposal of the Remuneration Committee subject to approval by the General Meeting to be held on 21 April 2021.

As described throughout this section 5 of the Report, the **remuneration policy proposal for the 2020/2022 term of office to be submitted to the next Annual General Meeting is aimed at promoting** continuous alignment with best practice in ESG matters, taking specifically into account:

- The **economic and financial situation of the Company** and its structure and size;
- The promotion of the alignment of management interests with CTT's current strategic goals and with the pursuit of the Company's **long-term sustainability** and the sustainable development of its businesses, including in terms of environmental sustainability;
- Consideration for the management of the interests of the Company's various **stakeholders**, in particular the interests of employees (promoting measures towards a better balance of remuneration conditions for employees and members of the corporate bodies) and the interests of shareholders (contributing to the creation of value for shareholders).

In this context, information is presented below on the **evolution of the remuneration of CTT's corporate bodies and employees and the Company's performance from 2017 to 2020**, a period marked by the implementation of the operational transformation plan and more recently by the COVID-19 pandemic crisis.

The comparative table below shows the annual percentage variation in the remuneration of the members of the Board of Directors and Audit Committee of the Company currently in office in the period between 2017 (date of first appointment of the longest-serving members) and 2020:

Members	Date of 1st appointment (1)	Position (2)	Fixed Remuneration (3) 2020 vs 2019	Fixed Remuneration (3) 2019 vs 2018	Fixed Remuneration (3) 2018 vs 2017	AVR(3)(5) 2020 vs 2019	AVR(3)(4) 2019 vs 2018	AVR(3)(4) 2018 vs 2017
João Afonso Ramalho Sopas Pereira Bento(6)	20/04/2017	Chairman of the Executive Committee	61.80%(6)	506.44%(6)	21.49%	---	---	---
António Pedro Ferreira Vaz da Silva	20/04/2017	Executive Director	-4.32%	8.80%	21.64%	---	---	---
Guy Patrick Guimarães de Goyri Pacheco(7)	19/12/2017	Executive Director	-4.33%	5.61%	---(7)	---	---	---
João Carlos Ventura Sousa(8)	18/09/2019	Executive Director	4.00%	n.a.	n.a.	---	n.a.	n.a.
Maria Luísa Coutinho Ferreira Leite de Castro	20/04/2017	Non-executive Director Chairman of the Audit Committee	2.79%	8.82%	21.81%	n.a.	n.a.	n.a.

Members	Date of 1st appointment (1)	Position (2)	Fixed Remuneration (3) 2020 vs 2019	Fixed Remuneration (3) 2019 vs 2018	Fixed Remuneration (3) 2018 vs 2017	AVR(3)(5) 2020 vs 2019	AVR(3)(4) 2019 vs 2018	AVR(3)(4) 2018 vs 2017
Anacoreta Correia								
Steven Duncan Wood (9)	23/04/2019	Non-executive Director and member of the Audit Committee	---	n.a.	n.a.	n.a.	n.a.	n.a.
Duarte Palma Leal Champalimaud(10)	19/06/2019	Non-Executive Director	5.00%	n.a.	n.a.	n.a.	n.a.	n.a.

(1) The date of the first appointment to a corporate body at CTT is presented here.

(2) Current position in CTT.

(3) Fixed remuneration includes annual base remuneration, the amount of the annual meal allowance and the fixed amount paid annually allocated to the retirement savings plan and its partial reduction following the waiver by the executive Directors. The variable remuneration only considers AVR, as there was no LTVR in that period.

(4) The executive Directors waived their annual variable remuneration for 2017 and 2018, and for this reason and regardless of the result of the assessment conducted relative to 2017 and 2018, no AVR was paid in 2018 and 2019.

(5) Although the result of the assessment for the 2019 financial year is the awarding of an AVR to the executive directors, the payment has not yet been made and no amount relative thereto has been paid in 2020.

(6) From 23/04/2017 to 22/05/2019 he performed the duties of non-executive Director in CTT, having been appointed Chief Executive Officer by resolution of the Board of Directors of 13/05/2019, effective as of 22/05/2019, reflecting the annual percentage variation between 2018 and 2019, the calculation in relation to the remuneration earned as a non-executive member and subsequently as Chief Executive Officer.

(7) Considering that the Director only took office on 19/12/2017, the remuneration earned between that day and 31/12/2017 was not considered for the purposes of calculating the annual variation between 2017 and 2018.

(8) Co-opted by resolution of the Board of Directors dated 03/09/2019 effective as of 18/09/2019, reflecting the annual variation between 2019 and 2020, the calculation with respect to the remuneration earned in 2019 as of the effective date of his co-option.

(9) Co-opted by resolution of the Board of Directors dated 19/06/2019, reflecting the annual variation between 2019 and 2020, the calculation with respect to the remuneration earned in 2019 as of the effective date of his co-option.

(10) Director with no remuneration.

The table below shows the annual percentage variation of the following economic and financial indicators of CTT (on a consolidated basis) between 2017 and 2020:

Performance indicators	2020 vs 2019	2019 vs 2018	2018 vs 2017
Revenues	0.7%	4.6%	0.4%
Operating costs(1)	2.5%	3.4%	1.6%
Net profit for the year attributable to shareholders of CTT	-42.9%	35.8%	-28.0%

(1) Excluding depreciation / amortization, impairments and provisions, the impact of IFRS 16 and specific items.

In turn, the table below shows the annual variation between 2017 and 2020 of the average remuneration of full-time employees of the CTT Group, excluding members of the management and supervisory bodies, by professional category:

Employees(1)	2020 vs 2019(2)(3)	2019 vs 2018(2)	2018 vs 2017(2)
Senior and middle management	-0.7%	0.6%	0.4%
Counter service	-0.2%	0.4%	1.5%
Delivery	-0.7%	1.6%	0.8%
Other	1.4%	1.5%	-0.4%
Total	**-0.2%**	**0.7%**	**0.2%**

(1) Excluding the employees of 321 Crédito, CTT Expresso (Sucursal en España / branch in Spain) and Correio Expresso de Moçambique (CORRE).

(2) For comparison purposes, the following criteria were taken into account: (a) Number of employees according to headcount reported at year-end and (b) base remuneration.

[3] In 2020, the number of employees under Suspension Agreements was not accounted for, due to a methodological option, and there were no wage increases resulting from collective bargaining, without prejudice to those resulting from career progression provided for in the Company Agreement, which has an impact, in terms of value, on the variation disclosed. The higher number of fixed-term contract employees, with lower salaries, exits due to termination of employment contracts by mutual agreement, employment contract suspension agreements and natural exits due to retirement and other reasons, with higher salaries, in 2020, also had an impact in terms of value, on the variation disclosed.

78. Any amounts paid, for any reason whatsoever, by other companies in a control or group relationship, or are subject to a common control

During 2020, the companies in a controlling or group relationship with the Company **did not pay the members of the Board of Directors any remunerations** or amounts for any reason.

79. Remuneration paid in the form of profit sharing and/or bonus payments and the reasons for said bonuses or profit sharing being awarded

The Executive Director João Miguel Gaspar da Silva received in 2020, as an extraordinary bonus for 2019, attributed for the performance of his duties as **CTT's Head of Operations**, the amount of € 27.675,00. It should be noted in this regard that João Miguel Gaspar da Silva was CTT's Head of Operations from 14 May 2018 to 6 January 2020, when his co-optation, resolved on 18 December 2019 by CTT's Board of Directors, took effect.

In addition to the above, no other amounts were paid to the members of CTT's Board of Directors in the form of profit-sharing or bonuses.

80. Compensation paid or owed to former executive directors concerning contract termination during the financial year

Notwithstanding the fact that the executive Director, Francisco Maria da Costa de Sousa de Macedo Simão, tendered his resignation on 18 December 2019, as communicated to the market on that date, which took effect on 6 January 2020, no compensation was paid or is owed to him by CTT regarding said termination of office.

It is foreseen in the remuneration policy approved by CTT's Remuneration Committee for the 2017/2019 term of office, and which remained in force until the approval of a new remuneration policy by virtue of the resolution of the Remuneration Committee referred to in section 69 above, as well as in the remuneration policy proposal for the current term of office to be submitted by the Remuneration Committee to the next Annual General Meeting, that in the event of the termination of duties of the members of the Board of Directors, the **legally established compensatory rules** shall be applicable.

Reference is also made to points 72 above and 83 below, which set out the **consequences of early termination of duties for the AVR and LTVR** and the statutory compensation rules.

81. Details of the annual remuneration paid, as a whole and individually, to the members of the company's supervisory board for the purposes of Law No. 28/2009 of 19 June

See point 77 of Part I above with respect to the members of the Audit Committee.

82. Details of the remuneration in said year of the Chairman of the Presiding Board to the General Meeting

In view of the death of the Chairman of the Board of the General Meeting elected for the 2017/2019 term of office, Julio de Lemos de Castro Caldas, on 4 January 2020, the Annual General Meeting held on 29 April 2020 was initially conducted by its Vice-Chairman at the time, Francisco Maria Freitas de Moraes Sarmento Ramalho, after the election of the new members of the Board of the General Meeting for the 2020/2022 term of office, the first item on the agenda, to be led by Pedro Miguel Duarte Rebelo de Sousa, assisted by Teresa Sapiro

Anselmo Vaz Ferreira Soares, elected, respectively, to the positions of Chairman and Vice-Chairman of the Board of the General Meeting.

Thus, during the 2020 financial year, only the members of the Board of the Shareholders' General Meeting elected on 29 April 2020 were remunerated for the office held, with the Chairman receiving ten thousand euros and the Vice-Chairman of the Board of the Shareholders' General Meeting receiving four thousand euros.

5.4.5. Agreements with remuneration implications

83. The envisaged contractual restraints for compensation payable for the unfair dismissal of directors and the relevance thereof to the remunerations' variable component

The members of CTT's corporate bodies **have not entered into any remuneration or compensation agreements with the Company**.

According to **the remuneration policy** approved by CTT's Remuneration Committee for the 2017/2019 term of office and which remained in force until the approval of a new remuneration policy by virtue of the resolution of the Remuneration Committee referred to in section 69 above, as well as the remuneration policy proposal for the current term of office to be submitted by the Remuneration Committee to the next Annual General Meeting, in the event of termination of office of the members of the Board of Directors, the **legally established compensatory rules** shall apply.

- The compensation by law to members of the Board of Directors (including executive Directors), in the event of their dismissal without just cause, corresponds to the indemnity for damages suffered thereby, as prescribed by law and may not exceed the remuneration that the Board member would presumably receive until the end of the period for which he/she was elected.

Thus, considering the absence of individual agreements in this area and the terms of the remuneration policy in the event of a dismissal that does not arise from a serious breach of duty nor from the inability to carry out duties normally, but that is nonetheless due to inadequate performance, the Company will only be obliged to pay compensation as prescribed by law.

In turn, according to the remuneration policy proposal for the term of office underway and the options plan provided for therein to be submitted by the Remuneration Committee to the next Annual General Meeting (which is also subject to approval by the participants), the early termination of duties determines the following **consequences in relation to the allocation and payment of the VR** to the executive Directors:

- If an executive Director leaves for any motive, with the exception of dismissal on fair grounds or any other situation which leads to the application of an adjustment mechanism (as described above), after the assessment period, but before the payment of the **AVR**, its entire payment will take place to the extent corresponding to that period;
- The payment of the **AVR** relative to an assessment period in which termination of duties occurs shall not be due, nor the settlement of the LTVR under the above mentioned option plan be due in the event of early termination of duties, since its exercise and settlement require the conclusion of the term of office for which the executive Director was appointed (continued performance), except in situations of termination by mutual agreement, retirement, death, disability or other case of early termination of the term of office due to a cause not attributable to the Director (namely in case of change of control of the Company), in which case the Remuneration Committee shall define a pro rata attribution of the AVR and the pro rata cancellation of the LTVR awarded by virtue of the plan.

In view of the **consequences of the early termination of duties described above,** the Company is considering complying with **Recommendation V.2.3. of the IPCG Code**, since the maximum amount of compensation to be paid as a result of such termination will result from the application by the Remuneration Committee (with the support of the Corporate Governance, Evaluation and Nominating Committee) of the abovementioned legal criteria and other criteria established in the abovementioned internal regulations for the situations handled therein.

84. Reference to the existence and description, with details of the sums involved, of agreements between the company and members of the board of directors and managers, pursuant to Article 248-B/3 of the Securities Code that envisages compensation in the event of resignation or unfair dismissal or termination of employment following a takeover bid (Article 245-A(1)(l))

On this issue, it should be noted that CTT's Board of Directors considers that the Company's directors, in acceptance of articles 248-B of the Portuguese Securities Code and of the EU Regulation, correspond only to the members of the management and supervisory bodies of CTT.

Accordingly, during 2020, **there were no agreements between the Company and the members of the Board of Directors or the Audit Committee** which provided for compensation in the event of resignation, dismissal without just cause or termination of employment following a change of control in the Company, without prejudice to the provisions in points 72 and 83 above.

5.4.6. Share-Allocation and/or Stock Option Plans

85. Details of the plan and the number of persons included therein

As better defined in points 69, 71 and 74 above, according to the remuneration policy proposal to be submitted by the Remuneration Committee for approval at the next Annual General Meeting, it is intended that the LTVR is based on the executive Directors' participation in a stock option plan for the grant of shares representing CTT's share capital.

86. Characteristics of the plan (allocation conditions, non-transfer of share clauses, criteria on share-pricing and the exercising option price, the period during which the options may be exercised, the characteristics of the shares or options to be allocated, the existence of incentives to purchase and/or exercise options)

Point 74 above describes the characteristics of CTT's stock option plan included in the remuneration policy proposal to be submitted by the Remuneration Committee for approval at the next Annual General Meeting, including the respective attribution conditions, clauses on the inalienability of shares, criteria relative to the option exercise price, the period during which the options may be exercised, the characteristics of the shares or options to be assigned the existence of incentives to acquire shares and/or exercise options.

87. Stock option plans for the company employees and staff

No stock option plan for the acquisition of CTT shares benefiting the Company's employees and staff was or is in force in 2020.

88. Control mechanisms provided for in any employee-share ownership scheme in as much as voting rights are not directly exercised by those employees

There were no systems of participation of the workers in the capital in force at CTT during 2020 and there are none currently in force.

5.5. TRANSACTIONS WITH RELATED PARTIES

5.5.1. Control mechanisms and procedures

89. Mechanisms implemented by the Company for the purpose of controlling transactions with related parties

Since 2014, the Company has been implementing procedures aimed at ensuring strict compliance with the legal and accounting rules and current best practices concerning transactions with related parties and the pursuit of CTT's interests in this regard, in particular through the **Regulation on Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interest**.

Following the amendments introduced to the Portuguese Securities Code by Law 50/2020, of 25 August, as well as the new Recommendations of the 2018 IPCG Code, amended in 2020, regarding these matters, a new version of the **Regulation on Assessment and Control of Transactions with Related Parties and Prevention of Conflict of Interest** was approved on 21 December 2020 by the Board of Directors, with the prior favorable opinion of the Audit Committee , which is published on CTT's website, at www.ctt.pt ("Group CTT"/"About Us"/"Corporate Governance"/"Articles of Association and Regulations").

Under the new Regulation, the following are considered "Related Parties":

- Any Shareholder with at least 2% of CTT's share capital, whether directly or indirectly, pursuant to article 20 of the Portuguese Securities Code
- Members of CTT's management and supervisory bodies and any officers who, although not members of these corporate bodies are so classified under the referenced Regulation;
- Members of the management bodies of CTT subsidiaries;
- Any third-party entity that is related to any of the persons identified in the previous three points through relevant business or personal interest;
- Subsidiaries, associated companies and jointly controlled entities (joint ventures) of CTT.

According to that Regulation, "Transactions with Related Parties" (i.e. all legal transactions or acts resulting in a transfer of resources, services or obligations, regardless of whether a price is charged, between, on the one hand, CTT and/or subsidiaries and, on the other hand, a related party) shall adhere to the following principles:

- They must always be formalized in writing, specifying their terms and conditions;
- They shall be carried out (i) in accordance with the legislation in force, in particular in full respect of the interests of the Company and its subsidiaries, as applicable (ii) ensuring the fair/ equitable and reasonable character of the transaction from the point of view of the Company and shareholders who are not related parties (including minority shareholders) and (iii) within the current activity and under market conditions, as defined in the regulation, unless it is demonstrated that the transaction that does not comply with these requirements is suitable for the interests of the Company and subsidiary companies and the fair/ equitable and reasonable character mentioned above, and cumulatively the transaction is approved by the Board of Directors, with prior opinion of the Audit Committee;
- The following should be clearly and accurately disclosed (i) relevant transactions, i.e, whose value is equal to or exceeds 2.5% of CTT's consolidated assets according to the latest audited financial information approved by CTT's corporate bodies (calculated in relation to a single transaction or to the set of transactions carried out during any 12-month period or during the same financial year with the same related party), and that, cumulatively, have not been carried out within the scope of the current activity and/or under market conditions, (ii) and most Transactions with Related Parties, in the notes to the Company's financial statements, with sufficient details to identify the "Related Party" and the essential conditions related to the transactions;
- Loans and guarantees to "Related Parties" are expressly prohibited, except to subsidiaries, associated companies or jointly controlled entities (joint ventures);
- "Significant Transactions", i.e., of an amount greater than €1,000,000 relating to a single business or to a series of business transactions carried out during any 12-month period or during the same financial year with the same related party, and those intended to be carried out outside the scope of the current activity and/or outside market conditions,

must be subject to a "prior opinion" by the supervisory body, unless they are exempt transactions under the terms of the Regulation (i.e. transactions entered into between CTT and a subsidiary that is in a controlling relationship with CTT and in which no related party has interests and transactions proposed to all CTT shareholders under the same terms, where the equal treatment of all shareholders and the protection of CTT's interests are ensured);

- Similarly, transactions to be carried out by CTT Directors and/or subsidiaries (directly or through an intermediary) with the company and/or subsidiaries shall be subject to a "prior favorable opinion" by the supervisory body and are subject to prior authorization from the Board of Directors, except when they are included in the actual trade of the company in question and no special advantage is granted to the director directly or through an intermediary;
- All "Transactions with Related Parties" not subject to a "prior opinion" from the Audit Committee are subject to subsequent appreciation by this body.

See point 91 of Part I below on the prior and subsequent mechanisms for the Audit Committee to control transactions with related parties.

90. Details of transactions that were subject to control in the referred year

According to the internal control procedures implemented and for the purposes of the provisions of article 66(5)(e) and article 397 of the Companies Code, in the financial year of 2020, the hiring of GLNPLAST, S.A., a company wholly owned by GLN - Engineering, Molding and Plastics, S.A., was authorized by resolution of the Board of Directors of 28 April 2020, and with the prior favorable opinion of the Audit Committee, which in turn is held by Manuel Champalimaud SGPS, S.A., a party related to CTT's non-executive director Duarte Palma Leal Champalimaud, for the provision of personal protective equipment (visors) supply services, under the procedures described in the Regulation on Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interest in force on the date of the said transaction.

In addition, transactions were subject to **control by the said body** subsequently, almost all of which correspond to services directly and indirectly related to the postal activity.

For further details on Transactions with Related Parties, see Note 50 - Related Parties to the consolidated and individual financial statements in chapter 7 (see pages 337 to 340) of this Report.

91. Procedures and criteria applicable to the supervisory body when same provides preliminary assessment of the business deals to be carried out between the company and the holders of qualifying holdings

According to the Regulation for Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interest, the following are submitted by the Executive Committee to the **prior opinion of the Audit Committee**:

- "Significant Transactions", i.e., transactions of an amount exceeding €1,000,000 related to a single transaction or to a set of transactions carried out during any 12-month period or during the same financial year with the same related party, and those intended to be carried out outside the scope of the current activity and/or outside market conditions, unless they are exempted transactions under the Regulation (i.e. transactions entered into between CTT and a subsidiary that is in a control relationship with CTT and in which no related party has an interest and transactions proposed to all CTT shareholders under the same terms, where the equal treatment of all shareholders and the protection of CTT's interests are ensured); and
- Transactions to be entered into between, on the one hand, members of the management bodies of CTT and/or subsidiaries (directly or through an intermediary) and, on the other hand, CTT and/or subsidiaries, pursuant to and for the purposes of the provisions of articles 397 and 423-H of the PCC, except when they are included in the actual trade of the company in question and no special advantage is granted to the director directly or through an intermediary.

In this context, the Audit Committee analyzes, in particular, the terms, the conditions, the objective and opportunity of the transaction, the interest of the related party, any limitations that could be imposed on CTT as a result of the transaction, the pre-contractual procedures implemented, the mechanisms adopted to resolve or prevent potential conflicts of interest and demonstration that the operation will be carried out within the scope of the Company's current activity or under normal market conditions.

All other "Transactions with Related Parties" are communicated to the Audit Committee for subsequent appraisal, namely in the context of the annual activity report, by the last day of July or January, according to whether the transaction occurred in the 1st or 2nd semester of the year.

5.5.2. Data on business deals

92. Place where the financial statements including information on business dealings with related parties are available, in accordance with IAS 24

The relevant transactions with related parties are described in Note 50 to the consolidated and individual financial statements in chapter 7 (see pages 337 to 340) of this Report and were carried out within the scope of the Company's current activity and under normal market conditions.

Part II – Corporate Governance Assessment

1. Identification of the adopted corporate governance code

In conformity with the provisions article 2(1) of CMVM Regulation No. 4/2013, CTT has adopted the Corporate Governance Code of the Portuguese Institute of Corporate Governance ("IPCG Code") of 2018, revised in 2020, which can be consulted at www.cgov.pt.

2. Analysis of compliance with the adopted corporate governance code

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 – Corporate Governance
I. General Provisions			
General principle	Corporate Governance should promote and enhance the performance of companies, as well as of the capital markets, and strengthen the trust of investors, employees and the general public in the quality and transparency of management and supervision, as well as in the sustained development of the companies.		
I.1. Company's relationship with investors and disclosure			
Principle	Companies, in particular its directors, should treat shareholders and other investors equitably, namely by ensuring mechanisms and procedures are in place for the suitable management and disclosure of information.		
I.1.1.	The Company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the markets in general.	Adopted	18, 21, 35, 38, 55, 56 to 63 (see chapters 10. Investor Support and 11. Website, pages 381 to 387 of this Integrated Report)
I.2. Diversity in the composition and functioning of the company's governing bodies			
Principle 1.2.A.	Companies ensure diversity in the composition of their governing bodies, and the adoption of requirements based on individual merit, in the appointment procedures that are exclusively within the powers of the shareholders.		
Principle 1.2.B.	Companies should be provided with clear and transparent decision structures and ensure a maximum effectiveness of the functioning of their governing bodies and commissions.		
Principle 1.2.C.	Companies ensure that the functioning of their bodies and committees is duly recorded, namely in minutes, to allow an understanding not only of the meaning of the decisions taken, but also of their grounds and the opinions expressed by their members.		
I.2.1.	Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable for the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.	Adopted	16, 18, 19, 26 and 33

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 – Corporate Governance
I.2.2.	The company's managing and supervisory boards, as well as their committees, should have internal regulations — namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members —, disclosed in full on the Company's website. Minutes of the meetings of each of these bodies should be drawn out. I.2.2.(1) The Board of Directors should have internal regulations - namely regulating the performance of their duties, their chairmanship, periodicity of meetings, their functioning and the duties of their members —, disclosed in full on the Company's website. I.2.2.(2) Idem with regard to the supervisory body. I.2.2(3) Idem with regard to the internal committees. I.2.2.(4) Minutes of all meetings of the management body should be drawn out. I.2.2.(5) Idem with regard to the supervisory body. I.2.2(6) Idem with regard to internal committees.	I.2.2.(1) Adopted I.2.2.(2) Adopted I.2.2.(3) Adopted I.2.2.(4) Adopted I.2.2.(5) Adopted I.2.2.(6) Adopted	21, 21, 22, 23, 27, 29, 34, 35 and chapter 11. Website (pages 385 to 387 of this Integrated Report)
I.2.3.	The composition and the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website. I.2.3.(1) The composition and the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website. I.2.3.(2) The number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.	I.2.3.(1) Adopted I.2.3.(2) Adopted	21, 23, 29, 35 and 61 (see point 61 chapter 11. Website pages 385 to 387of this Integrated Report)
I.2.4.	A policy for the communication of irregularities (whistleblowing) should be adopted that guarantees the suitable means of communication and treatment of those irregularities with the safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality is requested.	Adopted	49
I.3. Relationships between the company bodies			
Principle	Members of the company's boards, especially directors, should create, considering the duties of each of the boards, the appropriate conditions to ensure balanced and efficient measures to allow for the different governing bodies of the company to act in a harmonious and coordinated way, in possession of the suitable amount of information in order to carry out their respective duties.		
I.3.1.	The bylaws, or other equivalent means adopted by the company should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.	Adopted	18 and 21

G58
G42

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 – Corporate Governance
I.3.2.	Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.	Adopted	18 and 21
I.4. Conflicts of interest			
Principle	The existence of current or potential conflicts of interest between members of the company's bodies or committees and the company, should be prevented. The non-interference of the member in conflict in the decision process should be guaranteed..		
I.4.1.	The members of the managing and supervisory boards and the internal committees are bounded, by internal regulation or equivalent, to inform the respective board or committee whenever there are facts that may constitute or give rise to a conflict between their interests and the company's interest	Adopted	21
I.4.2.	Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.	Adopted	21
I.5. Related party transactions			
Principle	Due to the potential risks that they may hold, transactions with related parties should be justified by the interest of the company and carried out under market conditions, subject to principles of transparency and adequate supervision		
I.5.1.	The managing body should disclose, in the corporate governance report or by other means publicly available, the internal procedure for verifying transactions with related parties.	Adopted	38, 89 and 91
I.5.2.	The managing body should report to the supervisory body the results of the internal procedure for verifying transactions with related parties, including transactions under analysis, at least every six months.	n.a.	91
II. Shareholders and general meetings			
Principle II.A.	As an instrument for the efficient functioning of the company and the fulfilment of the corporate purpose of the company, the suitable involvement of the shareholders in matters of corporate governance is a positive factor for the company's governance.		
Principle II.B.	The company should stimulate the personal participation of shareholders in general meetings, which is a space for communication by the shareholders with the company's boards and committees and also for reflection about the company itself.		
Principle II.C.	The company should implement adequate means for participation and remote voting by shareholders in meetings.		

G41

G45

G53

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 – Corporate Governance
II.1.	The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote. II.1.(1) The company should not set an excessively high number of shares to confer voting rights, II.1.(2) and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.	II.1.(1) Adopted II.1.(2) n.a.	12
II.2.	The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law	Adopted	14
II.3.	The company should implement adequate means for the remote participation by shareholders in the general meeting, which should be proportionate to its size.	Adopted	12
II.4.	The company should also implement adequate means for the exercise of remote voting, including by correspondence and electronic means.	Adopted	12
II.5.	The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution — without increased quorum in comparison to the legally established — and in that resolution, all votes cast will be counted without observation of the imposed limits.	n.a.	5 and 13
II.6.	The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body	Adopted	4

III. Non-executive management, monitoring and supervision

Principle III.A.	The members of corporate bodies who possess non-executive management duties or monitoring and supervisory duties should, in an effective and judicious manner, carry out monitoring duties and incentivize executive management for the full accomplishment of the corporate purpose, and such performance should be complemented by committees for areas that are central to corporate governance.
Principle III.B.	The composition of the supervisory body and the non-executive directors should provide the company with a balanced and suitable diversity of skills, knowledge, and professional experience.
Principle III.C.	The supervisory body should carry out a permanent oversight of the company's managing body, also in a preventive perspective, following the company's activity and, in particular, the decisions of fundamental importance.

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 – Corporate Governance
III.1.	Without prejudice to the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1..	n.a.	17 and 18 and 21.1
III.2.	The number of non-executive members in the management body, as well as the number of the members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed. The formation of such suitability judgment should be included in the corporate governance report. III.2.(1) The number of non-executive members in the management body should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed. The formation of such suitability judgment should be included in the corporate governance report. III.2.(2) Idem with regard to the supervisory body. III.2.(3) Idem with regard to the number of committee members for financial matters.	III.2.(1) Adopted III.2.(2) Adopted III.2.(3) n.a.	15, 17, 18 and 31
III.3.	In any case, the number of non-executive directors should be higher than the number of executive directors.	Adopted	17 and 18
III.4.	Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to: i. Having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non- consecutive basis; ii. Having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years; iii. Having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person;	Adopted[1]	17, 18, 19, 20 and 78

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 – Corporate Governance
	iv. Having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; v. Having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings; vi. Having been a qualified holder or representative of a shareholder of qualifying holding.		
III.5.	The provisions of paragraph (i) of recommendation III.4 do not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).	n.a.	17 and 18
III.6.	The supervisory body, in observance of the powers conferred to it by law, should assess and give its opinion on the strategic lines and the risk policy prior to its final approval by the management body. III.6.(1) The supervisory body, in observance of the powers conferred to it by law, should assess and give its opinion on the strategic lines and the risk policy prior to its final approval by the management body. III.6.(2) Idem with regard to the risk policy.	III.6.(1) Adopted III.6.(2) Adopted	38
III.7.	Companies should have specialized committees, separately or cumulatively, on matters related to corporate governance, appointments and performance assessment. In the event that the remuneration committee provided for in article 399 of the Commercial Companies Code has been created and should this not be prohibited by law, this recommendation may be fulfilled by conferring competence on such committee in the aforementioned matters. III.7.(1) Companies should have a committee specialized in matters of corporate governance. III.7.(2) Idem with regard to matters of appointments. III.7.(3) Idem with regard to the matter of performance assessment.	III.7.(1) Adopted III.7.(2) Adopted III.7.(3) Adopted	21 and 29

IV. Executive management

Principle IV.A.	As way of increasing the efficiency and the quality of the managing body's performance and the suitable flow of information in the board, the daily management of the company should be carried out by directors with qualifications, powers and experience suitable for the role. The executive board is responsible for the management of the company, pursuing the company's objectives and aiming to contribute towards the company's sustainable development.
Principle IV.B.	In determining the number of executive directors, it should be taken into account, besides the costs and the desirable agility in the functioning of the executive board, the size of the company, the complexity of its activity, and its geographical spread.

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 – Corporate Governance
IV.1.	The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors applicable to their performance of executive functions in entities outside of the group.	Adopted	26
IV.2.	The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: (i) the definition of the strategy and main policies of the company; (ii) the organization and coordination of the business structure; (iii) matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics. IV.2.(1)The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: (i) the definition of the strategy and main policies of the company; IV.2.(2) (ii) the organization and coordination of the business structure; IV.2.(3) (iii) matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.	IV.2.(1) Adopted IV.2.(2) Adopted IV.2.(3) Adopted	21
IV.3.	In the annual report, the managing body explains in what terms the strategy and main policies defined seek to ensure the long-term success of the company and which the main contributions are resulting therein for the community at large.	Adopted	Chapter 2.2 Strategic lines (pages 43 and 44) of this Integrated Report)
V. Evaluation of performance, remuneration and appointment			
V.1. Annual evaluation of performance			
Principle	The company should promote the assessment of performance of the executive body and of its members individually, and also the assessment of the overall performance of the managing body and its specialized committees.		
V.1.1.	The managing body should annually evaluate its performance as well as the performance of its committees and executive directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees. V.1.1.(1) The managing body should annually evaluate its performance, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees. IV.1.1.(2) Idem with regard to the managing body's committees. V.1.1.(3) Idem with regard to the performance of the executive directors.	V.1.1.(1) Adopted V.1.1.(2) Adopted V.1.1.(3) Adopted	21, 24, 29, 66, 70 and 71

G44

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 – Corporate Governance
V.2. Remuneration			
Principle V.2.A.	The remuneration policy of the members of the managing and supervisory boards should allow the company to attract qualified professionals at an economically justifiable cost in relation to its financial situation, induce the alignment of the member's interests with those of the company's shareholders — taking into account the wealth effectively created by the company, its financial situation and the market's — and constitute a factor of development of a culture of professionalization, promotion of merit and transparency within the company.		
Principle V.2.B.	Directors should receive compensation: i) that suitably remunerates the responsibility taken, the availability and competence placed at the service of the company; ii) that guarantees a performance aligned with the long-term interests of the shareholders and promotes the sustainable performance of the company; and iii) that rewards performance.		
V.2.1.	The company should create a remuneration committee, the composition of which should ensure its independence from the management, which may be the remuneration committee appointed under the terms of article 399 of the Commercial Companies Code.	Adopted	15, 21, 24, 66 and 67
V.2.2.	The remuneration should be set by the remuneration committee or the general meeting, on a proposal from that committee.	Adopted	15, 21, 24, 66 and 67
V.2.3.	For each term of office, the remuneration committee or the general meeting, on a proposal from that committee, should also approve the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office. The said situation as well as the amounts should be disclosed in the corporate governance report or in the remuneration report.	Adopted	83
V.2.4.	In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.	Adopted	67 and 69
V.2.5.	Within the company's budgetary limitations, the remuneration committee should be able to freely decide on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties.	Adopted	67
V.2.6.	The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee.	Adopted	67
V.2.7.	Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company and not stimulating the assumption of excessive risks.	Adopted	69, 70, 71 and 72

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 – Corporate Governance
V.2.8.	A significant part of the variable component should be partially deferred in time, for a period of no less than three years, being necessarily connected to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.	Adopted	70 and 72
V.2.9.	When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the starting of the exercise period should be deferred in time for a period of no less than three years.	Adopted	69, 70, 71, 72, 74 and 85
V.2.10.	The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.	Adopted	69 and 70
V.3. Appointments			
Principle	Regardless of the manner of appointment, the profile, the knowledge and the curriculum of the members of the company's governing bodies, and of the executive staff, should be suited to the functions carried out.		
V.3.1.	The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.	Adopted	19, 21 and 29
V.3.2.	The overview and support to the appointment of members of senior management should be attributed to a nomination committee unless this is not justified by the company's size.	n.a.[(2)]	21, 29 and 66
V.3.3.	This nominating committee includes a majority of non-executive, independent members.	n.a.[(2)]	21, 29 and 66
V.3.4.	The nominating committee should make its terms of reference available and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organization, a suitable diversity, including gender diversity.	n.a.[(2)]	21, 29 and 66
VI. INTERNAL CONTROL			
Principle	Based on its mid and long-term strategies, the company should establish a system of risk management and control, and of internal audit, which allow for the anticipation and minimization of risks inherent to the company's activity.		

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 – Corporate Governance
VI.1.	The managing body should debate and approve the company's strategic plan and risk policy, which should include the establishment of limits on risk-taking. VI.1.(1) The managing body shall debate and approve the strategic plan. VI.1.(2) The managing body shall debate and approve the company's risk policy, which includes the establishment of limits on risk-taking.	VI.1.(1) Adopted VI.1.(2) Adopted	21, 50, 52 and 54 (see for points 52 and 54 subchapter 2.7.1. Description of the Risk Management Process, chapter 2.7. Risk Management pages 55 to 60 of this Integrated Report)
VI.2.	The supervisory board should be internally organized, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body.	Adopted	38
VI.3.	The internal control systems, comprising the functions of risk management, compliance, and internal audit, should be structured in terms adequate to the size of the company and the complexity of the inherent risks to its activity. The supervisory body should evaluate them and, within its competence to supervise the effectiveness of this system, propose adjustments where they are deemed to be necessary.	Adopted	38, chapter 2.7. Risk Management (see pages 55 to 60 of this Integrated Report)
VI.4.	The supervisory body should provide its view on the work plans and resources allocated to the services of the internal control system, including the risk management, compliance and internal audit functions, and may propose the adjustments deemed to be necessary.	Adopted	38
VI.5.	The supervisory body should be the recipient of the reports prepared by the internal control services, including the risk management functions, compliance and internal audit, at least regarding matters related to the approval of accounts, the identification and resolution of conflicts of interest, and the detection of potential irregularities.	Adopted	38
VI.6.	Based on its risk policy, the company should establish a risk management function, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; and (iv) the monitoring procedures, aiming at their follow-up. VI.6.(1) Based on its risk policy, the company should establish a risk management function, identifying (i) the main risks it is subject to in carrying out its activity, VI.6.(2) (ii) the probability of occurrence of those risks and their respective impact, VI.6.(3) (iii) the devices and measures to adopt towards their mitigation and VI.6.(4) (iv) the monitoring procedures, aiming at their follow-up.	VI.6.(1) Adopted VI.6.(2) Adopted VI.6.(3) Adopted VI.6.(4) Adopted	50 to 55(see for points 52 to 54 subchapter 2.7.1. Description of the Risk Management Process of chapter 2.7. Identification of risks (risk matrix) and CTT response, chapter 2.7. Risk Management, pages 55 to 60 of this Integrated Report)

G46

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 – Corporate Governance
VI.7.	The company should establish procedures for the supervision, periodic evaluation, and adjustment of the internal control system, including an annual evaluation of the level of internal compliance and the performance of that system, as well as the perspectives for amendments of the risk structure previously defined.	Adopted	21, 38, 50, 52 and 54 (see for points 52 and 54 subchapter 2.7.1. Description of the Risk Management Process, chapter 2.7. Risk Management pages 55 to 60 of this Integrated Report)
VII. FINANCIAL INFORMATION			
VII.1 Financial Information			
Principle VII.A.	The supervisory body should, with independence and in a diligent manner, ensure that the managing body complies with its duties when choosing appropriate accounting policies and standards for the company, and when establishing suitable systems of financial reporting, risk management, internal control, and internal audit.		
Principle VII.B.	The supervisory body should promote an adequate coordination between the internal audit and the statutory audit of accounts.		
VII.1.1.	The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.	Adopted	38
VII.2 Statutory audit of accounts and supervision			
Principle	The supervisory body should establish and monitor clear and transparent formal procedures on the relationship of the company with the statutory auditor and on the supervision of compliance, by the auditor, with rules regarding independence imposed by law and professional regulations.		
VII.2.1.	By internal regulations, the supervisory body should define, according to the applicable legal regime, the monitoring procedures aimed at ensuring the independence of the statutory audit.	Adopted	37 and 38
VII.2.2.	The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company. VII.2.2.(1) The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, VII.2.2.(2) having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.	VII.2.2.(1) Adopted VII.2.2.(2) Adopted	38

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 – Corporate Governance
VII.2.3.	The supervisory body should annually assess the work conducted by the statutory auditor, their independence and their suitability in carrying out their functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.	Adopted	38 and 45

Comply or Explain

[(1)] **Recommendation III.4**

"Each company should include a number of non-executive directors that corresponds to ***no less than one third****, but always plural, who satisfy the legal* ***requirements of independence****. For the purposes of this recommendation, an independent person is one who is not* ***associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision****, namely due to:*

i. *having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis;*
ii. *having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years;*
iii. *having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person;*
iv. *having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties;*
v. *having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings;*
vi. *having been a qualified holder or representative of a shareholder of qualifying holding."*

Although there is no total coincidence of criteria for assessing the independence of non-executive members of the Board of Directors, between, on the one hand, CMVM Regulation No. 4/2013 (Point18.1 of Annex I to said Regulation) which, in the case of the members of the Board of Directors who are also members of the Audit Committee, refers to the Portuguese Companies Code, and, on the other hand, the IPCG Code which generally refers to independence requirements without express reference to the regime of the Portuguese Companies Code as regards the members of the Audit Committee, **the Company fully complies with Recommendation III.4. of IPCG Code** to the extent that, in accordance with the criteria defined for the purposes of this Recommendation, 47% of all its directors are independent. The percentage rises to 70% when measured solely in terms of its non-executive Directors.

[(2)] **Recommendations V.3.2., V.3.3. and V.3.4.**

According to the Note on Interpretation of the IPCG Corporate Governance Code 2018 (Amended in 2020) - Note no. 3, it was considered that Recommendations V.3.2., V.3.3. and V.3.4. **are not applicable to CTT**, as these recommendations **refer to the nominating committee whose function is to monitor and support the appointments of senior management and CTT does not qualify as Senior Management**, within the meaning of articles 248-B of the Portuguese Securities Code and 3 of EU Regulation, **any person other than members of the management and supervisory bodies, and the appointment of these members is monitored and supported by the Corporate Governance, Evaluation and Nominating Committee** (see adoption of Recommendation III.7. of IPCG Code above).

ctt

06

Proposal for the appropriation of results

Committed to Deliver

6. PROPOSAL FOR THE APPROPRIATION OF RESULTS

Under the terms of article 23 of the Articles of Association of CTT - Correios de Portugal, S.A. ("CTT" or "Company"), the annual net profit, duly approved, will be appropriated as follows:

a) a minimum of 5% will be transferred to the legal reserve, until the required amount is reached;

b) a percentage will be distributed to the shareholders as dividends and as decided by the General Meeting;

c) the remaining amount will be appropriated as deliberated by the General Meeting in the interest of the Company.

Under the terms of article 295(1) of the Portuguese Companies Code ("PCC"), a minimum of 5% is intended for the constitution of the legal reserve and, if necessary, its reintegration until this reserve reaches 20% of the share capital. As the share capital is €75,000,000.00, 20% is calculated at €15,000,000.00, whereby the legal reserve as of 31 December 2020 corresponds to the minimum amount required by the Articles of Association and the PCC.

Pursuant to article 294(1) of the PCC, save for another bylaw provision or a resolution passed with a majority of 3/4 of the votes corresponding to the share capital in a General Meeting called for that purpose, half of the financial year's distributable profits must be distributed to shareholders, as set out by law. CTT's Articles of Association contain no provision contrary to the referenced legal provision.

Distributable profits are the financial year's net profit after the constitution or increase of the legal reserve and after negative retained earnings have been covered, if applicable. As of 31 December 2020, the legal reserve is fully constituted and retained earnings are positive. For the financial year ended 31 December 2020, net profit for the year in the individual accounts amounted to €16,720,995.00.

Given the accounting rules in force, an amount of €2,840,951.00 is already reflected in the stated net profit regarding profit sharing with CTT employees.

Accordingly, and in compliance with the provisions applicable under the law and the Articles of Association, the Board of Directors proposes that:

a) The net profit for the 2020 financial year, totaling €16,720,995.00, as per the individual financial statements, is allocated as follows:

Dividends*..€12,750,000.00

Retained earnings €3,970,995.00

b) A maximum amount of €2,840,951.00 (already considered in the individual financial statements) is allocated to CTT employees as profit sharing.

* Distribution of €12,750,000.00 in dividends, which corresponds to €0.085 per share.

Lisbon, 16 March 2021

The Board of Directors

ctt

07

Consolidated and individual financial statements

Committed to Deliver

7. CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS | EC1

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED AND INDIVIDUAL STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 AND 31 DECEMBER 2020
Euros

		Group		Company	
		31.12.2019	31.12.2020	31.12.2019	31.12.2020
ASSETS					
Non-current assets					
Tangible fixed assets	5	263,443,040	294,989,377	226,480,627	243,270,945
Investment properties	7	7,653,000	7,075,908	7,653,000	7,075,908
Intangible assets	6	62,012,644	58,016,961	27,640,021	22,270,219
Goodwill	9	70,201,828	70,201,828	-	-
Investments in subsidiary companies	10	-	-	233,475,030	235,531,801
Investments in associated companies	11	293,434	481	292,953	-
Investments in joint ventures	12	2,723,803	2,925,100	2,723,803	2,925,100
Other investments	13	1,379,137	6,394	1,379,137	6,394
Debt securities	14	424,851,179	465,364,074	-	-
Shareholders	50	-	-	15,058,000	31,930,000
Accounts receivable	18	-	-	661,287	495,932
Other non-current assets	23	1,543,308	1,063,789	1,237,070	635,508
Credit to banking clients	19	792,469,611	985,355,687	-	-
Other banking financial assets	15	18,764,049	11,422,884	-	-
Deferred tax assets	49	89,329,806	87,891,868	85,539,541	84,780,644
Total non-current assets		**1,734,664,839**	**1,984,314,351**	**602,140,469**	**628,922,453**
Current assets					
Inventories	17	5,860,069	6,601,999	5,491,844	6,259,585
Accounts receivable	18	146,471,712	153,616,009	112,842,210	111,665,473
Credit to banking clients	19	93,350,959	107,925,845	-	-
Shareholders	50	-	-	1,689,268	2,814,465
Deferrals	20	7,305,261	6,498,759	5,384,781	4,603,214
Debt securities	14	31,560,152	52,441,330	-	-
Other current assets	23	35,766,227	33,728,584	26,939,374	29,731,071
Other banking financial assets	15	14,660,286	29,456,513	-	-
Cash and cash equivalents	22	442,995,724	518,180,171	261,591,807	268,113,910
		777,970,390	908,449,210	413,939,283	423,187,718
Non-current assets held for sale	21	805,675	2,139,065	-	1,173,231
Total current assets		**778,776,065**	**910,588,275**	**413,939,283**	**424,360,949**
Total assets		**2,513,440,904**	**2,894,902,626**	**1,016,079,752**	**1,053,283,402**
EQUITY AND LIABILITIES					
Equity					
Share capital	25	75,000,000	75,000,000	75,000,000	75,000,000
Own shares	26	(8)	(8)	(8)	(8)
Reserves	26	65,852,595	65,919,935	65,836,605	65,836,605
Retained earnings	26	10,867,301	39,962,419	10,679,731	39,900,355
Other changes in equity	26	(49,744,144)	(47,600,236)	(49,540,583)	(47,454,842)
Net profit		29,196,933	16,669,309	29,196,933	16,720,995
Equity attributable to equity holders		131,172,677	149,951,419	131,172,677	150,003,105
Non-controlling interests	29	242,255	323,675	-	-
Total equity		**131,414,932**	**150,275,094**	**131,172,677**	**150,003,105**
Liabilities					
Non-current liabilities					
Accounts payable	33	-	-	309,007	309,007
Medium and long term debt	30	148,597,934	164,034,127	127,316,593	135,302,537
Employee benefits	31	267,286,679	264,369,292	265,431,555	262,426,248
Provisions	32	17,635,379	17,416,354	12,847,350	12,369,072
Deferrals	20	294,490	283,289	294,490	283,289
Other banking financial liabilites	15	76,060,295	44,506,988	-	-
Deferred tax liabilities	49	2,958,115	2,793,698	2,855,318	2,639,362
Total non-current liabilities		**512,832,892**	**493,403,748**	**409,054,313**	**413,329,515**
Current liabilities					
Accounts payable	33	373,790,665	375,562,902	344,227,004	342,809,432
Banking clients' deposits and other loans	34	1,321,418,042	1,688,465,160	-	-
Shareholders	50	-	-	22,109,176	25,403,386
Employee benefits	31	19,416,212	18,630,568	19,383,977	18,599,613
Income taxes payable	36	5,958,753	1,340,420	1,948,562	2,439,808
Short term debt	30	26,813,567	42,832,626	12,898,704	27,245,348
Deferrals	20	3,454,477	3,412,059	2,624,716	2,446,754
Other current liabilities	35	100,353,646	99,493,397	72,660,624	71,006,442
Other banking financial liabilities	15	17,987,719	21,486,652	-	-
Total current liabilities		**1,869,193,080**	**2,251,223,784**	**475,852,762**	**489,950,782**
Total liabilities		**2,382,025,972**	**2,744,627,532**	**884,907,075**	**903,280,297**
Total equity and liabilities		**2,513,440,904**	**2,894,902,626**	**1,016,079,752**	**1,053,283,402**

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED INCOME STATEMENT FOR THE NINE MONTH PERIODS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2020

Euros

	NOTES	Group				Company			
		Twelve months ended		Three months ended		Twelve months ended		Three months ended	
		31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020
Sales and services rendered	4/39	688,021,669	672,854,025	181,631,937	188,951,581	522,297,559	468,833,332	135,789,237	124,632,891
Financial margin	40	29,315,856	44,636,907	10,421,070	11,814,868	-	-	-	-
Other operating income	41	22,948,405	27,749,403	8,682,378	10,211,951	40,541,244	44,710,790	12,527,182	14,952,111
		740,285,930	745,240,335	200,735,385	210,978,400	562,838,803	513,544,122	148,316,420	139,585,002
Cost of sales	17	(14,261,450)	(19,218,064)	(4,805,042)	(5,897,765)	(13,588,474)	(18,607,910)	(4,620,763)	(5,736,972)
External supplies and services	42	(242,776,520)	(256,144,789)	(64,942,709)	(74,338,907)	(121,098,644)	(111,195,328)	(31,309,271)	(30,280,487)
Staff costs	43	(356,004,365)	(342,488,107)	(93,868,310)	(91,046,599)	(310,883,876)	(293,331,088)	(81,201,296)	(78,115,122)
Impairment of accounts receivable, net	44	(7,800,406)	(5,613,098)	(3,603,244)	(901,621)	(1,905,392)	(2,794,597)	(1,247,811)	(429,035)
Impairment of other financial banking assets	44	(3,095,636)	(8,916,969)	(1,409,457)	(1,333,741)	-	-	-	-
Provisions, net	32	905,250	(853,298)	393,979	69,532	1,367,746	(83,122)	669,600	(209,822)
Depreciation/amortisation and impairment of investments, net	45	(54,223,229)	(62,135,823)	(14,760,277)	(16,080,957)	(41,077,288)	(46,597,825)	(11,242,399)	(12,024,269)
Earnings of other financial banking assets and liabilites		-	380,000	-	380,000	-	-	-	-
Other operating costs	46	(16,233,140)	(16,194,526)	(4,730,529)	(4,437,048)	(8,823,425)	(8,752,418)	(2,383,682)	(2,638,063)
Gains/losses on disposal of assets	47	488,912	451,469	34,690	(155,309)	452,776	678,502	28,900	63,944
		(693,000,585)	(710,733,205)	(187,690,900)	(193,742,415)	(495,556,578)	(480,683,786)	(131,306,721)	(129,369,826)
		47,285,345	**34,507,130**	**13,044,485**	**17,235,985**	**67,282,225**	**32,860,335**	**17,009,699**	**10,215,175**
Interest expenses	48	(10,421,170)	(9,660,185)	(2,920,989)	(2,350,307)	(9,094,665)	(8,366,012)	(2,567,708)	(2,033,491)
Interest income	48	63,609	20,091	(133,260)	9,336	351,179	525,238	(46,674)	164,195
Gains/losses in subsidiary, associated companies and joint ventures	10/11/12	(1,400,621)	(1,741,529)	(788,869)	(658,864)	(12,795,844)	(958,448)	(3,299,162)	6,095,223
		(11,758,182)	(11,381,623)	(3,843,118)	(2,999,835)	(21,539,329)	(8,799,222)	(5,913,544)	4,225,927
Earnings before taxes		**35,527,163**	**23,125,507**	**9,201,367**	**14,236,150**	**45,742,896**	**24,061,113**	**11,096,154**	**14,441,102**
Income tax for the period	49	(6,242,463)	(6,358,973)	(2,798,067)	(1,885,233)	(16,545,962)	(7,340,118)	(4,751,404)	(2,112,215)
Net profit for the period		**29,284,700**	**16,766,534**	**6,403,300**	**12,350,917**	**29,196,933**	**16,720,995**	**6,344,751**	**12,328,887**
Net profit for the period attributable to:									
Equity holders		29,196,933	16,669,309	6,344,751	12,339,831	-	-	-	-
Non-controlling interests	29	87,767	97,225	58,549	11,087	-	-	-	-
Earnings per share:	28	**0.19**	**0.11**	**0.04**	**0.08**	**0.19**	**0.11**	**0.19**	**0.11**

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED AND INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME FOR THE TWELVE MONTH PERIODS ENDED 31 DECEMBER 20119 AND 31 DECEMBER 2020

Euros

	NOTES	Group				Company			
		Twelve months ended		Three months ended		Twelve months ended		Three months ended	
		31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020
Net profit for the period		**29,284,700**	**16,766,534**	**6,403,300**	**12,350,917**	**29,196,933**	**16,720,995**	**6,344,751**	**12,328,887**
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)	26	(10,954)	(15,806)	(9,523)	(9,108)	(206,672)	(84,689)	(224,490)	(468,002)
Changes to fair value reserves	26	15,720	67,340	(3,527)	(368,717)	-	-	-	-
Employee benefits (non re-classifiable adjustment to profit and loss)	26/31	(25,769,253)	2,917,315	(25,769,253)	2,917,315	(25,540,045)	2,896,864	(25,540,045)	2,896,864
Deferred tax/Employee benefits (non re-classifiable adjustment to profit and loss)	26/49	7,018,539	(773,407)	7,018,539	(773,407)	7,000,770	(811,122)	7,000,770	(811,122)
Other changes in equity	26/29	(11,005)	(101,815)	140,818	(49,071)	-	-	150,392	-
Other comprehensive income for the period after taxes		**(18,756,952)**	**2,093,628**	**(18,622,946)**	**1,717,012**	**(18,745,947)**	**2,001,052**	**(18,613,372)**	**1,617,739**
Comprehensive income for the period		**10,527,747**	**18,860,162**	**(12,219,646)**	**14,067,929**	**10,450,986**	**18,722,047**	**(12,268,623)**	**13,946,626**
Attributable to non-controlling interests		76,762	81,420	48,975	1,979				
Attributable to shareholders of CTT		10,450,986	18,778,742	(12,268,621)	14,065,951				

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.

Euros

	NOTES	Share capital	Own Shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Non-controlling interests	Total
Balance on 31 December 2018 restated		**75,000,000**	**(8)**	**65,836,875**	**(30,993,430)**	**4,378,984**	**21,499,271**	**165,494**	**135,887,186**
Appropriation of net profit restated for the year of 2018		-	-	-	-	21,499,271	(21,499,271)	-	-
Dividends	27/29	-	-	-	-	(15,000,000)	-	-	(15,000,000)
		-	**-**	**-**	**-**	**6,499,271**	**(21,499,271)**	**-**	**(15,000,000)**
Other movements	26/29	-	-	-	-	-	-	(11,005)	(11,005)
Actuarial gains/losses - Health Care, net from deferred taxes	26	-	-	-	(18,750,714)	-	-	-	(18,750,714)
Changes to fair value reserves	26	-	-	15,720	-	-	-	-	15,720
Adjustments from the application of the equity method	26	-	-	-	-	(10,954)	-	-	(10,954)
Net profit for the period		-	-	-	-	-	29,196,933	87,767	29,284,700
Comprehensive income for the period		**-**	**-**	**15,720**	**(18,750,714)**	**(10,954)**	**29,196,933**	**76,762**	**10,527,747**
Balance on 31 December 2019		**75,000,000**	**(8)**	**65,852,595**	**(49,744,144)**	**10,867,301**	**29,196,933**	**242,255**	**131,414,932**
Appropriation of net profit for the year of 2019		-	-	-	-	29,196,933	(29,196,933)	-	-
		-	**-**	**-**	**-**	**29,196,933**	**(29,196,933)**	**-**	**-**
Other movements	26/29	-	-	-	-	(86,009)	-	(15,806)	(101,815)
Participation sale		-	-	-	-	-	-	-	-
Actuarial gains/losses - Health Care, net from deferred taxes	26	-	-	-	2,143,908	-	-	-	2,143,908
Changes to fair value reserves	26	-	-	67,340	-	-	-	-	67,340
Adjustments from the application of the equity method	26	-	-	-	-	(15,806)	-	-	(15,806)
Net profit for the period		-	-	-	-	-	16,669,309	97,225	16,766,534
Comprehensive income for the period		**-**	**-**	**67,340**	**2,143,908**	**(101,815)**	**16,669,309**	**81,420**	**18,860,162**
Balance on 30 December 2020		**75,000,000**	**(8)**	**65,919,935**	**(47,600,236)**	**39,962,419**	**16,669,309**	**323,675**	**150,275,094**

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.
INDIVIDUAL STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2019 AND 31 DECEMBER 2020
Euros

	NOTES	Share capital	Own Shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Total
Balance on 31 December 2018 restated		**75,000,000**	**(8)**	**65,836,605**	**(31,001,308)**	**4,387,132**	**21,499,271**	**135,721,692**
Appropriation of net profit restated for the year of 2018		-	-	-	-	21,499,271	(21,499,271)	-
Dividends	27/29	-	-	-	-	(15,000,000)	-	(15,000,000)
		-	**-**	**-**	**-**	**6,499,271**	**(21,499,271)**	**(15,000,000)**
Other movements	26/29	-	-	-	-	-	-	-
Actuarial gains/losses - Health Care, net from deferred taxes	26	-	-	-	(18,539,275)	-	-	(18,539,275)
Adjustments from the application of the equity method	26	-	-	-	-	(206,672)	-	(206,672)
Restated net profit for the period		-	-	-	-	-	29,196,933	29,196,933
Restated comprehensive income for the period		**-**	**-**	**-**	**(18,539,275)**	**(206,672)**	**29,196,933**	**10,450,986**
Balance on 31 December 2019		**75,000,000**	**(8)**	**65,836,605**	**(49,540,583)**	**10,679,731**	**29,196,933**	**131,172,677**
Appropriation of net profit for the year of 2019		-	-	-	-	29,196,933	(29,196,933)	-
		-	**-**	**-**	**-**	**29,196,933**	**(29,196,933)**	**-**
Actuarial gains/losses - Health Care, net from deferred taxes	26	-	-	-	2,085,742	-	-	2,085,742
Adjustments from the application of the equity method	26	-	-	-	-	23,691	-	23,691
Net profit for the period		-	-	-	-	-	16,720,995	16,720,995
Comprehensive income for the period		**-**	**-**	**-**	**2,085,742**	**23,691**	**16,720,995**	**18,830,428**
Balance on 31 December 2020		**75,000,000**	**(8)**	**65,836,605**	**(47,454,842)**	**39,900,355**	**16,720,995**	**150,003,105**

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED AND INDIVIDUAL CASH FLOW STATEMENT FOR THE TWELVE MONTH PERIODS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2020
Euro

	NOTES	Group		Company	
		31.12.2019	31.12.2020	31.12.2019	31.12.2020
Cash flow from operating activities					
Collections from customers		664,480,523	663,468,181	513,563,811	481,420,564
Payments to suppliers		(285,307,181)	(309,560,288)	(146,419,908)	(140,242,245)
Payments to employees		(327,850,919)	(317,791,162)	(284,771,784)	(270,321,582)
Banking customer deposits		399,332,735	405,180,295	-	-
Credit to bank clients		(232,863,958)	(208,132,405)	-	-
Cash flow generated by operations		**217,791,199**	**233,164,621**	**82,372,119**	**70,856,737**
Payments/receivables of income taxes		2,229,383	(8,969,035)	7,398,903	(2,381,639)
Other receivables/payments		86,121,283	58,790,609	44,278,369	1,831,743
Cash flow from operating activities (1)		**306,141,865**	**282,986,196**	**134,049,391**	**70,306,840**
Cash flow from investing activities					
Receivables resulting from:					
Tangible fixed assets		152,580	870,185	152,580	870,185
Investment properties		1,113,700	55,000	1,113,700	55,000
Non-current assets held for sale		-	-	-	-
Financial investments	11/13	-	2,401,250	-	2,401,250
Debt securities	14	54,365,867	241,633,577	-	-
Demand deposits at Bank of Portugal		-	10,128,434	-	-
Other banking financial assets	15	116,865,000	36,190,000	-	-
Interest income		86,258	37,358	67,343	22,621
Dividends		-	-	250,000	-
Loans granted	50	-	-	1,350,000	4,008,000
Payments resulting from:					
Tangible fixed assets		(18,752,159)	(25,397,586)	(16,380,784)	(16,699,452)
Intangible assets		(17,514,480)	(12,431,219)	(10,021,028)	(5,344,548)
Financial investments	8	(114,407,523)	(2,678,381)	(135,125,523)	(3,928,381)
Debt securities	14	(63,920,455)	(307,332,086)	-	-
Demand deposits at Bank of Portugal		(19,706,616)	-	-	-
Other banking financial assets	15	(34,499,849)	(43,000,000)	-	-
Loans granted	50	-	-	(6,100,000)	(22,230,000)
Cash flow from investing activities (2)		**(96,217,678)**	**(99,523,465)**	**(164,693,711)**	**(40,845,325)**
Cash flow from financing activities					
Receivables resulting from:					
Loans obtained		73,196,336	21,293,090	57,500,000	-
Other credit institutions' deposits		202,340,829	250,000	-	-
Payments resulting from:					
Loans repaid		(43,647,903)	(21,405,813)	(521,875)	(95,000)
Other credit institutions' deposits		(183,459,746)	(38,131,082)	-	-
Interest expenses		(878,610)	(1,442,885)	(822,771)	(1,389,153)
Lease liabilities	30	(26,991,454)	(28,528,597)	(20,672,669)	(21,455,288)
Acquisition of own shares		-	-	-	-
Other banking financial liabilites	15	(222,288,337)	(31,536,230)	-	-
Dividends	27	(15,000,000)	-	(15,000,000)	-
Cash flow from financing activities (3)		**(216,728,885)**	**(99,501,518)**	**20,482,685**	**(22,939,441)**
Net change in cash and cash equivalents (1+2+3)		(6,804,698)	83,961,213	(10,161,636)	6,522,074
Changes in the consolidation perimeter		6,823,653	-	-	-
Cash and equivalents at the beginning of the period		414,846,614	414,865,569	271,770,284	261,608,648
Cash and cash equivalents at the end of the period	22	414,865,569	498,826,782	261,608,648	268,130,723
Cash and cash equivalents at the end of the period		**414,865,569**	**498,826,782**	**261,608,648**	**268,130,723**
Sight deposits at Bank of Portugal		25,924,034	15,795,600	-	-
Outstanding checks of Banco CTT / Checks clearing of Banco CTT		2,226,045	3,575,300	-	-
Impairment of slight and term deposits		(19,925)	(17,510)	(16,842)	(16,813)
Cash and cash equivalents (Balance sheet)		**442,995,724**	**518,180,171**	**261,591,807**	**268,113,910**

The attached notes are an integral part of these financial statements.

CTT – CORREIOS DE PORTUGAL, S.A.

Notes to the consolidated and individual financial statements
(Amounts expressed in Euros)

TABLE OF CONTENTS

1. Introduction

1.1 CTT – Correios de Portugal, S.A. (parent company)

G3
G5
G7

CTT – Correios de Portugal, S.A. – Sociedade Aberta ("CTT" or "Company"), with head office at Avenida D. João II, no. 13, 1999-001 in Lisbon, had its origin in the "Administração Geral dos Correios Telégrafos e Telefones" government department and its legal form is the result of successive re-organizations carried out by the Portuguese state business sector in the communications area.

Decree-Law no. 49.368, of 10 November 1969 founded the state-owned company CTT - Correios e Telecomunicações de Portugal, E. P., which started operating on 1 January 1970. By Decree-Law no. 87/92, of 14 May, CTT – Correios e Telecomunicações de Portugal, E. P., was transformed into a legal entity governed by private law, with the status of a state-owned public limited company. Finally, with the foundation of the former Telecom Portugal, S.A. by spin-off from Correios e Telecomunicações de Portugal, S.A. under Decree-Law no. 277/92, of 15 December, the Company's name was changed to the current CTT – Correios de Portugal, S.A..

On 31 January 2013 the Portuguese State through the Order 2468/12 – SETF, of 28 December, determined the transfer of the investment owned by the Portuguese State in CTT to Parpública – Participações Públicas, SGPS, S.A..

At the General Meeting held on 30 October 2013, the registered capital of CTT was reduced to 75,000,000 Euros, being from that date onward represented by 150,000,000 shares, as a result of a stock split which was accomplished through the reduction of the nominal value from 4.99 Euros to 0.50 Euros.

During the financial year ended 31 December 2013, CTT's capital was opened to the private sector. Supported by Decree-Law no. 129/2013, of 6 September and the Resolution of the Council of Ministers ("RCM") no. 62-A/2013, of 10 October, the RCM no. 62-B/2013, of 10 October and RCM no. 72-B/2013, of 14 November, the first phase of privatization of the capital of CTT took place on 5 December 2013. From this date, 63.64% of the shares of CTT (95.5 million shares) were owned by the private sector, of which 14% (21 million shares) were sold in a Public Offering and 49.64% (74.5 million shares) by Institutional Direct Selling. On 31 December 2013 the Portuguese State, through Parpública - Participações Públicas, SGPS, S.A. held 36.36% of the shares of CTT, 30.00% by holding and 6.36% by allocation.

On 5 September 2014, the second phase of the privatization of CTT took place. The shares held by Parpública - Participações Públicas, SGPS, S.A., which on that date represented 31.503% of CTT's capital, were subject to a private offering of Shares ("Equity Offering") via an accelerated book building process. The Equity Offering was addressed exclusively to institutional investors.

The shares of CTT are listed on Euronext Lisbon.

The financial statements attached herewith are expressed in Euros, as this is the functional currency of the **Group** and the **Company**.

These financial statements were approved by the Board of Directors and authorized for issue on 16 March 2021.

1.2 Business

The main activity of CTT and its subsidiaries ("Group CTT" or "Group"): CTT - Expresso – Serviços Postais e Logística, S.A. and its branch in Spain, Payshop (Portugal), S.A., CTT Contacto, S.A., Corre – Correio Expresso de Moçambique, S.A., Banco CTT, S.A., 321 Crédito – Instituição Financeira de Crédito, S.A., CTT Soluções Empresariais S.A. and Fundo de Inovação Tech Tree, is to ensure the provision of universal postal services, to render postal services and financial services. During 2015, within the scope of its financial services, CTT Group extended the scope of its activity with the establishment of Banco CTT, S.A., whose main activity is performing banking activities, including all the accessory, connected and similar operations compatible with the banking activity and allowed by law. The CTT Group also provides complementary services[69], such as the marketing of goods or provision of services on its own account or on behalf of third parties, provided that they are related with the normal operations of the public postal network, namely, the provision of information services, and the provision of public interest or general interest services. G6 G4

The postal service is provided by CTT under the Concession contract of the Universal Postal Service signed on 1 September 2000 between the Portuguese State and CTT. In addition to the services rendered under the concession, CTT can provide other postal services as well as develop other activities, particularly those which enable the use of the universal service network in a profitable manner, either directly or through incorporation or interests in companies or other forms of cooperation between companies. Within these activities it should be highlighted the provision of services of public interest or general interest subject to conditions to be agreed with the State.

Following the amendments introduced by Directive 2008/6/EC of 20 February 2008 of the European Parliament and of the Council to the regulatory framework that governs the provision of postal services, in 2012 the transposition into the national legal order took place through the adoption of Law no. 17/2012, of 26 April (" Postal Law"), with the changes introduced in 2013 by Decree-Laws no. 160/2013, of 19 November and by Law no. 16/2014, of 4 April, revoking the Law no. 102/99, of 26 July.

The Postal Law establishes the legal regime for the provision of postal services in full competition in the national territory, as well as international services originating or terminating in the country.

Since the Postal Law has become effective, the postal market in Portugal has been fully open to competition, eliminating areas within the universal service that were still reserved to the provider of the universal postal service, CTT – Correios de Portugal, S.A.. However, for reasons of general interest, the following activities and services remained reserved: placement of mailboxes on public roads for the acceptance of mail, issuance and sale of postage stamps with the word "Portugal" and registered mail used in legal or administrative proceedings.

According to the Postal Law the universal postal service includes the following services, of national and international scope:

- A postal service for letter mail (excluding direct mail), books, catalogues, newspapers and other periodicals up to 2 kg;
- A postal service for postal parcels up to 10 kg, as well as delivery in the country of parcels received from other Member States of the European Union weighing up to 20kg; and
- A delivery service for registered items and a service for insured items.

As a result of the Postal Law, the Portuguese Government has revised the basis of the concession, through the publication of Decree-Law no. 160/2013, of 19 November, after which the Fourth Amendment to the concession contract of the universal postal service came into effect on 31 December 2013.

---

[69] The activity developed in the scope of electronic communications networks and services, acting as mobile virtual network operator (MVNO), ceased on 1 January 2019.

The concession contract signed between the Portuguese State and CTT on 1 September 2000, subsequently amended on 1 October 2001, 9 September 2003, 26 July 2006 and 31 December 2013, covers:

- The universal postal service as defined above;
- The reserved services: (i) the right to place mailboxes on public roads for the acceptance of mail, (ii) the issuance and sale of postage stamps with the word "Portugal" and (iii) the service of registered mail used in legal or administrative proceedings;
- The provision of special payment orders which allows the transference of funds electronically and physically, at national and international level, designated by postal money order service, on an exclusive basis; and
- Electronic Mailbox Service, on a non-exclusive basis.

As the Universal Postal Service incumbent operator, CTT remains the provider of universal postal services until 31 December 2021, ensuring the exclusivity of the reserved activities and services mentioned above.

Once the concession ends and, in the event, that it is not granted to CTT, CTT may provide, together with any other operators, all the postal services, in a system of free competition, in accordance with a strategic and commercial policy, excluding the services granted by concession on an exclusive basis.

In summary, considering the legal and regulatory framework in force, CTT considers that there are no grounds for the introduction of any relevant change to the accounting policies of the **Group** and the **Company**.

2. Significant accounting policies

The significant accounting policies adopted by the **Group** and the **Company** in the preparation of the consolidated and individual financial statements are those mentioned hereinafter.

2.1 Basis of presentation

The consolidated and individual financial statements were prepared under the assumption of going concern and are prepared under the historical cost convention, except for the assets and liabilities accounted at fair value, and in accordance with the International Financial Reporting Standards, as adopted by the European Union as at 31 December 2020.

These standards include the IFRS issued by the International Accounting Standards Board ("IASB"), the IAS issued by the International Accounting Standards Committee ("IASC") and the respective interpretations – IFRIC and SIC, issued, respectively, by the International Financial Reporting Interpretation Committee ("IFRIC") and by the Standing Interpretation Committee ("SIC"). Hereinafter, these standards and interpretations are generally referred to as "IFRS".

In addition to the standards that became effective as of 1 January 2020, described in Note 2.1.1, and which are set out in the accounting policies adopted in the preparation of the consolidated and individual financial statements as at 31 December 2020 and described in Note 2.2 through Note 2.32, there are additional issued standards and interpretations, described in Note 2.1.2, which did not become mandatory in the year starting on 1 January 2020.

2.1.1 New standards or amendments adopted by the Group and the Company

The standards and amendments recently issued, already effective and adopted by the **Group** and the **Company** in the preparation of these financial statements, are as follows:

- **Change in lease-term definition:** Following the interpretation of the IFRS Interpretations Committee on the term lease definition, in the determination of the enforceable period of the lease, an entity considers:
  a) the broader economics of the contract, and not only contractual termination payments. For example, if either party has an economic incentive not to terminate the lease such that it would incur a penalty on termination that is more than insignificant, the contract is enforceable beyond the date on which the contract can be terminated; and
  b) whether each of the parties has the right to terminate the lease without permission from the other party with no more than an insignificant penalty. Applying paragraph B34 of IFRS 16, a lease is no longer enforceable only when both parties have such a right. Consequently, if only one party has the right to terminate the lease without permission from the other party with no more than an insignificant penalty, the contract is enforceable beyond the date on which the contract can be terminated by that party.

  The **Group** and the **Company** performed a reassessment of the contracts lease terms and the impacts are disclosed in note 3 – Changes to accounting policies, errors and estimates.

- **Amendments to References to the Conceptual Framework in IFRS Standards -** In March 2018, the International Accounting Standards Board (Board) issued a comprehensive set of concepts for financial reporting, the revised Conceptual Framework for Financial Reporting (Conceptual Framework), which aim is to update, in existing Standards, references to, and quotes from, the existing version of the Conceptual Framework or the version that was replaced in 2010 so that they refer to the revised Conceptual Framework.
  The revised Conceptual Framework has an effective date of 1 January 2020 for companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction.
  The **Group** and **Company** did not register a significant impact from this interpretation.

- **Definition of Material (amendments to IAS 1 and IAS 8) -** On 31 October 2018, the International Accounting Standards Board has issued amendments to its definition of material to make it easier for companies to make materiality judgments.
  The Amendments consist of (a) replacing the term 'could influence' with 'could reasonably be expected to influence'; (b) including the concept of 'obscuring information' alongside the concepts of 'omitting' and 'misstating' information in the definition of material; (c) clarifying that the 'users' referred to are the primary users of general purpose financial statements referred to in the Conceptual Framework; and (d) aligning the definition of material across IFRS publications.
  The amended definition of material therefore states that 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.
  The **Group** and **Company** did not register a significant impact from this interpretation.

- **Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)**- On 26 September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. Additionally, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The Amendments provide exceptions so that entities would apply hedge accounting requirements assuming that the interest rate benchmark on which the hedged risk or hedged cash flows of the hedged item or cash flows of the hedging instrument are based is not altered as a result of the IBOR reform. The proposed exceptions apply only to the hedge accounting requirements and the Amendments do not provide relief from any other consequences arising from interest rate benchmark reform.

The Amendments are limited in scope. If a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the Amendments, then discontinuation of hedge accounting is still required.

In addition, the Amendments clarify that if an entity designated interest rate benchmark-based cash flows as the hedged item in a cash flow hedge, the entity would not assume for the purpose of measuring hedge ineffectiveness that the expected replacement of the interest rate benchmark with an alternative benchmark rate will result in zero cash flows after the replacement. The hedging gain or loss should be measured using the interest rate benchmark-based cash flows when applying a present value technique, discounted at a market-based discount rate that reflects market participants' assumptions about the uncertainty arising from the reform.

The Amendments are mandatory to all hedging relationships to which the exceptions are applicable.

The amendments have an effective date of annual periods beginning on or after 1 January 2020. The amendments would be applied retrospectively to those hedging relationships that existed at the beginning of the reporting period in which the entity first applies the Amendments and to the gain or loss recognized in other comprehensive income that existed at the beginning of the reporting period in which an entity first applies the Amendments (i.e., even if the reporting period is not an annual period).

The **Group** and **Company** did not register a significant impact from this amendment.

- **Definition of a Business (amendments to IFRS 3 Business Combinations) –** On 22 October 2018, the IASB issued the amendments to its definition of a business.

  The Amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. They also clarify that a set of activities and assets can qualify as a business without including all of the inputs and processes needed to create outputs, or including the outputs themselves, by replacing the term 'ability to create outputs' with 'ability to contribute to the creation of outputs'.

  It is no longer necessary to assess whether market participants are capable of replacing any missing inputs or processes (for example by integrating the acquired activities and assets) and continuing to produce outputs. The Amendments focus on whether acquired inputs and acquired substantive processes, together, significantly contribute to the ability to create outputs.

  The Amendments shall be applied to transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, with earlier application permitted. If entities apply the Amendments earlier, they shall disclose that fact.

  The **Group** and **Company** did not register a significant impact from this amendment.

2.1.2 New standards, amendments and interpretations issued, but without effective application to the years starting on 1 January 2020 or not early adopted

2.1.2.1 The Group and the Company decided to opt for not having an early application of the following standards and/or interpretations endorsed by the EU:

- **Covid-19-Related Rent Concessions Amendment to IFRS 16** - In May 2020, the International Accounting Standards Board (Board) issued Covid-19-Related Rent Concessions, which amended IFRS 16 Leases.
  If certain conditions are met, the Amendment would permit lessees, as a practical expedient, not to assess whether particular covid-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient would account for those rent concessions as if they were not lease modifications, so that, for example, the amount of rent forgiven on or before 30 June 2021 is taken to income the same year that the concession is granted, instead of being allocated over the duration of the contract as would be the case were the practical expedient not allowed.
  The Amendment shall be applied for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.
  According to the conditions of the existing contracts, this amendment will have no impact on the **Group** and **Company** financial statements.

- **Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) -** In August 2020, the IASB issued Interest Rate Benchmark Reform—Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases.
  The objective of the Amendments is to assist entities with providing useful information to users of financial statements and to support preparers in applying IFRS Standards when changes are made to contractual cash flows or hedging relationships, as a result of the transition from an IBOR benchmark rate to alternative benchmark rates, in the context of the ongoing risk-free rate reform ('IBOR reform'). The Amendments are the results of the second phase of the IASB project that deals with the accounting implications of the IBOR reform, which originated the Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) issued by the IASB on 26 September 2019. They complement the first phase of the project which dealt with pre-replacement accounting implications of the IBOR reform and which have been issued by the IASB in 2019.
  The Amendments shall be applied retrospectively for annual periods beginning on or after 1 January 2021, with earlier application permitted.
  The **Group** and the **Company** are currently evaluating the impacts that this standard will have on its financial statements.

- **Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)**- IASB has issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) ('the Amendments') on 25 June 2020.
  The objective of the Amendments is to extend the expiry date of the temporary exemption from applying IFRS 9 by two years (i.e., from 2021 to 2023) in order to align the effective dates of IFRS 9 Financial Instruments with IFRS 17 Insurance Contracts.
  These changes affect only insurance companies, so it will have no impact on the **Group** and **Company** Financial Statements.

2.1.2.2 Standards, amendments and interpretations issued that are not yet effective for the Group and the Company:

- **Reference to the Conceptual Framework (Amendments to IFRS 3) –** In May 2020 the IASB issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations.
  The amendments updated IFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018.
  The Amendments shall be applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
  The **Group** and the **Company** are currently evaluating the impacts that this standard will have on its financial statements, in case of early adoption.

- **Property, Plant and Equipment – Proceeds before Intended Use, Amendments to IAS 16 Property, Plant and Equipment –** In May 2020, the IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment.
  The Amendments would prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in a manner intended by management. Instead, an entity would recognize those sales proceeds in profit or loss.
  The Amendments shall be applied retrospectively for annual periods beginning on or after 1 January 2022, with earlier application permitted.
  The **Group** and the **Company** are currently evaluating the impacts that this standard will have on its financial statements, however, given the nature of the **Group's** and **Company's** businesses, no relevant impacts are expected from these changes.

- **Onerous Contracts - Cost of Fulfilling a Contract -** In May 2020, the IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.
  The objective of the Amendments is to clarify the requirements of IAS 37 on onerous contracts regarding the assessment of whether, in a contract, the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.
  The Amendments shall be applied for annual periods beginning on or after 1 January 2022, with earlier application permitted.
  The **Group** and the **Company** are currently evaluating the impacts that this standard will have on its financial statements, in case of early adoption, however, no relevant impacts are expected from the changes in the contracts currently in force.

- **Annual Improvements to IFRS Standards 2018 – 2020 -** On 14 May 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020 containing the following amendments to IFRSs:
  (a) permit an entity that is a subsidiary, associate or joint venture, who becomes a first-time adopter later than its parent and elects to apply paragraph D16(a) of IFRS 1 First-time Adoption of International Financial Reporting Standards, to measure the cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRSs;

(b) clarify that the reference to fees in the 10 per cent test includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf;
(c) remove the potential confusion regarding the treatment of lease incentives applying IFRS 16 Leases as was illustrated in Illustrative Example 13 accompanying IFRS 16; and
(d) remove the requirement in paragraph 22 of IAS 41 Agriculture for entities to exclude cash flows for taxation when measuring fair value applying IAS 41.
The Amendments shall be applied for annual periods beginning on or after 1 January 2022, with earlier application permitted.
The **Group** and the **Company** are currently evaluating the impacts that this standard will have on its financial statements.

- **Clarification requirements for classifying liabilities as current or non-current (amendments to IAS 1 – Presentation of Financial Statements) –** IABS issued on 23 January 2020 narrow-scope amendments to IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.
The amendments clarify an IAS 1 criteria for classifying a liability as non-current: the requirement for an entity to have the right to defer the liability's settlement at least 12 months after the reporting period.
The amendments aim to:
(a)specify that an entity's right to defer settlement must exist at the end of the reporting period:
(b) clarify that the classification is not affected by management's intentions or expectations as to whether the entity will exercise its right to postpone settlement;
(c) clarify how loan conditions affect classification; and
(d) clarify the requirements to classify the liabilities that an entity will settle, or may settle, by issuing its own equity instruments.
This amendment is effective for periods starting on 1 January 2023.
The **Group** and the **Company** are currently evaluating the impacts that this standard will have on its financial statements.

- **IFRS 17 – Insurance Contracts -** To be developed only for insurance companies or that have insurance subsidiaries, otherwise mention that it is not applicable.
The IASB issued on 18 May 2017 a standard that superseded IFRS 4 and completely reformed the treatment of insurance contracts. The standard introduces significant changes to the way in which the performance of insurance contracts is measured and presented with various impacts also at the level of the financial position. The standard expected to be effective for annual periods beginning on or after 1 January 2023.
IFRS 17, being a standard applicable only to entities in the insurance sector, will have no impact on the **Group**'s and **Company**'s financial statements.

2.2 Consolidation principles

Investments in companies in which the **Group** holds the control, in other words, where the **Group** is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, were consolidated in these financial statements by the full consolidation method. The companies consolidated by the full consolidation method are shown in Note 8.

Equity and net profit for the period corresponding to third-party participation in subsidiaries are reflected separately in the consolidated balance sheet and consolidated income statement in the caption Non-controlling interests. The gains and losses attributable to non-controlling interests are allocated to them.

The assets and liabilities of each **Group** company are recorded at fair value as of the date of acquisition, as established in IFRS 3. Any excess of cost over the fair value of the net assets and liabilities acquired is recognized as goodwill. If the difference between the cost and the fair value of the assets and liabilities acquired is negative, it is recorded as income of the year.

Transaction costs directly attributable to business combinations are immediately recognized in profit and loss.

Non-controlling interests include the third parties' portion of the fair value of the identifiable assets and liabilities as of the date of acquisition of the subsidiaries.

The results of subsidiaries acquired or sold during the year are included in the consolidated income statement from the date of acquisition up to the date of disposal.

Whenever necessary, adjustments are made to the financial statements of the subsidiaries to be in accordance with the **Group**'s accounting policies. Transactions (including unrealized gains and losses on sales between **Group** companies), balances and dividends distributed between **Group** companies are eliminated in the consolidation process.

The investments in associated companies and joint ventures are booked in the financial statements using the equity method (note 2.10).

2.3 Segment reporting

The **Group** presents the operational segments based on internal management information.

In accordance with IFRS 8, an operating segment is a **Group** component:

(i) that engages in business activities from which it may earn revenues and incur expenses;

(ii) whose operating results are reviewed regularly by the entity's chief operating decision maker in order to make decisions about resources to be allocated to the segment and assess its performance; and

(iii) for which discrete financial information is available.

The **Group** did not apply the aggregation criteria provided for in paragraph 12 of IFRS 8.

2.4 Transactions and balances in foreign currency

Transactions in foreign currency (a currency different from the **Group** and the **Company** functional currency) are recorded at the exchange rates in force on the transaction date. At each reporting date, the carrying values of the monetary items in foreign currency are updated at the exchange rates on that date. The carrying values of non-monetary items recorded at historical cost in foreign currency are not updated.

Favorable and unfavorable currency translation differences arising from the use of different exchange rates in force on the transaction dates and those in force on the recovery, payment or reporting dates are recognized in the profit or loss for the year.

The exchange rates used in the translation of the financial statements expressed in foreign currency are the closing exchange rates for assets and liabilities and the average exchange rate for the year for income and expenses.

The following exchange rates were used in the translation of the balances and financial statements in foreign currency:

	2019		2020	
	Close	Average	Close	Average
Mozambican Metical (MZN)	68.70000	69.43667	91.05000	79.78167
United States Dollar (USD)	1.12340	1.11945	1.22710	1.14700
Special Drawing Right (SDR)	1.23600	1.24133	1.18400	1.18347

Source: Bank of Portugal

2.5 Tangible fixed assets

Tangible fixed assets are recorded at their acquisition or production cost, minus accumulated depreciation and impairment losses, where applicable. The acquisition cost includes: (i) the purchase price of the asset, (ii) the expenses directly attributable to the purchase, and (iii) the estimated costs of dismantlement or removal of the asset and restoration of the location (Notes 2.22 and 32).

The depreciation of tangible assets, minus their residual estimated value, is calculated in accordance with the straight-line method, from the month when the assets are available for use, over their useful lives, which are determined according to their expected economic utility. The depreciation rates that are applied correspond, on average, to the following estimated useful lives for the different categories of assets:

	Years of useful life
Buildings and other constructions	10 – 50
Basic equipment	4 – 10
Transport equipment	4 – 7
Tools and utensils	4
Office equipment	3 – 10
Other property, plant and equipment	5 – 10

Lands are not depreciated.

Depreciation terminates when the assets are re-classified as held for sale.

Tangible fixed assets in progress correspond to tangible assets that are still under construction/production and are recorded at acquisition or production cost. These assets are depreciated from the month when they fulfil the necessary conditions to be used for their intended purpose.

The costs related to maintenance and repair of current nature are recorded as costs in the period these are incurred. Major repairs which lead to increased benefits or increased in expected useful lives are recorded as tangible assets and depreciated at the rates corresponding to their expected useful life. Any replaced component is identified and written off.

The gain or loss arising from the disposal of tangible fixed assets is defined by the difference between the sale proceeds and the carrying amount of the assets and is recorded in the consolidated income statement under the heading Gains/losses on disposal of assets.

2.6 Intangible assets

Intangible assets are registered at acquisition cost, less accumulated amortization and impairment losses, when applicable. Intangible assets are only recognized when it is probable that they will result in future economic benefits for the **Group** and the **Company**, and they can be measured reliably.

Intangible assets are essentially composed of expenses related to patents, software (whenever this is separable from the hardware and associated to projects where the generation of future economic benefits is quantifiable), licenses and other user rights. Also included the expenses related to the development of R&D projects whenever the intention and technical capacity to complete this development is demonstrated, for the purpose of the projects being available for marketing or use. Research costs incurred in the search of new technical or scientific knowledge or aimed at the search of alternative solutions, are recognized through profit or loss when incurred.

Intangible assets are amortized through the straight-line method, from the month when they are available for use, during their expected useful life, which varies between 3 and 20 years:

	Years of useful life
Development projects	3
Industrial property	3 – 20
Software	3 – 10

The exceptions to the assets related to industrial property and other rights, which are amortized over the period of time during which their exclusive use takes place and intangible assets with indefinite useful life, which are not amortized, but, rather, are subject to impairment tests on an annual basis and whenever there is indication that they might be impaired.

Gains or losses arising from the disposal of intangible assets, are determined by the difference between the sales proceeds and the respective carrying value on the date of the disposal, are recorded in the consolidated income statement under the heading Gains/losses on disposal of assets.

2.7 Investment properties

Investment properties are properties (land or buildings) held by the **Group** and the **Company** to obtain rentals or for capital appreciation or both, rather than for:

a) use in the production or supply of goods or services or for administrative purposes, or
b) sale in the ordinary course of business.

Investment properties comprise mainly properties that the **Group** and the **Company** did not affect to the rendering of services and holds to earn rentals or for capital appreciation.

An Investment property is initially measured at its acquisition or production cost, including any transaction costs which are directly attributable to it. After their initial recognition, investment properties are measured at cost less any accumulated depreciation and accumulated impairment losses, when applicable.

The depreciation rates considered are between 10 and 50 years.

The **Group** and the **Company** ensure that an annual assessment of assets qualified as investment properties is carried out in order to determine any impairment and to disclose their fair value.

Costs incurred in relation to investment properties, namely with maintenance, repairs, insurance and property taxes are recognized as costs for the period in which they are incurred. Improvements which are expected to generate additional future economic benefits are capitalized.

2.8 Impairment of tangible fixed assets and intangible assets, except goodwill

The **Group** and the **Company** carry out impairment assessments of its tangible and intangible assets, whenever any event or situation occurs, which may indicate that the amount by which the asset is recorded might not be recovered. In case of the existence of such evidence, the recoverable amount of the asset is determined in order to measure the extent of the impairment loss. When it is not possible to determinate the recoverable amount of an individual asset, then the recoverable amount of the cash generating unit to which this asset belongs is estimated.

The recoverable amount of the asset or cash generating unit is the highest value between (i) its fair value minus the costs of selling it and (ii) its value in use. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The value in use arises from the future estimated discounted cash flows of the assets during their estimated useful life. The discount rate used in the discounted cash flows reflects the current market assessments of the time value of money and the specific risk of the asset.

Whenever the carrying amount of the asset or cash generating unit is higher than its recoverable amount, an impairment loss is recognized. The impairment loss is recorded in the Consolidated and individual income statement.

The reversal of impairment losses recognized in prior years is recorded whenever there is evidence that the recognized impairment losses no longer exist or have decreased, being recognized in the Consolidated and individual income statement. However, the reversal of the impairment loss is made up to the amount that would have been recognized (net of amortization or depreciation) if the impairment loss had not been recorded in the previous years.

2.9 Goodwill

Goodwill represents the excess of the acquisition cost compared with the fair value of the identifiable assets, liabilities and contingent liabilities of each entity that is acquired and included by the full consolidation method, or subsidiary, on the respective acquisition date, in accordance with IFRS 3 (Revised) – Business Combinations.

Goodwill is not amortized. In the assessment of the goodwill impairment, this value is allocated to the cash generating unit or units it refers to. The value in use is determined by discounting the estimated future cash flows of the cash generating unit. The recoverable amount of the cash generating units to which the goodwill refers is determined based on the assets' value in use and is calculated using valuation methodologies which are supported by discounted cash flow techniques, considering the market conditions, the time value and business risks. The discount rate used for discounting cash flows corresponds to the WACC before taxes ("Weighted Average Cost of Capital") estimated according to the rates and capital structures of the entities sector. The impairment tests are carried out on each reporting date, or earlier if impairment risk indicators were identified.

Impairment losses are not reversible.

In the sale of a cash generating unit, the corresponding goodwill is included in the determination of the capital gain or loss.

2.10 Concentration of corporate activities

Subsidiary and Associated companies

Investments in subsidiary and associated companies are recorded in the consolidated and individual balance sheet by the equity method (Note 10 and 11).

A subsidiary company is an entity over which the **Group** and/or the **Company** exercises control. Control is presumed to exist when the **Group** and / or the **Company** is exposed or has the right to variable returns arising from its involvement in the subsidiary and has the ability to influence those returns due to its power over the subsidiary regardless of the percentage over its equity.

On the other hand, an associated company is an entity over which the **Group** and/or the **Company** has significant influence, through participation in decisions concerning its financial and operating policies, but where the **Group** or the **Company** does not have control or joint control, which in general happens whenever the investment is between 20% and 50%.

In accordance with the equity method, the investments are initially recorded at their cost and subsequently adjusted by the value corresponding to the investment in the net profit or loss of the subsidiary and associated companies against "Gain/losses in subsidiary, associated companies and joint ventures", and by other changes in equity in Other comprehensive income".

Additionally, investments in subsidiary and associated companies may also be adjusted through the recognition of impairment losses. Whenever there are indications that the assets may be impaired, an assessment is carried out and the existing impairment losses are recorded in the income statement.

The excess of the acquisition cost over the fair value of the identifiable assets and liabilities of each subsidiary and/or associated company at the date of acquisition is recognized as goodwill and presented as part of the financial investment in the caption Investments in subsidiaries and/or associates. If the difference between cost and fair value of the assets and liabilities acquired is negative, it is recognized in the income statement under "Gain/losses in subsidiary, associated companies and joint ventures", after confirmation of the fair value.

Whenever the losses in subsidiary and/or associated companies exceed the investment made in these entities, the investment carrying value is reduced to zero and the recognition of future losses will be discontinued, except in what concerns the part in which the **Group** and/or the **Company** incurs in any legal or constructive obligation of assuming all these losses on behalf of the subsidiary and/or associated company, in which case a provision is recorded.

With the exception of goodwill impairment, if the impairment losses recorded in previous years are no longer applicable, these are reversed.

The dividends received from subsidiary and associated companies are recorded as a decrease in the carrying value of "Investments in subsidiary companies" and "Investments in associated companies", respectively.

Unrealized gains and losses on transactions with subsidiary and associated companies are eliminated in proportion to the **Group**'s interest in the subsidiary and/or associated companies, recorded against the investment in the same entity. Unrealized losses are also eliminated but only up to the point that the losses do not reflect that the transferred asset is impaired.

Joint Ventures

Investments in joint ventures are recorded in the balance sheet by the equity method. The classification of the investments in joint ventures is determined based on the existence of a contractual agreement, which demonstrates and rules the joint control. In accordance with the equity method, the investments are initially recorded at their cost and subsequently adjusted by the value corresponding to the investment in the net profit or loss of the joint ventures against "Gain/losses in subsidiary, associated companies and joint ventures", and by other changes in equity in "Other comprehensive income".

Additionally, investments in joint ventures may also be adjusted through the recognition of impairment losses. Whenever there are indications that the assets may be impaired, an assessment is carried out and the existing impairment losses are recorded as costs in the consolidated income statement.

Unrealized gains and losses on transactions with joint ventures are eliminated in proportion to the **Group**'s interest in the entities, recorded against the investment in the same entity. Unrealized losses are also eliminated but only up to the point that the losses do not reflect that the transferred asset is impaired.

In the case of concentrations of business activities between entities under common control, the **Group** and the **Company** apply the communion of interest method, and no goodwill is recognized.

2.11 Financial assets

Classification, initial recognition and subsequent measurement

At initial recognition, financial assets are classified into one of the following categories:

i) Financial assets at amortized cost;
ii) Financial assets at fair value through other comprehensive income; or
iii) Financial assets at fair value through profit or loss.

The classification is made taking into consideration the following aspects:

i) the **Group**'s business model for financial asset management; and
ii) the characteristics of the contractual cash flows of the financial asset.

Business Model Evaluation

The **Group** carries out an evaluation of the business model in which the financial instrument is held at the portfolio level, since this approach reflects the best way assets are managed and how the information is made available to management bodies. The information considered in this evaluation included:

- the policies and objectives established for the portfolio and the practical operationality of these policies, including how the management strategy focuses on receiving contractual interest or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the **Group**'s management bodies;
- assessing the risks that affect the performance of the business model (and the financial assets held under this business model) and how these risks are managed;
- the frequency, volume and frequency of sales in previous periods, the reasons for such sales and expectations about future sales. However, sales information should not be considered in isolation but as part of an overall assessment of how the **Group** establishes financial asset management objectives and how cash flows are obtained;
  and
- Evaluation if the contractual cash flows correspond only to the receipt of principal and interest (SPPI - Solely Payments of Principal and Interest).

For the purposes of this assessment, "Principal" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the consideration for the time value of money, the credit risk associated with the amount owed over a given period of time and for other risks and costs associated with the activity (e.g., liquidity risk and administrative costs), and as a profit margin.

In the evaluation of the financial instruments in which contractual cash flows refer exclusively to the receipt of principal and interest, the **Group** considered the original contractual terms of the instrument. This evaluation included the analysis of the existence of situations where contractual terms could modify the periodicity and amount of cash flows so that they do not fulfil the SPPI condition. In the evaluation process, the **Group** took into consideration:

- contingent events that may modify the periodicity and amount of cash flows;
- characteristics that result in leverage;
- prepayment and extension of maturity clauses;
- clauses that may limit the **Group**'s right to claim cash flows in relation to specific assets (e.g., contracts with clauses that prevent access to assets in default cases); and
- characteristics that may modify the compensation for the time value of money.

In addition, an advance payment is consistent with SPPI criteria, if:

- the financial asset is acquired or originated with a premium or discount in relation to the contractual nominal value;
- prepayment represents substantially the nominal amount of the contract plus accrued but unpaid contractual interest (may include reasonable compensation for prepayment); and
- the fair value of the prepayment is insignificant at the initial recognition.

Reclassification between categories of financial instruments

If the **Group** changes its financial asset management business model, which is expected to occur not frequently and exceptionally, it reclassifies all the affected financial assets in accordance with the requirements set forth in IFRS 9 - "Financial instruments". The reclassification is applied prospectively from the date it becomes effective. Pursuant to IFRS 9 - "Financial instruments", reclassifications of equity instruments for which the option to valuation at fair value has been included by the counterpart of other comprehensive income or to financial assets and liabilities classified at fair value in the fair value option are not allowed.

2.11.1 Financial assets at amortized cost

Classification

A financial asset is classified in the category "Financial assets at amortized cost" if it meets all of the following conditions:

- the financial asset is held in a business model whose main objective is the holding of assets to collect its contractual cash flows; and
- their contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the outstanding amount (SPPI).

The "Financial assets at amortized cost" category includes investments in credit institutions, credit to clients, debt securities managed based on a business model whose purpose is to receive their contractual cash flows (government and corporate bonds) and accounts receivable.

Initial recognition and subsequent measurement

Investments in credit institutions and credit to clients are recognized at the date the funds are made available to the counterparty (settlement date). Debt securities are recognized on the trade date, that is, on the date the **Group** commits itself to acquire them.

Financial assets at amortized cost are initially recognized at fair value, plus transaction costs, and subsequently measured at amortized cost. In addition, they are subject, from their initial recognition to the measurement of impairment losses for expected credit losses, which are recorded against the caption "Impairment of other financial assets net of reversals and recoveries".

Interest on financial assets at amortized cost is recognized under the caption "Interest and similar income calculated through the effective rate", based on the effective interest rate method and in accordance with the criteria described in note 2.23.

The gains or losses generated at the time of derecognition are recorded under the caption "Earnings of other financial banking assets and liabilities" and "impairment of accounts receivable, net", in the case of the accounts receivable.

2.11.2 Financial assets at fair value through other comprehensive income

Classification

A financial asset is classified in the category "Financial assets at fair value through other comprehensive income" if it meets all of the following conditions:

i) the financial asset is held in a business model in which the purpose is to collect its contractual cash flows and the sale of this financial asset;

ii) their contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the outstanding amount (SPPI).

In addition, in the initial recognition of an equity instrument that is not held for trading, nor a contingent consideration recognized by a purchaser in a business combination to which IFRS 3 applies, the **Group** may irrevocably choose to classify it in the category Financial assets at fair value through other comprehensive income (FVOCI). This option is exercised on a case-by-case basis, investment for investment and is only available for financial instruments that comply with the definition of equity instruments set forth in IAS 32, not applicable to financial instruments at fair value through other comprehensive income and may be used for financial instruments whose classification as an equity instrument in the sphere of the issuer is made under the exceptions provided for in paragraphs 16A to 16D of IAS 32.

Initial recognition and subsequent measurement

Debt instruments at fair value through other comprehensive income are initially recognized at fair value, plus transaction costs, and are subsequently measured at fair value. Changes in the fair value of these financial assets are recorded against other comprehensive income and, at the time of their disposal, the respective gains or losses accumulated in other comprehensive income are reclassified to a specific line item of income designated "Income from other financial assets fair value by counterpart of other comprehensive income".

Debt instruments at fair value through other comprehensive income are also subject, from their initial recognition to the measurement of impairment losses for expected credit losses. Impairment losses are recognized in the income statement under the item "Impairment of other financial assets net of reversals and recoveries", in consideration of other comprehensive income, and do not reduce the carrying amount of the financial asset in the balance sheet.

Interest, premiums or discounts of financial assets at fair value through other comprehensive income are recognized under "Interest and similar income calculated through the effective rate" based on the effective interest rate method and in accordance with the criteria described in note 2.23.

Equity instruments at fair value through other comprehensive income are initially recognized at fair value plus transaction costs and subsequently measured at fair value. The changes in the fair value of these financial assets are recorded by counterpart of other comprehensive income. Dividends are recognized in income when the right to receive them is attributed.

Impairment is not recognized for equity instruments at fair value through other comprehensive income, and the respective accumulated gains or losses are recorded in changes in fair value transferred to retained earnings at the time of their derecognition.

2.11.3 Financial assets at fair value through profit and loss

A financial asset is classified in the category "Financial assets at fair value through profit and loss" if the business model defined by the **Group** for its management or the characteristics of its contractual cash flows does not meet the conditions described above to be measured at amortized cost (2.11.1) or at fair value through other comprehensive income (FVOCI) (2.11.2).

Financial assets held for trading or management and whose performance is assessed on a fair value basis are measured at fair value through profit and loss because they are neither held for the collection of contractual cash flows nor the sale of these financial assets.

In addition, the **Group** may irrevocably designate a financial asset at fair value through profit or loss that meets the criteria to be measured at amortized cost or at FVOCI at the time of its initial recognition if this eliminates or significantly reduces measurement or recognition inconsistency (accounting mismatch), that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different basis.

2.11.4 Derecognition of financial assets

i) The **Group** derecognizes a financial asset when, and only when:
   - contractual rights to cash flows arising from the financial asset expire; or
   - transfers the financial asset as defined in points ii) and iii) below and the transfer meets the conditions for derecognition in accordance with point iv).

ii) The **Group** transfers a financial asset if, and only if, one of the following occurs:
   - transfer the contractual rights to receive the cash flows resulting from the financial asset; or
   - retain the contractual rights to receive the cash flows arising from the financial asset but assume a contractual obligation to pay the cash flows to one or more recipients in an agreement that satisfies the conditions set out in point (iii).

iii) When the **Group** retains the contractual rights to receive cash flows from a financial asset (the 'original asset') but assumes a contractual obligation to pay those cash flows to one or more entities (the 'final recipients'), the **Group** treats the transaction as a transfer of a financial asset if, and only if, all three conditions are satisfied:
   - the **Group** has no obligation to pay amounts to final recipients unless it receives equivalent amounts resulting from the original asset. The short-term advances by the entity with the right to full recovery of the amount borrowed plus interest at market rates do not violate this condition;
   - the **Group** is prohibited by the terms of the transfer agreement from selling or pledging the original asset other than as a guarantee to final recipients for the obligation to pay them cash flows; and
   - the **Group** has an obligation to remit any cash flow it receives on behalf of the final recipients without significant delays. In addition, you are not entitled to reinvest these cash flows, except in the case of investments in cash or cash equivalents (as defined in IAS 7 Cash Flow Statements) during the short liquidation period between the date of receipt and the date of delivery required of final recipients, and interest received as a result of such investments is passed on to final recipients.

iv) When the **Group** transfers a financial asset (see item ii above), it must assess to what extent it retains the risks and benefits arising from the ownership of that asset. In this case:

- if the **Group** transfers substantially all the risks and benefits arising from the ownership of the financial asset, it derecognizes the financial asset and separately recognizes as assets or liabilities any rights and obligations created or retained with the transfer;
- if the **Group** retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset.
- if the **Group** does not transfer or substantially retain all risks and rewards of ownership of the financial asset, it must determine whether it has retained control of the financial asset. In this case:
    - if the **Group** has not retained control, it must derecognize the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained with the transfer;
    - if the **Group** has retained control, it must continue to recognize the financial asset to the extent of its continued involvement in the financial asset.

- The transfer of risks and benefits referred to in the previous point is assessed by comparing the **Group**'s exposure, before and after the transfer, to the variability of the amounts and times of occurrence of the net cash flows resulting from the transferred asset.

- The question whether the **Group** retained the control or not (see item iv above) of the transferred asset depends on the ability of the transferee to sell the asset. If the transferee has the practical capacity to sell the asset in its entirety to an unrelated third party and is able to exercise that capacity unilaterally and without the need to impose additional restrictions on the transfer, the entity is deemed not to have retained control. In all other cases, the entity shall be deemed to have retained control.

2.11.5 Loans written off

The **Group** recognizes a credit written off when it does not have reasonable expectations to recover an asset in whole or in part. This recognition occurs after all the recovery actions developed by the **Group** prove to be fruitless.

2.11.6 Modification of financial assets

If the conditions of a financial asset are modified, the **Group** assesses whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, the contractual rights to the cash flows of the original financial asset are considered to have expired and the principles described in note 2.11.4 Derecognition of financial assets.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in the derecognition of the financial asset, then the **Group** first recalculates the gross book value of the financial asset by applying the original effective interest rate of the asset and recognizes the resulting adjustment as gain or loss of the modification in the profit or loss statement. For variable rate financial assets, the original effective interest rate used to calculate the gain or loss of the modification is adjusted to reflect current market conditions at the time of the modification. Any costs or fees incurred, and fees received as part of the modification adjust the gross book value of the modified financial asset and are amortized over the remaining term of the modified financial asset.

2.12 Equity

As instrument is classified as an equity instrument when there is no contractual obligation for its settlement to be carried out through the delivery of cash or another financial asset, regardless of its legal form, showing a residual interest in the assets of an entity after deducting all its liabilities.

Costs related to the issuance of new shares are recognized directly in the share capital as a deduction from the value of the cash inflow.

Costs related to an issue of equity which has not been completed are recognized as costs.

2.13 Financial liabilities

An instrument is classified as a financial liability when it contains a contractual obligation to transfer cash or another financial asset, independently from its legal form.

Debt

Loans are recorded as liabilities at the carrying value received, net of issuance expenses, corresponding to the respective fair value on that date. They are subsequently measured at amortized cost, with the corresponding financial costs calculated based on the effective interest rate and stated through the income statement according to the accrual basis assumption, with the due and unpaid amounts as at the reporting date being classified under the item of "Accounts payable" (Note 33).

The effective interest rate is the rate that discounts future payments over the expected life of the financial instrument to the net carrying amount of the financial liability.

Accounts payable

Accounts payable classified as current liabilities are registered at their nominal value, which is substantially equivalent to their fair value.

Accounts payable classified as non-current liabilities, for which there is no contractual obligation to pay interest, are initially measured at their net present value and subsequently measured at their respective amortized cost, determined in accordance with the effective interest rate method.

Accounts payable (balances of suppliers and other creditors) are liabilities related to the acquisition of goods or services, in the normal course of its business. If their payment falls due within one year or less, then they are classified as current liabilities. Otherwise, they are classified as non-current liabilities.

Non- derivatives banking financial liabilities

The non-derivatives banking financial liabilities include mainly deposits from costumers. These financial liabilities are recognized (i) initially at their fair value less the transaction costs and (ii) subsequently at amortized cost, based on the effective interest rate method.

The **Group** derecognize financial liabilities when they are cancelled, extinguished or expired.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet, when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.15 Equity Instruments

An instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, irrespective of its legal form, showing a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to the issue of equity instruments are recognized against equity as a deduction to the value of the issue. Amounts paid or received due to sales or acquisitions of equity instruments are recorded in equity, net of transaction costs.

Distributions to holders of equity instruments are debited directly from the equity as dividends when declared.

2.16 Securitization operations

The **Group** has two consumer credit securitization operations in progress (Ulisses Finance No.1 and Chaves Funding No.8), and one financial lease securitization operation (Fénix 1) and maintains control over the assets and liabilities of Ulisses Finance No.1 and Chaves Funding No.8 to the extent that it has acquired its residual tranches. These entities are consolidated in the **Group**'s financial statements in accordance with accounting policy 2.2.

2.17 Impairment of financial assets

<u>Impairment losses</u>

The **Group** determines the expected credit losses of each operation as a result of the deterioration of credit risk since its initial recognition. For this purpose, operations are classified in one of the following three stages:

- Stage 1: operations in which there is no significant increase in credit risk since its initial recognition are classified in this stage. Impairment losses associated with operations classified at this stage correspond to the expected credit losses that result from a default event that may occur within 12 months after the reporting date (credit losses expected to 12 months).
- Stage 2: operations in which there has been a significant increase in credit risk since its initial recognition, but which are not impaired, are classified in this stage. Impairment losses associated with operations classified at this stage correspond to the expected credit losses resulting from default events that may occur over the expected residual life of the operations (expected lifetime losses).
- Stage 3: operations in an impairment situation are classified in this stage. Impairment losses associated with operations classified at this stage correspond to expected lifetime losses. Credit operations purchased or originated in impairment situation (Purchased or Originated Credit-Impaired – POCI) are also classified in stage 3.

Forward looking information

For models based on historical data, namely those applicable to Auto Credit, the use of a Forward-Looking component based on macroeconomic variables with historical series and projections of suitable organisms that are considered relevant for the purposes of estimating default probabilities is expected. In this case, the Gross Domestic Product, the Unemployment Rate and the Harmonized Index of Consumer Prices were selected.

At the reference date, and as a result of the last revision of the Model, this component was not being applied since there were no explanatory and intuitive statistical relationships between these variables and the behavior of the historical data used.

Significant increase in credit risk (SICR)

Banking activity

Significant increase in credit risk (SICR) is determined according to a set of mostly quantitative but also qualitative criteria, in order to detect significant increases in the Probability of Default (PD), complemented by another type of information in which it stands out the behavior of customers to entities of the financial system. However, regardless of the observation of a significant increase in credit risk in an exposure, it is classified in Stage 2 when one of the following conditions is met:

- Credit with late payment over 30 days (backstop);
- Credit with qualitative triggers subject to risk, namely those contained in Banco de Portugal Circular Letter No. 02/2014 / DSP.

Non-banking activity

A significant increase in credit risk occurs if there is an objective evidence that the financial asset is impaired, by the existence of observable data, such as the following loss events: significant financial difficulty of the debtor; restructuring of an amount due to the **Group** in terms that it would not consider otherwise; a breach of contract, such as a default or delay in interest or principal payments; if it becoming probable that the borrower will enter bankruptcy, among others factors.

Definition of financial assets in default and in impairment

Customers who meet at least one of the following criteria are considered in default:

- Existence of installments of principal or interest overdue for more than 90 days;
- Debtors in bankruptcy, insolvency or liquidation;
- Claims in litigation;
- Cross-default credits;
- Credits restructured due to financial difficulties;
- Credits in quarantine default;
- Claims for which there is a suspicion of fraud or confirmed fraud.

Estimates of expected credit losses - Individual analysis

Clients who meet one of the following conditions are the subject of an individual analysis:

- CTT Bank's private clients with exposures above 500,000 euros,
- Exposures to credit institutions, sovereign entities, central banks or companies through debt securities in stages 2 or 3;
- Clients from 321 Crédito with a factoring product;
- Clients with an equipment leasing product, whose active operations have an exposure greater than 70,000 euros;
- Clients with a real statement leasing product whose active operations have an exposure greater than 75,000 euros or whose LTV ratio is greater than 50% or nonexistent.

Estimates of expected credit losses - Collective analysis

Transactions that are not subject to an individual impairment analysis are grouped taking into account their risk characteristics and subject to a collective impairment analysis. The **Group**'s credit portfolio is divided by internal risk grades and according to the following segments:

Financial assets		
Retail Offer	**Mortgage Loans**	Consists of the Bank's mortgage lending offer which has a residential real estate property as collateral, regardless of the degree of completion of its construction
	Overdrafts	Includes the Bank's overdraft offer and credit overrunning
	Car Credit	Includes 321 Crédito's used car loan with reservation of ownership
Sovereign debt		Eurozone public debt securities and exposures obtained through the credit assignment contract
Corporate		Deposits and investments in other credit institutions, other financing granted to other credit institutions and corporate debt securities
Other		Several legacy portfolios of 321 Credit in run-off phase

The expected credit losses are estimates of credit losses that are determined as follows:

- financial assets with no signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the **Group** expects to receive;
- financial assets with impairment at the reporting date: the difference between the gross accounting value and the current value of the estimated cash flows;
- unused credit commitments: the present value of the difference between the resulting contractual cash flows if the commitment is made and the cash flows that the **Group** expects to receive;

The main inputs used to measure expected credit losses on a collective basis include the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure at Default ("Exposure at Default").

These parameters are obtained through internal models, and other relevant historical data, taking into account already existing regulatory models adapted according to the requirements of IFRS 9.

PDs are calculated based on historical data, when available, or benchmarks, in the remaining cases. If there is a change in the degree of risk of the counterparty or exposure, the estimate of the associated PD also varies. The PDs are calculated considering the contractual maturities of exposures.

The **Group** collects performance and default indicators on its credit risk exposures with analysis by type of customers and products.

LGD is the magnitude of the loss that is expected to occur if exposure goes into default. The **Group** estimates LGD parameters based on benchmarks and based on the recovery history, for the segments that exist. In the case of contracts secured by real estate, the LTV (loan-to-value) ratios are a parameter of great relevance in determining the LGD.

The EAD represents the expected exposure if the exposure and / or customer defaults. The **Group** derives EAD values from the counterparty's current exposure and potential changes to its current value as a result of contractual conditions. For commitments, the value of the EAD considers both the amount of credit used and the expectation of future potential value that may be used according to the contract.

As described above, with the exception of financial assets that consider a 12-month PD as they do not present a significant increase in credit risk, the **Group** calculates the amount of expected credit losses taking into account the risk of default during the maximum maturity period contract, even if, for the purposes of risk management, it is considered to be a longer period. The maximum contractual period shall be considered as the period up to the date on which the **Group** has the right to demand payment or terminate the commitment or guarantee.

For financial assets "Deposits in other credit institutions", "Investments in other credit institutions" and "Investments in securities", impairments are calculated by allocating:

i) a probability of default derived from the external rating of the issuer or counterparty, respectively; and

ii) a Loss Given Default (LGD) defined by the **Group**, based on data from Moody's rating agency, and depending on whether it is a Corporate or Sovereign entity.

Estimated expected credit losses - Receivables under IFRS 15

For receivables under IFRS 15, the **Group** and the **Company** apply a simplified impairment model, applying the practical expedient foreseen in IFRS 9, whereby several matrices were applied for the expected loss calculation based on the experience of actual historical losses over the period considered to be statistically significant (2 years), estimating loss rates by company and / or customer typology for the entire asset period, and not only for 12 months. The expected credit losses also incorporate a Forward-Looking component based on macroeconomic variables with historical series and suitable organisms' projections that are considered relevant for the purposes of default probabilities estimation, in this case the Gross Domestic Product.

The **Company** and the **Group** applied several matrices to calculate the expected losses of amounts receivable under IFRS 15, segmenting the expected losses calculation according to the company and the type of customer, considering the following different matrices:

- CTT customers - general customers;
- CTT customers - foreign operators;
- CTT Contacto customers;
- CTT Expresso customers - three different head offices based on the segmentation of general customers; and
- CTT Expresso customers - foreign operators.

The historical losses incurred are reviewed in order to reflect the differences between the expected economic conditions and those of the historical period used.

The expected losses are updated whenever there is a significant change in the credit risk in the company, changes in the type of customers or changes in the business or macroeconomic environment.

2.18 Inventories

Goods and raw materials, subsidiary materials and consumables are valued at the lowest cost between the acquisition cost and net realizable value, using the weighted average cost as the method of assigning cost.

The acquisition cost includes the invoice price and transport and insurance costs.

Net realizable value corresponds to the normal selling price less costs to complete production and costs to sell.

Whenever cost exceeds net realizable value, the difference is recorded in the operating costs caption "Cost of sales".

2.19 Non-current assets held for sale and discontinued operations

Non-currents assets are classified as held for sale, if the respective carrying value is expected to be realized through their sale rather than through continued use. It is considered that this situation occurs only when: (i) the sale is highly probable and the asset is available for immediate sale in its present condition, (ii) there is a commitment to sell, and (iii) the sale is expected to be completed within a 12-month period.

Non-current assets, which are classified as held for sale, are measured at the lowest between the carrying value before this classification and fair value minus costs to sell. Whenever the fair value is less than the carrying value, the difference is recognized in the item Depreciation / amortization and impairment of investments, net in the Income statement.

Non-current assets held for sale are presented in a separate caption in the balance sheet.

Non-current assets held for sale are not depreciated or amortized.

In the scope of the banking activity and in the course of the current activity of granting credit, the **Group** runs the risk of not being able to have all of its credit reimbursed. In the case of loans with collateral, the **Group** proceeds to execute these assets in donation / adjudication to settle the credit granted.

Pursuant to the provisions of the General Regime of Credit Institutions and Financial Companies (RGICSF), banks are prevented, unless authorized by Banco de Portugal, from acquiring properties that are not essential for their installation and operation or for the pursuit of their corporate purpose (paragraph 1 of article 112 of the RGICSF), however, being able to acquire properties by reimbursement of their own credit, and the resulting situations must be regularized within a period of 2 years which, if there is a reason, may be extended by Banco de Portugal, in conditions that it determines (article114º of the RGICSF).

These assets are recorded, at their initial recognition, at the lower of their fair value less expected costs of sale and the balance sheet value of the credit granted under recovery (credit falling due in the case of finance lease contracts). Subsequently, these assets are measured at the lower of the initial recognition value and the fair value less costs to sell and are not amortized.

Whenever the fair value, net of sales and maintenance costs (including haircuts defined in the discount table contained in Annex II of Circular Letter No. 2018/00000062) is found to be lower than the amount for which it is recognized in the **Group**'s balance sheet, an impairment loss is recorded in the amount of the decrease in value ascertained. Impairment losses are recorded against profit or loss of the year. If the fair value net of selling costs, after the recognition of impairments, indicates a gain, the **Group** may reflect that gain up to the maximum amount of impairment that has been recorded on that asset.

Periodic property appraisals are carried out by independent appraisers specialized in this type of services.

Earnings from discontinued operations are presented on a specific line, in the income statement, after Income tax and before Net profit for the year.

Whenever the **Group** and the **Company** are committed to a plan to sell a subsidiary, which involves the loss of control over it, all the assets and liabilities of that subsidiary are classified as held for sale, provided they meet the above requirements, even if, after the sale, the **Group** and the **Company** still keep a residual interest in the subsidiary.

2.20 Distribution of dividends

The distribution of dividends, when approved by the shareholders at the Annual General Meeting of the **Company**, is recognized as a liability.

2.21 Employee benefits

| EC3

The **Group** and the **Company** adopt the accounting policy for the recognition of its responsibilities for the payment of post-retirement healthcare and other benefits, the criteria set out in IAS 19, namely using the Projected unit credit method (Note 31).

In order to obtain an estimate of the value of the liabilities (Present value of the defined benefit obligation) and the cost to be recognized in each period, an annual actuarial study is prepared by an independent entity under the assumptions considered appropriate and reasonable. The present value of the defined benefit obligation is recorded as a liability under Employee benefits.

Actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions for post-employment benefits are recorded in other comprehensive income in the period in which they occur. Actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions for other long-term benefits are recorded in the "Staff costs" caption.

The **Company** and the **Group** recognize in the "Staff Costs" caption the costs of current and past services. The net interest on the liability is recognized as a financial result in the caption "Interest expenses".

Liabilities for Past Services are recognized immediately in the income statement.

Post-employment benefits – healthcare

- IOS Plan

Workers who are integrated in "Caixa Geral de Aposentações" ("CGA", General Retirement Pension Fund) and workers who are beneficiaries of the Portuguese state pension scheme (recruited as permanent staff of the Company after 19 May 1992 and up to 31 December 2009) are entitled to the healthcare benefits established in the CTT Social Works Regulation. These benefits are extended to all permanent workers of the company, whether they are still working, or are pensioners, or in a situation of pre-retirement or retirement.

Workers hired by the company after 31 December 2009, are only entitled to the benefits provided for in the state pension scheme while they remain bound to the Company by an individual employment contract, having no rights when they become pensioners, or in a situation of pre-retirement or retirement.

Healthcare benefits include contributions to the cost of medication, medical and surgical and nursing services, as well as auxiliary diagnostic means and hospital services, as defined in the CTT Social Works Regulation.

The financing of the post-retirement healthcare plan is ensured mostly by the Company and by the beneficiaries' co-payment upon the use of certain services, and the remaining costs are covered by the fees paid by the beneficiaries.

The maintenance of the post-employment healthcare plan benefits requires that the beneficiaries (retirees and pensioners) pay a fee corresponding to 2.25% of their respective pension. Resulting from the amendment to the Healthcare Plan, the fee was unified, and the same fee is paid for each family member enrolled. In certain special situations, an exemption from the payment of the fee may be granted, either for the beneficiaries or for family members.

The healthcare plan is regulated by CTT's Regulation of the Social Works and the management is ensured by IOS – Instituto das Obras Sociais (Institute of Social Works), which in turn, hired Médis – Companhia Portuguesa de Seguros de Saúde, S.A. (Médis - Portuguese healthcare insurance company) to provide healthcare services. The contract with Médis has been in force since 1 January 2015.

The future liabilities with post-employment benefits arising from the past services of the **Group**'s employees are reflected in the **Group**'s financial statements through the recognition of a specific liability, with no plan or funding arrangement having been constituted to cover these responsibilities, being its financing made through the **Group**'s regular activity.

- Insurance policy

Following the Human Resources Optimization Program, initiated in 2016, the Company assured the workers, as part of the incentive package, the maintenance of a Healthcare Plan through a health insurance with identical coverage and co-payments, as laid down in the Regulation of the Social Works (ROS), in accordance with the following criteria:

- Workers aged 50 and over: maintenance of healthcare benefits for themselves and their family members enrolled according to ROS, through a health insurance policy, with payment of quotas in the same amount as they were paying (2.25% of their income), or higher if the future payments (if they will exist) will be higher, with mandatory delivery of income proof;

- Workers under the age of 50: maintenance of healthcare benefits according to ROS, through a health insurance policy, for a period of two years, exempt from the payment of the quota, after which they will not benefit from any healthcare solution supported by the Company.

At present, the management of this plan is carried out by Médis - Companhia Portuguesa de Seguros de Saúde, S.A..

- Post-Retirement Medical Care– SAMS

The company 321 Crédito, S.A. is responsible for paying medical care benefits to all its employees in a situation of retirement, as well as for survival pensioniers.

The provision of this medical care is ensured by the Social Medical Assistance Service (SAMS) whose post-retirement charges, for the member, are defined in clause 92 of the ACT of the banking sector published in BTE nº 38 of 2017 of October 15.

For the liability calculation, the values of Annex III in the ACT are considered, which takes into consideration the growth rate of the salary table. For the length of service rendered, the seniority date in the group was considered.

On each reporting date, the company keeps a liability recorded based on an actuarial study prepared by a specialized and independent entity that quantifies the responsibilities for the payment of medical care charges as mentioned above.

The present value of the defined benefit obligation and the cost of current services and past services are measured using the projected unit credit method.

As at 31December 2020, there were 129 active beneficiaries and 2 pensioners, benefiting from this type of health care.

Post-employment benefits – Pension Plan

The company CTT Expresso - Serviços Postais e Logística, S.A. pays to a closed group of employees of Transporta – Transportes Porta a Porta, S.A. (which was merged into CTT Expresso during the year 2019) in retirement situation, a supplementary retirement pension over the amounts paid by the Social Security.

At each reporting date, the **Group** maintains a liability based on an actuarial study prepared by a specialized and independent entity that quantifies the liabilities for the payment of supplementary pensions to employees of the company at the time it was acquired from the Portuguese State.

The present value of the defined benefit obligation and the cost of current services and past services are measured using the projected unit credit method.

As at 31 December 2020, there were 18 beneficiaries receiving this type of Complementary Pension Benefit.

Other long-term benefits

The **Group** and the **Company** also assumed, towards certain groups of workers, a series of constructive and contractual obligations, namely:

- Suspension of contracts, redeployment, pre-retirement contracts, and release from employment

The liability for the payment of salaries to employees in the above-mentioned situations or equivalent, is fully recognized in the income statement at the time they move into these conditions.

- Telephone subscription fee

CTT has assumed the obligation of the life-long payment, to a closed group of retired workers and surviving spouses (4,363 beneficiaries as at 31 December 2019 and 4,050 beneficiaries as at 31 December 2020) to those who benefited from it as at 01/06/2004, of the telephone rental charges, to a monthly amount of 15.30 Euros. During the year ended 31 December 2013, the Board of Directors of CTT, decided to modify the economic benefit. Thus, from 1 January 2014, the cash payment was replaced by a benefit in kind.

- Pensions for work accidents

The liabilities related to the payment of pensions for work accidents is restricted to workers integrated in CGA.

According to the legislation in force concerning employees integrated in CGA, CTT is liable for the costs incurred with pensions that have been attributed for damages resulting from accidents at work, and which have resulted in permanent disability or death of the worker. The value of these pensions is updated pursuant to a legal diploma.

The liabilities incurred up to 31 December 2015 will continue to be borne by CTT. As of 1 January 2016, CTT contracted an insurance policy to cover these responsibilities, as is already the case for Social Security workers.

As at 31 December 2019 and 31 December 2020 there were 68 and 64 beneficiaries, respectively, receiving this type of pension.

- Monthly life annuity (SMV)

This is an annuity provided for in the family benefits legal system set out in Decree-Law no. 133-B/97, of 30 May, as amended by the Declaration of Rectification no. 15-F/97, of 30 September, amended by Decree-Law no. 248/99, of 2 July, no. 341/99 of 25 August, no. 250/2001, of 21 September, and no. 176/2003, of 2 August.

Beneficiaries are workers, still working or retired, who have descendants over 24 years old, with physical, organic, sensorial, motor or mental disabilities, who are in a situation that prevents them from normally providing for their subsistence through the exercise of professional activity. In the case of beneficiaries integrated in the CGA, the cost of the monthly life annuity is the responsibility of CTT.

However, the SMV has been replaced by the Social Provision for Inclusion (which is intended to support persons with disabilities with the costs due to disability), established by Decree-Law no. 126-A/2017, of 6 October and anticipates that by 31 December 2023, it will cease to exist and, therefore, be paid by CTT.

The Social Provision for Inclusion is automatically allocated to the SMV beneficiaries covered by the Social Security system. However, as regards the workers who are beneficiaries of the convergent social protection regime, beneficiaries of the SMV, the Social Inclusion Benefit is not automatic, and the workers are required to request the respective conversion of the SMV, pursuant to article 52, paragraph 2 of Decree-Law no. 126-A/2017, of 6 October.

Accordingly, in order to inform the beneficiaries of these changes, the **Company** sent a letter to the CGA subscribing workers, former CGA retirees and attorneys-in-fact who have benefited from it, informing them that they should request, from the relevant Social Security services, the conversion of the SMV.

As at 31 December 2020 there were 6 beneficiaries under these conditions (9 beneficiaries as at 31 December 2019), receiving a monthly amount of 177.64 Euros, 12 months a year until 2023, at most, date on which CTT will cease to pay this benefit. This amount is updated by an Implementing Order of the Ministry of Finance and the Ministry of Labor and Social Security.

- <u>End of Career Awards</u>

Under clause 69 of the ACT of the banking sector published in BTE nº 38 of 2017 of October 15th, 321 Crédito, S.A. undertook the commitment to, on the retirement date, due to disability or old age, grant the employee a premium in the amount equal to 1.5 times the effective monthly remuneration earned on that date. In the event of death on the job, a premium shall be paid in the amount equal to 1.5 times the effective monthly remuneration that the worker earned at the date of death.

For this purpose, the base salary, seniority and all extra components are considered. It is presumed that their salary growth will be higher than that of the salary table in order to consider possible progressions.

The seniority periods are calculated according to the value established in Annex II of the ACT, including the increase resulting from the number of years of service.

The liability was established based on an actuarial study prepared by a specialized and independent entity and measured using the projected credit unit method.

- <u>Death allowance resulting from an accident at work</u>

In the sphere of 321 Crédito, death arising from a work accident shall give rise to the payment of a capital sum – death allowance – as defined in Clause 72 of the collective bargaining agreement referred to above. For the liability related to allowances due to death arising from a work accident, the calculation uses the value established in Annex II of the collective bargaining agreement, considering the growth rate of the salary table and the probabilities of death due to a work accident.

The liability was established based on an actuarial study prepared by a specialized and independent entity and measured using the projected unit credit method.

- Defined contribution plan – Open Pension Fund or Retirement Savings Plan

Following the remuneration model of the Statutory Bodies defined by the Remuneration Committee, a fixed monthly amount was determined to be allocated to an Open Pension Fund or Retirement Savings Plan to be attributed to the executive members of the Board of Directors.

This contribution falls into the definition of a defined contribution plan. Under a defined contribution plan, fixed contributions are paid into a fund but there is no legal or constructive obligation to further payments being made if the fund does not have sufficient assets to pay all of the employees' entitlements to post-employment benefits. The obligation is therefore effectively limited to the amount agreed to be contributed to the fund and the actuarial and investment risk is effectively placed on the employee. For defined contribution plans, the amount recognized in the period is the contribution payable in exchange for services rendered by employees during the period. Contributions to a defined contribution plan which are not expected to be wholly settled within 12 months after the end of the annual reporting period in which the employee renders the related service are discounted to their present value.

2.22 Provisions and contingent liabilities

Provisions (Note 32) are recognized when, cumulatively: (i) there is a present obligation (legal or constructive) arising from a past event, (ii) it is probable that its payment will be demanded, and (iii) there is a reliable estimate of the value of this obligation.

The amount of the provisions corresponds to the present value of the obligation, with the financial updating being recorded as a financial cost under the heading Interest expenses (Note 48).

The provisions are reviewed on every reporting date and are adjusted in order to reflect the best estimate at that date.

Provision for financial investments

Whenever losses in the subsidiaries or associated companies exceed the investment made in these entities, the carrying value is reduced to zero and the recognition of future losses is discontinued, except in what concerns the part in which the **Group** incurs in any legal or constructive obligation to assume all these losses on behalf of the associated or subsidiary company, in which case a Provision is recorded for investments in associated companies.

Restructuring provisions

Restructuring provisions are made whenever a detailed formal restructuring plan has been approved by the **Group** and it has been launched or publicly disclosed, which identifies:

- The business or part of the business concerned;
- The main affected locations;
- The location, function and approximate number of employees who will be compensated for the cease of their services;
- The expenditures that will be undertaken;
- When the plan will be implemented; and
- It raised a valid expectation in those affected that it would carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The restructuring provision includes direct expenditures arising from the restructuring, which are those entailed by the restructuring, or not associated with the ongoing activities of the entity.

The restructuring provision does not include the costs of retraining or relocating continuing staff, marketing and investments in new systems and distribution networks and are recognized on the same basis as if they appeared independently of a restructuring in the period that they occur.

The expected gains on assets disposals are not taken into account in a restructuring provision measurement, even if the assets sale is seen as part of the restructuring.

Dismantling costs provisions

Provisions are made for dismantling costs, costs of removal of the asset and costs of restoration of the site of certain assets, when these assets are in use and it is possible to reliably estimate the respective obligation, or when there is a contractual commitment to restore the spaces rented by third parties. When the time value effect is material, the environmental liabilities that are not expected to be settled in the near future are measured at their present value.

Provisions for litigations in progress

A provision for litigation in progress is recorded when there is a reliable estimate of costs to be incurred due to legal actions brought by third parties, based on the evaluation of the probability of payment based on the opinion of the lawyers.

Provision for onerous contracts

A provision for onerous contracts is measured at the present cost whenever the unavoidable costs to satisfy the contract's obligations exceeds the expected financial benefits that will be received under the same.

Contingent assets and liabilities

Whenever any of the conditions for the recognition of provisions is not met, the events are disclosed as contingent liabilities (Note 32). Contingent liabilities are: (i) possible obligations which arise from past events and whose existence will only be confirmed by the occurrence, or not, of one or more future events that are uncertain and not fully under the **Company**'s control, or (ii) present obligations which arise from past events, but which are not recognized because it is not probable that an outflow of resources which incorporates economic benefits will be necessary to settle the obligation, or the value of the obligation cannot be measured with sufficient reliability. Contingent liabilities are disclosed unless the possibility of an outflow of resources is remote.

Contingent assets and liabilities are evaluated continuously to assure that the developments are reflected properly in the financial statements.

If it becomes probable that an outflow of future economic benefits will be demanded for an item previously treated as a contingent liability, a provision is recognized in the financial statements of the period when that change in probability occurs.

If it becomes virtually certain that an economic benefits inflow will occur, the asset and related revenue are recognized in the financial statements of the period when the change will probably occur.

The **Group** does not recognize contingent assets and liabilities.

2.23 Revenue

The revenue is measured by the amount that the entity expects to be entitled to receive under the contract entered into with the customer.

The revenue recognition model is based on five steps in order to determine when the revenue should be recognized and the amount:

1) Identify the contract with a customer;
2) Identify the performance obligations in the contract;
3) Determine the transaction price;
4) Allocate the transaction price; and
5) Recognize revenue.

The revenue is recognized only when the "performance obligation" is met and depends on whether the "performance obligations" are satisfied over the period or, on the contrary, the control of the goods or services is transferred to the customer at a given point in time.

The revenue regarding the provision of postal services, namely the sales of philatelic and pre-paid products, is recognized only when the performance obligation is satisfied, i.e., only at the moment of the effective utilization of the products for mail delivery purposes. However, as some of these products have never been used by the clients, for example the philatelic products for stamps collection, CTT performed a customer survey in order to obtain information regarding the use pattern of these products and, in this way, assess the percentage of the products that are not expected to be used. In these situations, the revenue should be recognized at the time of the sale. In the remaining situations, the revenue is deferred in accordance with the referred standard of use.

The revenue from the rendering of express services is recognized only when the performance obligation is satisfied, i.e., only when the mail or parcel is delivered to the final customer, being the revenue deferred until that moment.

The revenue from the sale of merchandising products from postal business is recognized when the products are transferred to the buyer, which usually occurs at the time of the transaction, being at that time fulfilled the "performance obligation".

The revenue from PO Boxes is recognized over the term of the contracts. By subscribing to the "PO Boxes" service, CTT customers can receive their mail at a PO box in a CTT store instead of receiving mail at their home or company headquarters. Customers pay a single annual fee for subscribing to the service, with no additional fee being paid depending on the amount of correspondence received. Thus, a single performance obligation was identified corresponding to the provision of the PO box over the period of 1 year, with revenue fully allocated to the only performance obligation identified and recognized linearly over the contract period (1 year).

The revenue and costs relative to international mail services, estimated based on surveys and indexes agreed with the corresponding postal operators, are recognized in temporary accounts in the month that the traffic occurs. The initial revenue amount is recognized in the caption "Sales and services rendered" and accounts receivable. Thus, a temporary account is an account receivable, whose amount is the best CTT's estimate for the amount that will be invoiced by the corresponding postal operators. This temporary amount is subject to the confirmation of the counterparties, namely the volume/ weights carried and the process is managed by a compensation camera.

At the time of the final confirmation moment, the differences between the temporary amount from account receivables and the confirmed amount is recognized in the caption "Sales and services rendered" in the income statement. Historically, these differences are not significant.

The fees from collections made and from the sale of financial products are recognized on the date that the client is charged. Only the fee from collections charged by CTT is recognized as revenue, as CTT acts as an agent. The recognized revenue corresponds only to the commission charged by CTT, which acts as an agent. The amounts are settled by offsetting accounts. Regarding this, CTT deducts to the amount delivered to its customers for the collections made on customers behalf and for the financial products sales in CTT stores, the commissions amount owed in the scope of its agent performance.
The performance obligation underlying the recognition of revenue resulting from collections made by the issuer and the sale of financial products corresponds to financial intermediation in the sale / placement / redemption of financial products and collection of invoices on behalf of counterparties in intermediation contracts. The remuneration of these contracts is variable according to IFRS 15, as CTT is entitled to receive a fixed amount as a "bonus performance" when selling / placing / redeeming financial products or collecting invoices on behalf of counterparties in intermediation contracts, considering the goals/ targets defined in the contracts. This component is estimated according to the "most likely amount", considering the intermediation amounts of the year.

The main entities with "customer" contractual position and the frequency of the account offset are as follow:

Product/ Service	Partner/ Customer	Frequency/ account offset
Postal savings certificates/ treasury	IGCP	daily
Postal collection	All entities that request the colletion service to CTT, but essentially are the utilities companies and city councils	daily
Insurance/ RSP	Fidelidade, Mapfre and Metlife	daily
Western Union	Western Union	twice a week
Penalties	ANSR	daily
Collection titles	Unions	daily

The **Group** acts as an agent in these transactions to the extent that:

- Does not obtain control of the goods or services provided to end customers;
- It does not have any inventory risk (not applicable in this type of services);
- It is not identified by the end customer as the party responsible for fulfilling the performance obligations; and
- The price of the financial product is not defined by the **Group**.

The prices of the services rendered in the scope of the concession of the Universal Postal Service have been subject to regulation under a price agreement signed between CTT and ANACOM.

The revenue from interest is recognized using the effective interest rate method, provided that it is probable that economic benefits will flow into the **Group** and the **Company**, and their amount can be measured reliably.

The **Group** and the **Company** register a portion of the interest received from deposits in other operating income, specifically interest from short-term deposits in the Financial Services segment. The **Group** and the **Company** consider the temporary investment of funds received and to be paid to third parties as one of the main operational objectives of its Financial Services segment. In the cash flow statement, this portion of interest is recognized as operating cash flow.

Within the scope of banking activity, the income from services, fees and commissions is recognized as follows:

- Fees and commissions that are earned in the execution of a significant act, are recognized as income when the significant act has been completed;
- Fees and commissions earned over the period in which the services are provided are recognized as income in the period that the services are provided; and
- Fees and commissions that are an integral part of the effective interest rate of a financial instrument are recorded through profit or loss using the effective interest rate method.

In the banking activity, interest income and expense for financial instruments measured at amortized cost are recognized in Financial margin, through the effective interest rate method.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, for a shorter period, to the net carrying amount of the financial asset or financial liability. The effective interest rate is established in the initial recognition of financial assets or liabilities and is not subsequently reviewed.

For calculating the effective interest rate, it is estimated future cash flows considering all contractual terms of the financial instrument but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction.

In the case of financial assets or groups of similar financial assets for which impairment losses have been recognized, interest recorded in interest and similar income is determined based on the interest rate used to measure the impairment loss.

The **Group** and the **Company** do not recognize interest for financial assets in arrears for more than 90 days.

The revenue recognition criteria associated to the provision of the insurance mediation service is presented in note 2.29.

2.24 Subsidies obtained

Subsidies are recognized when there is reasonable assurance that they will be received and that the **Group** and the **Company** will comply with the conditions required for their attribution.

Investment subsidies associated to the acquisition or production of tangible fixed assets are initially recognized in non-current liabilities and are subsequently allocated, on a systematic basis, as revenue for the period, consistent and proportional to the depreciation of the assets acquired through these subsidies.

Operating subsidies, namely those for employee training, are recognized in the income statement, within the periods necessary to match them with the expenses incurred, to the extent that these subsidies are not refundable.

2.25 Leases

The **Group** leases several buildings and vehicles. Lease contracts are usually negotiated for fixed periods, but extension options may exist, although in most contracts the renewal periods require the agreement of the lessor and lessee. Rental terms and conditions are negotiated on an individual basis.

The **Group** and the **Company** determine whether a contract is a lease or includes a lease on the contract's start date.

When it comes to a lease agreement, the **Group** and the **Company** account right-of-use (RoU) assets, which are recognized in the item of Tangible fixed assets with the corresponding lease liabilities, on the date when the control over the use of the asset leased is transferred to the **Group** or the **Company**.

The **Group** and the **Company** do not use the practical expedients permitted by IFRS 16 of not considering short-term leases (12 months or less) or leases of low-value underlying assets (assets with unit value in condition of "New" less than 5,000 USD), and the respective payments are considered for the determination of the right-of-use assets.

The **Group** and the **Company** use the practical expedient allowed by IFRS 16 to not separate the lease and non-lease components.

Lease liabilities are initially measured at the present value of the lease payments that fall due after the lease comes into effect, discounted at the implied interest rate of the contract. When this rate cannot be determined, the **Group**'s incremental interest rate is used, corresponding to the interest rate that the lessee would have to pay to obtain an asset of similar value in an economic environment with comparable terms and conditions.

Lease payments included in the measurement of lease liabilities include: fixed payments, less lease incentives receivable; variable payments that depend on an index or rate; amounts expected to be paid by the lessee as guarantees of residual value; the exercise price of a call option if the lessee is reasonably certain to exercise that option; penalty payments to terminate the lease, if the lease term reflects the exercise of the termination option.

The lease liability is measured at amortized cost, using the effective interest method and is remeasured when there are changes to future payments resulting from the application of indexes or rates or if there are other changes such as the change in the lease term, change in expectation about exercising a purchase option, renewing the term or terminating the contract. In these cases, the **Group** and the **Company** recognize the amount of the remeasurement of the Lease Liability as an adjustment to the Assets under the Right- of-Use.

For the lease term determination, the **Group** and the **Company** consider:

- the broader economics of the contract, and not only contractual termination payments, evaluating if either a party has an economic incentive not to terminate the lease such that it would incur a penalty on termination that is more than insignificant, the contract is considered enforceable beyond the date on which the contract can be terminated; and
- whether each of the parties has the right to terminate the lease without permission from the other party with no more than an insignificant penalty, a lease is no longer enforceable only when both parties have such a right. Consequently, if only one party has the right to terminate the lease without permission from the other party with no more than an insignificant penalty, the **Group** and the **Company** consider that the contract is enforceable beyond the date on which the contract can be terminated by that party.

The Rights-of-Use assets are presented in an isolated class, integrating the item of Tangible fixed assets, initially measured at the cost model, which comprises the initial value of the lease liability, adjusted for any payment made before the start date of the contract. lease, plus any initial costs incurred and an estimate for costs of dismantlement (when applicable), less any incentives received. The Right-to-Use asset is subsequently depreciated using the straight-line method in accordance with the lease term. The Right-of-Use is periodically adjusted by certain remeasurements to the Lease liabilities, namely by updating indexes or price renegotiations, and by impairment losses (if any).

Variable rents that do not depend on an index or rate are not included in the measurement of the Lease Liability or the Right-of-Use asset. Such payments are recognized as expenses in the period in which the event or condition giving rise to payments occurs.

When the **Group** or the **Company** transfers an asset to a third party, and simultaneously enters into a lease agreement for the same asset with that third party, the **Group** and the **Company** apply the requirements of IFRS 15 to determine whether the transfer qualifies as a sale of the asset.

If the transfer qualifies as a sale transaction, the **Group** and the **Company** will measure the Right-of-Use asset of the leaseback as a proportion of the previous net book value that relates to the Right-of-Use retained by the **Group** or **Company**, recording a gain or loss in proportion to the rights transferred to the third party.

If the fair value of the sale's retribution of the asset is not equivalent to its fair value, or if the lease payments do not correspond to market values, the **Group** or **Company** will make the following adjustments to measure the results of the sale at fair value: Any terms below the market will be recorded as prepayment of the lease; and any terms above market will be accounted as an additional financing provided by the third party to the **Group** or **Company**.

When the **Group** or **Company** subleases part of the Right-of-Use asset to another entity, it starts to act as lessee in relation to the main lessor and as sublease in relation to the sublease.

As a sublease, the **Group** and the **Company** determine at the lease start date, whether the lease qualifies as financial or operational, considering: i) as the underlying asset of the sublease contract, the Right-of-Use asset recognized in the main lease agreement ; and ii) as the discount interest rate, the interest rate implicit in the sublease or the incremental interest rate of the main lease.

When the sublease contract qualifies as a finance lease, the **Group** and the **Company** derecognize the Right-of-Use asset, and record a balance receivable from the sub-leaseholder, which is subsequently settled by recording accrued interest and repayments made by the sub-leaseholder.

2.26 Borrowing costs

Financial charges related to loans are recognized in net profit, when incurred. However, interest expenses are capitalized when loans are directly attributable to the acquisition or construction of an asset that requires a substantial period of time (over one year) to reach its intended use.

Financial charges on loans obtained are recorded as financial expenses in accordance with the effective interest rate method.

2.27 Taxes

Corporate income tax ("IRC")

Corporate income tax corresponds to the sum of current taxes and deferred taxes. Current taxes and deferred taxes are recorded under net income, unless they refer to items recorded directly in equity. In these cases, deferred taxes are also recorded under equity.

Current tax payable is based on the taxable income for the period of the **Group** companies included in the consolidation, calculated in accordance with the tax criteria prevailing at the financial reporting date. Taxable income differs from accounting income, since it excludes various costs and revenues which will only be deductible or taxable in other financial years. Taxable income also excludes costs and revenues which will never be deductible or taxable. The amount of current tax payable or receivable is the best estimate of the amount expected to be paid, reflecting the existence of uncertainty about the tax treatment of income taxes, if any, according to IFRIC 23 - Uncertainty about tax treatment of income tax. The estimate is made based on the most likely method, or, if the resolution can dictate ranges of values in question, use the expected value method.

Deferred taxes refer to temporary differences between the amounts of assets and liabilities for accounting purposes and the corresponding amounts for tax purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences. However, this recognition only takes place when there are reasonable expectations of sufficient future taxable profits to use these deferred tax assets, or when there are deferred tax liabilities whose reversal is expected in the same period that the deferred tax assets may be used. On each reporting date, a review is made of these deferred tax assets, which are adjusted according to expectations on their future use.

Deferred tax assets and liabilities are measured using the tax rates which are in force on the date of the reversal of the corresponding temporary differences, based on the taxation rates (and tax legislation) which are enacted, formally or substantially, on the reporting date, reflecting the existence of uncertainty about the tax treatment of income taxes.

CTT is covered by the special regime applicable to the taxation of groups of companies, which includes all companies in which CTT holds, directly or indirectly, at least 90% of the share capital and which are simultaneously resident in Portugal and taxed under IRC except 321 Crédito - Instituição Financeira de Crédito, S.A.. The remaining companies are taxed individually according to their respective taxable income at the applicable tax rates.

Value Added Tax ("VAT")

For purposes of VAT, the **Company** follows the normal monthly regime, in accordance with the provisions of paragraph 1(a) of article 41 of the Portuguese VAT Code, having various exempted operations in its activity that fall under the provisions of article 9 of the Portuguese VAT Code, as well as to other non-exempted operations which are subject to VAT, and for this reason, using the effective allocation method and the pro rata method. In a similar situation is also Banco CTT, which due to the nature of its operations, essentially financial operations, also uses the pro rata method for VAT purposes. The other **Group** companies, with fiscal residence in Portugal, also follow the normal monthly regime, in accordance with the provisions of paragraph 1(a) of article 41 of the Portuguese VAT Code, performing mostly non-exempted operations, thus being subject to VAT.

2.28 Accrual basis

The revenues and costs are recorded according to the accrual basis, and therefore, are recognized as they are generated, regardless of the time they are received or paid. Differences between the revenues and costs generated and the corresponding amounts invoiced are recorded in "Other current assets" or in "Other current liabilities". Deferred revenues and costs paid in advance are recorded under the heading Deferrals, under liabilities and assets, respectively.

2.29 Provision of the insurance mediation service

CTT, SA and Banco CTT Group subsidiaries namely 321 Crédito are entities authorized by the Insurance and Pension Funds Supervisory Authority ("ASF") to practice insurance mediation, in the category of Linked Insurance Mediator, according to the article 8, subparagraph a), subparagraph i), of Decree-Law no. 144/2006, of July 31, developing the activity of insurance mediation in the life and non-life lines.

Within the scope of insurance mediation services, the **Group** sells insurance contracts. As remuneration for insurance brokerage services, the **Group** receives insurance contract brokerage commissions, which are defined in agreements / protocols established with Insurance Companies.

Commissions received by insurance mediation services are recognized in accordance with the principle of accrual basis, so commissions whose receipt occurs at a different time in the period to which they refer are recorded as an amount receivable under an "Other Assets" item.

2.30 Judgements and estimates

In the preparation of the consolidated and individual financial statements, judgements and estimates were used which affect the reported amounts of assets and liabilities, as well as the reported amounts of revenues and costs during the reporting period. The estimates and assumptions are determined based on the best existing knowledge and on the experience of past and/or current events considering certain assumptions relative to future events. However, situations might occur in subsequent periods which, due to not having been predictable on the date of approval of the financial statements, were not considered in these estimates. Changes to estimates which occur after the date of the financial statements will be corrected prospectively. For this reason and in view of the associated degree of uncertainty, the real outcome of the situations in question might differ from their corresponding estimates.

The main judgements and estimates made in the preparation of the financial statements arise in the following areas:

i) Tangible fixed and intangible assets / estimated useful lives

Depreciation/amortization is calculated on the acquisition cost using the straight-line method, from the month when the asset is available for use. The depreciation/amortization rates that are applied reflect the best knowledge on the estimated useful life of the assets. The residual values of the assets and their respective useful lives are reviewed and adjusted, when deemed necessary.

ii) Impairment of Goodwill and investment in subsidiary companies

Goodwill and Investments in subsidiaries are tested at least once a year, with the purpose of verifying if they are impaired, in accordance with the policy referred to in Note 2.9. The calculation of the recoverable amounts of the cash generating units involves a judgment and substantially relies on the analysis of the Management related to the future developments of the respective subsidiary. The assessment underlying the calculations that have been made uses assumptions based on the available information, both concerning the business and macro-economic environment. The variations of these assumptions can influence the results and consequent recording of impairments.

iii) Impairment of accounts receivable

The **Group** and the **Company** record expected credit losses of each operation as a result of the deterioration of the credit risk since its initial recognition. In case of expected losses in account receivables in the scope of IFRS 15 the **Group** and the **Company** applied the simplified method calculating expected credit losses until maturity for all account receivables based on past records of credit losses throughout the period considered statistically relevant, estimating the rate of expected losses by companies and customer typology.

iv) Financial instruments – IFRS 9

Classification and measurement

The classification and measurement of financial assets depends on the results of the SPPI test (analysis of the characteristics of the contractual cash flows, to conclude on whether they correspond only to payments of principal and interest on the principal in debt) and the business model test.

The **Group** determine the business model taking into account the manner in which the groups of financial assets are managed as a whole to achieve a specific business goal. This assessment requires judgement, as the following aspects must be considered, among others: the way that asset performance is assessed; and the risks that affect the performance of the assets and how these risks are managed.

The **Group** monitors the financial assets measured at amortized cost and at fair value through other comprehensive income that are derecognized before their maturity, in order to understand the reasons underlying their divestment and to determine if they are consistent with the objective of the business model defined for these assets. This monitoring is inserted within the **Group**'s process of continuous assessment of the business model of the financial assets that remain in the portfolio, in order to determine whether it is appropriate, and if it not, whether there has been a change of the business model and consequently a prospective change of the classification of these financial assets.

Impairment losses in financial assets at amortized cost and debt instruments at fair value through other comprehensive income

The determination of the impairment losses of financial instruments involves judgements and estimates relative to the following aspects, among others:
Significant increase of credit risk: Impairment losses correspond to the expected losses in case of default over a time horizon of 12 months for assets at stage 1, and the expected losses considering the probability of occurrence of a default event any time up to the maturity date of the financial instrument for assets at stage 2 and 3. An asset is classified at stage 2 whenever there has not been a significant increase in its credit risk since its initial recognition. The **Group**'s assessment of the existence of a significant increase of credit risk considers qualitative and quantitative information, reasonable and sustainable.
Definition of group of assets with common credit risk features: When the expected loan losses are measured on a collective basis, the financial instruments are grouped together based on common risk features. This procedure is necessary to ensure that, in case there is a change of the credit risk features, the segmentation of the assets is reviewed. This review can give rise to the creation of new portfolios or to the transfer of the assets to existing portfolios, which better reflect their credit risk features.
Probability of default: The probability of default represents a determinant factor in the measurement of the expected loan losses. The probability of default corresponds to an estimate of the probability of default in a particular time period, calculated based on benchmarks or using market data.
Loss given default: Corresponds to an estimated loss in a default scenario. This is based on the difference between the contractual cash flows and those that the **Group** expects to receive, via cash flows generated by the business of the client or credit collateral. Loss given default is calculated based on, among other aspects, the different scenarios of recovery, historical information, market information, the costs involved in the recovery process and the estimated valuation of the collateral associated to credit operations.

v) Deferred taxes

The recognition of deferred tax assets assumes the existence of future net profit and taxable income. The deferred tax assets and liabilities were determined based on the tax legislation currently in force, or on legislation that has already been published for future application. Amendments to tax legislation may influence the value of the deferred taxes.

vi) Employee benefits

The determination of the liabilities related to the payment of post-employment benefits, namely with healthcare plans, requires the use of assumptions and estimates, including the use of actuarial projections, discount rates and other factors that could have an impact on the costs and liabilities associated to these benefits. Any changes in the assumptions used, which are described in Note 31, will have an impact in the carrying amount of the employees' benefits. CTT has a policy of periodically reviewing the major actuarial assumptions.

vii) Provisions

The **Group** and the **Company** exercise considerable judgement in the measurement and recognition of provisions. Judgement is required in order to assess the probability of litigation having a successful outcome. Provisions are recorded when the current lawsuits are expected to lead to the outflow of funds, the loss is probable and may be estimated reasonably. Due to the uncertainties inherent to the process of assessment, actual losses might be different from those originally estimated in the provision. These estimates are subject to changes as new information becomes available. Reviews to the estimates of these losses might affect future results.

viii) Lease liabilities

The lease liabilities amount calculation requires the determination of the lease enforceable period, considering the lease economic aspects, and not just the termination payments, namely the existence of economic incentive from either party not to terminate the lease . Any changes in the lease term will have an impact on the lease liabilities book value. CTT periodically review the lease terms.

Sources of estimation uncertainty:
The main sources of uncertainties in the estimates performed are detailed below:

i) De minimis

The Directive (EU) 2017/2455, of European Union Council, of 5/12/17, eliminated the VAT exemption for goods with a value less than 22 €, as of 1/1/2021. Subsequently, the Council postponed the measure implementation until 01/07/2021, through Council Decision (EU) 2020/1109 of 20/07/2020, amending the Directive (EU) 2017/2455. Thus, as of that date, all postal items authorized to enter in the EU must pay VAT and Customs Duties (DA), ceasing to exist as a Customs Duties. Currently, less than 2% of extra-Community traffic is subject to a Customs Declaration. This change could lead to a significant reduction in traffic originating outside the Community due to the drop in demand, and there is already a trend of migration / concentration of this traffic to hubs in central Europe, which is then channeled to peripheral European countries. Given this risk, CTT are implementing measures of automation of the declarative and treatment process based on the object's notice information in order to minimize the impact of this change on the business and on the need for reinforcement of physical resources (space) and human resources to comply with this directive given the status of universal postal operator and being obliged to deliver the received objects from other postal operators. In this way, it is intended to mitigate the remuneration loss risk for terminal charges, related to extra-community traffic, which in 2020 amounted approximately 15 million euros.

ii) Concession contract

CTT – Correios de Portugal, S.A. ("CTT") are the current universal postal service provider, namely of the universal postal service until 31 December 2021.

The concession contract expired on 31 December 2020. However, in 2020, the government decided to extend the term of the concession agreement until 31 December 2021, considering the impossibility, in the pandemic context, of a timely and proper completion of the administrative procedures for the designation of a new concessionaire.

CTT are, as always, committed to the provision of public service, which is an integral part of its identity, with the conviction that they are the entity in the best conditions to provide it, due to the fact that they meet the requirements of financial strength, technical capacity, the necessary physical facilities and knowledge. The estimates made, namely regarding the assessments of the recoverability of non-current assets, consider the scenario of renewal of the public postal service concession to be probable with equivalent conditions to the current one. However, as there are no tangible and intangible assets allocated exclusively to the public postal service concession activity, it is not expected that a scenario of non-renewal of the concession would imply the recognition of an impairment of tangible or intangible assets of the **Company** and the **Group**.

As under the concession contract, the grantor does not control any significant residual interest in CTT's postal network and CTT being free to dispose of, replace or encumber the assets that integrate the postal network, IFRIC 12 - Service Concession Agreements is not applicable to the universal postal service concession contract.

iii) Evolution of the COVID-19 Virus situation

Due to a new general confinement, as of the second half of January 2021, it is expected a negative economic and social effect, that will affect the society in general and the **Group**'s and the **Company**'s businesses in particular. However, management will continue to monitor the threat and its business' implications and provide all necessary information to its stakeholders and to act in accordance with World Health Organization's recommendations and the public authorities responsible for the health area.

2.31 Cash Flow Statement

The Cash Flow Statement is prepared according to the direct method, through which cash receipts and payments relative to operating, investment and financing activities are disclosed.

Operating activities cover receipts from customers, payments to suppliers, payments to staff and other related to operating activity, namely income tax.

Investment activities namely include acquisitions and divestments in participated companies, payments and receipts arising from the purchase and sale of assets, and receipts of interest and dividends. Financing activities include payments and receipts relative to loans received, financial lease contracts, interest paid and payments of dividends.

Cash and cash equivalents
Cash and cash equivalents include the amounts recorded in the statement of financial position with a maturity less than three months from the balance sheet date, which includes cash and cash equivalents at credit institutions. It also includes other short-term investments, of high liquidity, insignificant risk of amount changes and convertible into cash, and also mandatory sight deposits with Banco de Portugal in order to satisfy the minimum cash reserves legal requirements.

2.32 Subsequent events

Events occurring after the closing date until the date of approval of the financial statements by the Board of Directors, and which provide additional information about conditions existing at the date of the financial reporting, are reflected in the financial statements. Events occurring after the closing date, which indicate conditions arising after the date of the financial reporting, are disclosed in the notes to the financial statements, if considered relevant.

3. Changes to accounting policies, Errors and Estimates

In the year ended 31 December 2020 no accounting policy changes and no prior year's material errors were recognized in the preparation of the financial statements. The accounting policies have been consistently applied in all the present periods and for all group companies.

The underlying estimates and assumptions were determined based on the best knowledge of the on-going events and transactions, at the time the financial statements were approved, as well as on the experience of past and/or current events. However, situations might occur in subsequent periods which, due to not having been predictable on the date of approval of the financial statements, were not considered in these estimates. Changes to estimates which occur after the date of the financial statements will be corrected prospectively. For this reason and in view of the associated degree of uncertainty, the real outcome of the transactions in question might differ from their corresponding estimates.

The **Group** and the **Company** recognized the following change in estimate in the preparation of the financial statements:

Following the recent interpretation of the IFRS Interpretations Committee on the term lease definition, in the determination of the enforceable period of the lease, an entity considers:

- the broader economics of the contract, and not only contractual termination payments. For example, if either party has an economic incentive not to terminate the lease such that it would incur a penalty on termination that is more than insignificant, the contract is enforceable beyond the date on which the contract can be terminated; and
- whether each of the parties has the right to terminate the lease without permission from the other party with no more than an insignificant penalty. Applying paragraph B34 of IFRS 16, a lease is no longer enforceable only when both parties have such a right. Consequently, if only one party has the right to terminate the lease without permission from the other party with no more than an insignificant penalty, the contract is enforceable beyond the date on which the contract can be terminated by that party.

If an entity concludes that the contract is enforceable beyond the notice period of a cancellable lease (or the initial period of a renewable lease), it then applies paragraphs 19 and B37–B40 of IFRS 16 to assess whether the lessee is reasonably certain not to exercise the option to terminate the lease.

Regarding the recent interpretation, the **Group** and the **Company** reassessed the lease term of their contracts, determining the following impacts on the financial statements: i) At **Group** Level, there was an increase of Tangible Fixed Assets and Debt captions in the total amount of 19,301,526 Euros; and ii) At **Company** Level the increase in Tangible Fixed Assets and Debt captions amount to 17,180,678 Euros (Note 5).

4. Segment reporting

In accordance with IFRS 8, the **Group** discloses the segment financial reporting.

The Board of Directors regularly reviews segmental reports, using them to assess and communicate each segment performance, as well as to decide on how to allocate resources.

The Retail Products previously reported in the Mail segment and the respective operating costs, in order to reflect the changes made in the business organization, started to be presented, as well as the comparative amounts, into the segment previously designated "Financial Services" and which now was renamed "Financial Services & Retail".

The period of 2019 was restated, for comparison purposes, according to the changes performed.

Therefore, the business of CTT is organized in the following segments:

- **Mail** – CTT Contacto, S.A., CTT Soluções Empresariais, S.A. and CTT, S.A. excluding:
    - Business related to postal financial services and retail products - Financial Services & Retail;
    - The business of payments related with collection of invoices and fines, Western Union transfers, integrated solutions and tolls – Bank.

- **Express & Parcels** – includes CTT Expresso, CORRE and Fundo Inovação Techtree;

- **Financial Services & Retail -** Postal Financial Services and the sale of products and services in the retail network of CTT, S.A.;

- **Bank** – Banco CTT, S.A., Payshop, 321 Crédito and CTT's payment business (mentioned above).

The business segregation by segment is based on management information produced internally and presented to the "chief operating decision maker".

The segments cover the three CTT business areas, as follows:

- Postal Market, covered by the Mail segment;
- Express and Parcels Markets, covered by the Express & Parcels segment; and
- Financial Market, covered by the Financial Services and Bank segments.

The amounts reported in each business segment result from the aggregation of the subsidiaries and business units defined in each segment perimeter and the elimination of transactions between companies of the same segment.

The statement of financial position of each subsidiary and business unit is determined based on the amounts booked directly in the companies that compose the segment, including the elimination of balances between companies of the same segment, and excluding the allocation in the segments of the adjustments between segments.

The income statement for each business segment is based on the amounts booked directly in the companies' financial statements and related business units, adjusted by the elimination of transactions between companies of the same segment.

However, as CTT, S.A. has assets in more than one segment it was necessary to split its income and costs by the various operating segments. The Internal Services Rendered refer to services provided across the different CTT, S.A. business areas, and the income is calculated according to standard activities valued through internally set transfer prices. The Mail segment provides internal services essentially related to the retail network (included in the Mail segment). Additionally, the Financial Services Segment uses the Retail network to sell its products. The use of the Retail network by other segments, as Express & Parcels and CTT Bank is, equally, presented in the line "Internal Services Rendered".

Initially, CTT, S.A. operating costs are allocated to the different segments by charging the internal transactions for the services mentioned above. After this initial allocation, costs relating to corporate and support areas (CTT Central Structure) previously unallocated, are allocated by nature to the Mail segment and others.

The consolidated income statement by nature and segment of 2019 and 2020 are as follows:

Thousand Euros	Restated 31.12.2019 Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Revenues	**477,586**	**152,415**	**47,388**	**62,897**	**740,286**
Sales and services rendered	469,324	151,835	46,739	20,123	688,022
Sales	*8,575*	*752*	*9,640*	-	*18,966*
Services rendered	*460,749*	*151,083*	*37,100*	*20,123*	*669,055*
Financial Margin	-	-	-	29,316	29,316
Other operating income	8,261	580	648	13,458	22,948
Operating costs excluding depreciations, amortizations, impairment and provisions	**399,577**	**154,726**	**25,334**	**59,188**	**638,824**
Staff costs	297,847	24,868	1,592	19,825	344,131
External supplies and services	102,265	129,332	3,228	29,840	264,665
Other costs	11,903	2,874	8,697	6,555	30,028
Internal services rendered	(12,437)	(2,348)	11,816	2,969	-
EBITDA	**78,009**	**(2,311)**	**22,054**	**3,709**	**101,462**
IFRS 16 (impact on EBITDA)	19,809	5,683	28	1,353	26,872
EBITDA including IFRS 16	**97,817**	**3,372**	**22,082**	**5,063**	**128,334**
Impairment and provisions	(583)	(5,143)	-	(2,872)	(8,598)
Depreciation/amortisation and impairment of investments, net	(40,003)	(8,301)	(332)	(5,588)	(54,223)
Specific Items	(14,356)	(2,068)	(292)	(1,510)	(18,227)
EBIT	**42,875**	**(12,140)**	**21,457**	**(4,907)**	**47,285**
Financial results					(11,758)
Interest expenses					*(10,421)*
Interest income					*64*
Gains/losses in subsidiary, associated companies and joint ventures					*(1,401)*
Earnings before taxes (EBT)					**35,527**
Income tax for the period					(6,242)
Net profit for the period					**29,285**
Non-controlling interests					(88)
Equity holders of parent company					**29,197**

Thousand Euros	31.12.2020 Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Revenues	**426,096**	**193,000**	**44,043**	**82,102**	**745,240**
Sales and services rendered	420,200	192,272	43,413	16,969	672,854
Sales	*13,875*	*620*	*10,052*	-	*24,547*
Services rendered	*406,326*	*191,652*	*33,361*	*16,969*	*648,307*
Financial Margin	0	-	-	44,637	44,637
Other operating income	5,895	728	630	20,497	27,749
Operating costs excluding depreciations, amortizations, impairment and provisions	**382,064**	**186,374**	**23,361**	**62,936**	**654,736**
Staff costs	287,898	26,587	1,822	22,322	338,630
External supplies and services	88,393	160,330	2,776	31,042	282,541
Other costs	15,853	1,766	8,596	7,350	33,565
Cost of sales	*10,144*	*593*	*8,475*	*1*	*19,212*
Other operating costs	*5,709*	*1,173*	*122*	*7,729*	*14,733*
Earnings of other financial banking assets and liabilites	-	-	-	*(380)*	*(380)*
Internal services rendered	(10,080)	(2,309)	10,167	2,222	-
EBITDA [1]	**44,031**	**6,625**	**20,682**	**19,166**	**90,504**
IFRS 16 (impact on EBITDA)	20,485	6,325	113	1,518	28,442
EBITDA including IFRS 16	**64,516**	**12,950**	**20,795**	**20,685**	**118,946**
Impairment and provisions	(3,041)	(3,023)	-	(9,255)	(15,320)
Depreciation/amortisation and impairment of investments, net	(45,473)	(9,731)	(304)	(6,628)	(62,136)
Specific Items	(6,053)	(698)	(3)	(231)	(6,984)
EBIT	**9,950**	**(501)**	**20,488**	**4,571**	**34,507**
Financial results					(11,382)
Interest expenses					*(9,660)*
Interest income					*20*
Gains/losses in subsidiary, associated companies and joint ventures					*(1,742)*
Earnings before taxes (EBT)					**23,126**
Income tax for the period					(6,359)
Net profit for the period					**16,767**
Non-controlling interests					(97)
Equity holders of parent company					**16,669**

[1] Excluding depreciation/amortization, impairments and provisions, as well as the impact of IFRS 16 and specific items.

As at 31 December 2020, the amount of 7,0 M€ presented as specific items is related to: (i) business restructurings of 3,3 M€, (ii) strategic projects in the amount of €0.9 M, mainly in studies supporting the renegotiation of the new concession contract and (iii) other income and expenses in the amount of 2.8 M€, of which the price penalty by ANACOM, imposed by the non-compliance of the 2019 Quality of Service Indicators (+1.1 M€) stands out, the expenses related to the pandemic of Covid-19, namely on personal protective equipment, nebulizations, temperature measurement, reinforcement of cleanings (+1,1 M€) and the payment of an extraordinary premium to employees who during the confinement period were always at the forefront, with exposure to risk, enormous professionalism and total delivery (+0.5 M€).

As at 31 December 2020, the revenue of "Mail", "Express & Parcels" and "Bank" segments represented 57%, 26% and 11%, respectively, of the consolidated revenue. However, the external supplies and services costs allocated to those segments amounted to 31%, 57% and 7%, respectively, and the Staff costs amounted to 85%, 8% and 7%, respectively. The income statement captions for each segment have the underlying amounts booked directly in the companies' financial statements and related business units, adjusted by the elimination of transactions between companies of the same segment.

Therefore, the distribution of external supplies and services caption by each business areas results directly from the cost structure and resources effectively consumed by each entity of the related segment. For example, CTT Expresso has a cost structure with increased use of internal labor (Staff costs). The differences in the business of the several segments, namely, the subcontracting or use of internal labor, explain the difference between the weighting of each segment for the revenue and the services and external supplies and staff costs, namely in the Mail and Express& Parcels segments. Additionally, these differences are explained either by the expense's allocation mechanism related to corporate areas and supporting to the several segments through the internal services rendered previously mentioned.

The revenues are detailed as follows:

Thousand Euros	Restated 31.12.2019	2020
Mail & Other	**477,586**	**426,096**
Transactional mail	406,364	358,886
Editorial mail	14,476	12,771
Parcels (USO)	6,478	7,356
Advertising mail	22,970	18,394
Philately	6,747	5,576
Business Solutions	10,254	15,878
Other	10,297	7,235
Express & Parcels	**152,415**	**193,000**
Portugal	98,191	118,007
Parcels	75,025	96,509
Cargo	12,421	11,408
Banking network	6,651	6,559
Logistics	3,146	2,407
Other	949	1,124
Spain	51,775	72,286
Mozambique	2,448	2,707
Financial Services & Retail	**47,388**	**44,043**
Savings & Insurance	26,892	23,166
Money orders	5,565	5,982
Payments	1,167	1,529
Retail	13,340	13,003
Other	425	364
Bank	**62,897**	**82,102**
Net interest income	12,731	17,267
Interest income	13,631	18,207
Interest expense	(900)	(940)
Fees & commissions income	8,942	13,669
Own produts	5,516	8,777
Consumer credit & insurance	3,425	4,892
Payments & other	20,185	17,242
321 Crédito	21,040	33,923
	740,286	**745,240**

The main changes in the **Group**'s revenue compared with the previous year, are explained as follows:

- The decrease of 12% in "Mail" segment, was explained mainly by the pandemic acceleration of the downward trend in mail volumes as a result of the acceleration of digitization and e-substitution;
- The "Express & Parcels" segment noted an increase of 21% compared with the previous year. In 2020, the restrictions imposed on most sectors of the economy due to the COVID-19 pandemic substantially impacted the items' profile, with a reduction in B2B volumes in 1H20 and a strong growth in e commerce activity (B2C). In 2H20, a recovery in the B2B segment was observed as well as continued growth of e-commerce activity.
- The "Financial Services & Retail" business segment noted a decrease of 8%. This business unit's 2Q20 performance was strongly influenced by the restrictive measures of the state of emergency, namely the effect it generated on the preference for liquidity and consequently on medium/long-term financial investments, as well as by the limited customer access to the CTT Retail Network and the changes in post office opening hours.
- The "Bank" segment noted a revenue increase of 23%, mainly explained by the twelve months of 321Credit operation, acquired in May 2019, and the increase of CTT Bank's financial margin.

The revenue detail for the year ended 31 December 2019 and 31 December 2020, by the revenue's sources identified in note 2.23 – Revenue, are detailed as follows:

Nature	31.12.2019				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Postal Services	426,097,926	-	-	-	426,097,926
Express services	-	151,834,597	-	-	151,834,597
Merchandising products sales	-	-	1,952,893	-	1,952,893
PO Boxes	-	-	1,329,824	-	1,329,824
Prepaid mobile phone recharges	5,638	-	-	-	5,638
International mail services (*)	43,220,802	-	-	-	43,220,802
Financial Services fees	-	-	43,456,732	49,439,112	92,895,844
"Sales and Services rendered" and "Financial Margin" total	**469,324,367**	**151,834,597**	**46,739,450**	**49,439,112**	**717,337,525**

(*) Inbound Mail

Nature	31.12.2020				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Postal Services	382,483,522	-	-	-	382,483,522
Express services	-	192,271,712	-	-	192,271,712
Merchandising products sales	-	-	3,130,311	-	3,130,311
PO Boxes	-	-	1,451,326	-	1,451,326
Prepaid mobile phone recharges	-	-	-	-	-
International mail services (*)	37,716,902	-	-	-	37,716,902
Financial Services fees	-	-	38,831,551	61,605,607	100,437,158
"Sales and Services rendered" and "Financial Margin" total	**420,200,424**	**192,271,712**	**43,413,188**	**61,605,607**	**717,490,931**

(*) Inbound Mail

The assets by segment are detailed as follows:

Assets (Euros)	Restated 2019					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intagible assets	20,426,590	5,514,463	200,198	27,682,577	8,188,816	62,012,644
Tangible fixed assets	222,255,084	33,599,340	42,095	3,204,855	4,341,666	263,443,040
Investment properties	-	-	-	-	7,653,000	7,653,000
Goodwill	6,161,326	2,955,753	-	61,084,749	-	70,201,828
Deferred tax assets	-	-	-	-	89,329,806	89,329,806
Accounts receivable	-	-	-	-	146,471,712	146,471,712
Credit to bank clients	-	-	-	885,820,569	-	885,820,569
Debt securities	-	-	-	456,411,331	-	456,411,331
Other banking financial assets	-	-	-	33,424,335	-	33,424,335
Other assets	-	-	-	-	54,871,239	54,871,239
Cash and cash equivalents	-	5,403,455	-	174,819,282	262,772,987	442,995,724
Non-current assets held for sale	-	-	-	805,675	-	805,675
	248,843,001	**47,473,011**	**242,294**	**1,643,253,372**	**573,629,227**	**2,513,440,904**

Assets (Euros)	2020					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intagible assets	19,192,607	5,634,469	166,504	28,879,018	4,144,364	58,016,961
Tangible fixed assets	239,053,222	48,425,431	74,351	3,151,484	4,284,888	294,989,377
Investment properties	-	-	-	-	7,075,908	7,075,908
Goodwill	6,161,326	2,955,753	-	61,084,749	-	70,201,828
Deferred tax assets	-	-	-	-	87,891,868	87,891,868
Accounts receivable	-	-	-	-	153,616,009	153,616,009
Credit to bank clients	-	-	-	1,093,281,532	-	1,093,281,532
Debt securities	-	-	-	517,805,404	-	517,805,404
Other banking financial assets	-	-	-	40,879,397	-	40,879,397
Other assets	6,137,166	7,559,469	17,349,976	4,973,905	14,804,590	50,825,106
Cash and cash equivalents	-	12,543,023	-	231,741,308	273,895,841	518,180,171
Non-current assets held for sale	-	-	-	2,139,065	-	2,139,065
	270,544,321	**77,118,145**	**17,590,831**	**1,983,935,861**	**545,713,468**	**2,894,902,626**

The non-current assets acquisitions by segment, are detailed as follows:

	2019					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intangible assets	9,870,880	2,254,329	88,954	6,075,446	69,072	18,358,681
Tangible fixed assets	15,979,684	6,258,189	-	905,010	10,935,348	34,078,230
	25,850,563	**8,512,518**	**88,954**	**6,980,456**	**11,004,420**	**52,436,911**

	2020					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intagible assets	5,530,649	2,385,548	25,062	6,028,632	-	13,969,891
Tangible fixed assets	27,883,190	18,892,388	26,759	829,679	488,906	48,120,922
	33,413,839	**21,277,937**	**51,821**	**6,858,311**	**488,906**	**62,090,814**

The detail of the underlying reasons to the non-allocation of the following assets to any segment, is as follows:

- "Intangible assets" (4,144,263 Euros): the unallocated amount is related to the intangible assets in progress, which have been allocated to the underlying segment in the moment they become firm assets;
- "Tangible fixed assets" (4,284,888 Euros): This amount corresponds to tangible fixed assets in progress and advances payments to suppliers, which will be allocated to the respective segment at the time of the transfer to firm assets;
- "Investment properties" (7,075,908 Euros): These assets are not allocated to the operating activity, which is why they are not allocated to any segment;
- "Deferred tax assets" (87,891,868 Euros): These assets are mainly comprised of deferred tax assets associated with employee benefits, being those related to the CTT, S.A. Health Plan the most relevant amount, as detailed in note 49 - Income tax for the period. Bearing in mind that CTT, S.A. is allocated to different segments, as already mentioned, the allocation of these assets to the different segments does not seem possible to be carried out reliably;
- "Accounts receivables" (153,616,009 Euros): This amount cannot be allocated, due to the existence of multi-products customers, whose receivable amounts correspond to more than one segment;
- "Other assets" (14,804,590 Euros): This amount is mainly related to investments in associated companies and investments in joint ventures, that are not allocated to the operating activity, which is why they are not allocated to any segment, as well as some captions of deferrals and other current and non-current assets, mostly related to CTT S.A., which are allocated to different segments and this allocation is not possible to be carried out reliably;
- "Cash and cash equivalents (273,895,841 Euros): the unallocated amount is related, essentially, to the cash and cash equivalents of CTT S.A., as this company concentrates the business segments' Mail, Financial Services & Retail and Bank, and it is not possible to split the amounts of cash and bank deposits by each CTT's businesses.

Debt by segment is detailed as follows:

Other information (Euros)	Restated 2019				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Non-current debt	**127,309,217**	**19,770,671**	**30,858**	**1,487,187**	**148,597,934**
Bank loans	81,702,538	-	-	-	81,702,538
Lease liabilities	45,606,680	19,770,671	30,858	1,487,187	66,895,396
Current debt	**12,896,744**	**13,203,570**	**11,589**	**701,665**	**26,813,567**
Bank loans	-	9,749,470	-	-	9,749,470
Lease liabilities	12,896,744	3,454,099	11,589	701,665	17,064,097
	140,205,961	**32,974,241**	**42,447**	**2,188,852**	**175,411,501**

Other information (Euros)	2020				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Non-current debt	**135,280,954**	**27,330,780**	**45,727**	**1,376,666**	**164,034,127**
Bank loans	74,799,925	-	-	-	74,799,925
Lease liabilities	60,481,029	27,330,780	45,727	1,376,666	89,234,203
Current debt	**27,225,711**	**14,773,659**	**25,114**	**808,142**	**42,832,626**
Bank loans	7,125,000	9,731,747	-	-	16,856,747
Lease liabilities	20,100,711	5,041,912	25,114	808,142	25,975,879
	162,506,664	**42,104,439**	**70,841**	**2,184,808**	**206,866,753**

The **Group** is domiciled in Portugal. The result of its Sales and services rendered by geographical segment is disclosed below:

Thousand Euros	2019	2020
Revenue - Portugal	577,527	541,319
Revenue - other countries	110,495	131,535
	688,022	672,854

The revenue rendered in other countries, includes the revenue from the Express & Parcels rendered in Spain by CTT Expresso branch in this country, in the amount of 71,961 thousand euros.

5. Tangible fixed assets

During the years ended 31 December 2019 and 31 December 2020, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, regarding the **Group** were as follows:

	2019									
Group	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
Tangible fixed assets										
Opening balance	35,591,993	334,565,087	143,060,832	3,597,961	63,825,994	26,571,051	2,409,296	174,162	217,781,407	827,577,785
Acquisitions	-	289,864	5,397,771	205,223	4,132,769	1,087,015	5,037,328	10,933,074	-	27,083,044
New contracts	-	-	-	-	-	-	-	-	6,995,186	6,995,186
Disposals	(11,962)	(302,339)	(1,085,186)	(828)	(10,822)	-	-	-	-	(1,411,137)
Transfers and write-offs	-	3,990,959	8,798,878	(199,167)	714,914	(14,188)	(3,990,959)	(8,693,236)	(1,023,301)	(416,100)
Terminated contracts	-	-	-	-	-	-	-	-	(47,988,327)	(47,988,327)
Remeasurements									2,200,608	2,200,608
Adjustments	-	497	12,141	461	875	590	-	-	108,299	122,863
Other movements	-	-	-	-	-	1,826,550	35,907	-	-	1,862,457
Changes in the consolidation perimeter	-	420,472	-	-	692,154	175,664	-	-	1,549,917	2,838,207
Closing balance	35,580,031	338,964,540	156,184,436	3,603,651	69,355,884	29,646,684	3,491,573	2,414,000	179,623,789	818,864,586
Accumulated depreciation										
Opening balance	3,739,154	210,562,512	127,971,545	3,428,245	58,772,955	22,311,709	-	-	136,058,784	562,844,906
Depreciation for the period	-	9,445,914	5,641,044	56,981	2,342,240	1,803,688	-	-	21,631,653	40,921,520
Disposals	(1,747)	(192,958)	(1,022,632)	(828)	(14,649)	-	-	-	-	(1,232,814)
Transfers and write-offs	-	-	107,382	(128,381)	640,734	40,895	-	-	(858,850)	(198,220)
Terminated contracts	-	-	-	-	-	-	-	-	(47,988,327)	(47,988,327)
Adjustments	-	89	7,736	325	759	506	-	-	-	9,415
Changes in the consolidation perimeter	-	164,081	-	-	666,123	121,676	-	-	89,014	1,040,894
Closing balance	3,737,406	219,979,639	132,705,076	3,356,342	62,408,163	24,278,473	-	-	108,932,275	555,397,374
Accumulated impairment										
Opening balance	-	-	-	-	-	24,255	-	-	-	24,255
Other variations	-	-	-	-	-	(83)	-	-	-	(83)
Closing balance	-	-	-	-	-	24,172	-	-	-	24,172
Net Tangible fixed assets	**31,842,624**	**118,984,901**	**23,479,360**	**247,308**	**6,947,721**	**5,344,038**	**3,491,573**	**2,414,000**	**70,691,514**	**263,443,040**

	2020									
Group	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
Tangible fixed assets										
Opening balance	35,580,031	338,964,540	156,184,436	3,603,651	69,355,884	29,646,684	3,491,573	2,414,000	179,623,789	818,864,586
Acquisitions	-	504,793	5,889,978	18,383	1,360,619	1,017,256	9,231,168	1,445,666	-	19,467,863
New contracts	-	-	-	-	-	-	-	-	28,653,059	28,653,059
Disposals	(8,099)	(149,792)	(698,530)	(11,218)	(11,852)	-	-	-	-	(879,492)
Transfers and write-offs	(92,105)	(198,094)	7,218,821	(4,359)	(30,807)	(5,366,247)	(6,703,094)	(2,621,849)	(35,817)	(7,833,550)
Terminated contracts	-	-	-	-	-	-	-	-	(4,765,898)	(4,765,898)
Remeasurements									8,401,849	8,401,849
Adjustments	-	(5,565)	(142,681)	(3,553)	(32,734)	795,215	-	-	-	610,682
Remeasurements lease terms	-	-	-	-	-	-	-	-	19,301,526	19,301,526
Closing balance	35,479,827	339,115,881	168,452,024	3,602,903	70,641,110	26,092,908	6,019,646	1,237,817	231,178,507	881,820,624
Accumulated depreciation										
Opening balance	3,737,406	219,979,639	132,705,076	3,356,342	62,408,163	24,278,473	-	-	108,932,275	555,397,374
Depreciation for the period	-	9,351,195	6,428,855	58,602	2,588,994	1,316,488	-	-	24,474,381	44,218,515
Disposals	(460)	(95,058)	(680,459)	(11,218)	(11,275)	-	-	-	-	(798,470)
Transfers and write-offs	(13,188)	(1,687,893)	(50,136)	(4,359)	405	(5,357,759)	-	-	(26,863)	(7,139,794)
Terminated contracts	-	-	-	-	-	-	-	-	(4,765,898)	(4,765,898)
Adjustments	-	(1,504)	(79,048)	(4,276)	(8,975)	(6,138)	-	-	-	(99,940)
Closing balance	3,723,758	227,546,378	138,324,287	3,395,091	64,977,312	20,231,065	-	-	128,613,895	586,811,787
Accumulated impairment										
Opening balance	-	-	-	-	-	24,172	-	-	-	24,172
Other variations	-	-	-	-	-	(4,712)	-	-	-	(4,712)
Closing balance	-	-	-	-	-	19,460	-	-	-	19,460
Net Tangible fixed assets	**31,756,069**	**111,569,503**	**30,127,737**	**207,812**	**5,663,798**	**5,842,383**	**6,019,646**	**1,237,817**	**102,564,612**	**294,989,377**

The depreciation recorded in the **Group** amounting to 44,218,515 Euros (40,921,520 Euros on 31 December 2019), is booked under the heading Depreciation/amortization and impairment of investments, net (Note 45).

In the year ended 31 December 2019, the caption Changes in the consolidation perimeter in the **Group**, relates to the balances of the company 321 Crédito – Instituição Financeira de Crédito, S.A. acquired in May 2019.

During the years ended 31 December 2019 and 31 December 2020, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, regarding the **Company** were as follows:

Company (2019)	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
Tangible fixed assets										
Opening balance	33,767,640	318,632,490	115,445,969	2,699,209	57,220,574	25,224,499	2,188,618	174,162	177,209,633	732,562,795
Acquisitions	-	-	4,626,819	24,141	3,137,082	828,982	3,216,568	10,933,074	-	22,766,665
New contracts	-	-	-	-	-	-	-	-	4,122,504	4,122,504
Disposals	(11,962)	(302,339)	(816,006)	-	(10,822)	-	-	-	-	(1,141,129)
Transfers and write-offs	-	3,477,521	8,633,181	(199,167)	794,929	72,894	(3,477,521)	(8,693,236)	(171,814)	436,787
Terminated contracts	-	-	-	-	-	-	-	-	(40,397,104)	(40,397,104)
Remeasurements									2,200,608	2,200,608
Adjustments	-	-	-	-	-	1,679,068	-	-	-	1,679,068
Closing balance	33,755,677	321,807,672	127,889,963	2,524,183	61,141,762	27,805,443	1,927,665	2,414,000	142,963,827	722,230,194
Accumulated depreciation										
Opening balance	3,739,154	201,794,470	105,503,323	2,600,122	52,713,479	21,138,556	-	-	115,516,746	503,005,849
Depreciation for the period	-	8,894,895	4,257,791	10,982	1,962,949	1,740,501	-	-	16,661,552	33,528,670
Disposals	(1,747)	(192,958)	(779,208)	-	(10,653)	-	-	-	-	(984,566)
Transfers and write-offs	-	-	(18,819)	(128,381)	681,254	127,976	-	-	(89,483)	572,547
Terminated contracts	-	-	-	-	-	-	-	-	(40,397,104)	(40,397,104)
Adjustments	-	-	-	-	-	-	-	-	-	-
Closing balance	3,737,406	210,496,407	108,963,087	2,482,723	55,347,029	23,007,033	-	-	91,691,711	495,725,395
Accumulated impairment										
Opening balance	-	-	-	-	-	24,255	-	-	-	24,255
Other variations	-	-	-	-	-	(83)	-	-	-	(83)
Closing balance	-	-	-	-	-	24,172	-	-	-	24,172
Net Tangible fixed assets	**30,018,271**	**111,311,265**	**18,926,877**	**41,461**	**5,794,733**	**4,774,238**	**1,927,665**	**2,414,000**	**51,272,117**	**226,480,627**

Company (2020)	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
Tangible fixed assets										
Opening balance	33,755,677	321,807,672	127,889,963	2,524,183	61,141,762	27,805,443	1,927,665	2,414,000	142,963,827	722,230,194
Acquisitions	-	-	4,679,117	18,382	915,317	896,331	4,083,377	488,906	-	11,081,429
New contracts	-	-	-	-	-	-	-	-	17,285,195	17,285,195
Disposals	(8,099)	(149,792)	(621,950)	(11,218)	(10,171)	-	-	-	-	(801,231)
Transfers and write-offs	(92,105)	(194,592)	2,561,046	(4,359)	1,102	(5,340,605)	(2,007,211)	(2,621,849)	-	(7,698,573)
Terminated contracts	-	-	-	-	-	-	-	-	(1,981,534)	(1,981,534)
Remeasurements									6,916,678	6,916,678
Adjustments	-	-	(6,569)	(506)	(22,285)	779,731	-	-	-	750,371
Remeasurements lease terms	-	-	-	-	-	-	-	-	17,180,678	17,180,678
Closing balance	33,655,473	321,463,288	134,501,607	2,526,483	62,025,725	24,140,900	4,003,831	281,057	182,364,844	764,963,208
Accumulated depreciation										
Opening balance	3,737,406	210,496,407	108,963,087	2,482,723	55,347,029	23,007,033	-	-	91,691,711	495,725,395
Depreciation for the period	-	8,777,627	4,880,049	12,026	2,096,156	1,212,266	-	-	18,735,488	35,713,613
Disposals	(460)	(95,058)	(621,950)	(11,218)	(9,594)	-	-	-	-	(738,281)
Transfers and write-offs	(13,188)	(1,687,648)	(41,393)	(4,359)	32,314	(5,332,117)	-	-	-	(7,046,391)
Terminated contracts	-	-	-	-	-	-	-	-	(1,981,534)	(1,981,534)
Closing balance	3,723,758	217,491,329	113,179,793	2,479,172	57,465,905	18,887,182	-	-	108,445,665	521,672,803
Accumulated impairment										
Opening balance	-	-	-	-	-	24,172	-	-	-	24,172
Other variations	-	-	-	-	-	(4,712)	-	-	-	(4,712)
Closing balance	-	-	-	-	-	19,460	-	-	-	19,460
Net Tangible fixed assets	**29,931,715**	**103,971,959**	**21,321,814**	**47,311**	**4,559,820**	**5,234,258**	**4,003,831**	**281,057**	**73,919,179**	**243,270,945**

The depreciation recorded in the **Company** amounting to 35,713,613 Euros (33,528,670 Euros on 31 December 2019), is booked under the heading Depreciation/amortization and impairment of investments, net (Note 45).

In the **Group** and the **Company**, as at 31 December 2020, Land and natural resources and Buildings and other constructions include 552,634 Euros (554,730 Euros as at 31 December 2019), related to land and property in co-ownership with MEO – Serviços de Comunicações e Multimédia, S.A..

According to the concession contract in force, after the latest amendments of 31 December 2013 (Note 1) at the end of the concession, the assets included in the public and private domain of the State revert automatically, at no cost, to the conceding entity. As the postal network belongs exclusively to CTT, not being a public domain asset, only the assets that belong to the State revert to it, and as such, at the end of the concession CTT will continue to own its assets. The Board of Directors, supported by CTT's accounting records and the statement of Directorate General of Treasury and Finance ("Direção Geral do Tesouro e Finanças"), the entity responsible for the Information System of Public Buildings ("Sistema de Informação de Imóveis do Estado" – SIIE) believes that CTT's assets do not include any public or private domain assets of the Portuguese State.

As under the concession contract, the grantor does not control any significant residual interest in CTT's postal network and CTT being free to dispose of, replace or encumber the assets that integrate the postal network, IFRIC 12 - Service Concession Agreements is not applicable to the universal postal service concession contract.

During the year ended 31 December 2020, the most significant movements in Tangible Fixed Assets were the following:

Buildings and other constructions:

The movements associated to acquisitions and transfers relate mostly to the capitalization of repairs in own and third parties' buildings of CTT and CTT Expresso.

The caption Transfers and Write-offs includes the amount of 1,765,338 Euros related to the transfer from Investment Properties, as well as the respective accumulated depreciations of 1,185,178 Euros, regarding a group of properties that were again assigned to the operational activity of the **Group**.

This heading also includes the transfer to the caption Non-current assets held for sale of the building located in Santarém held by CTT, in the total amount of 1,173,121 Euros, following the conclusion of the promissory agreement for the sale of this property.

Basic equipment:

The amount of acquisitions mainly relates to the acquisition of mail handling machines in the approximately amount of 3,283 thousand Euros, commercial vehicles in the approximately amount of 414 thousand euros at CTT, the acquisition by CTT Expresso of IT equipment in the approximately amount of 329 thousand euros and the acquisition of several postal equipment in the amount of 155 thousand euros.

Office equipment:

The amount of acquisitions relates essentially to the acquisition of office furniture for approximately 174 thousand Euros, medium and large size equipment in the approximately amount of 449 thousand euros and several micro-IT equipment in the approximately amount of 143 thousand euros, at CTT.

Other tangible fixed assets:

In acquisitions caption are essentially booked the prevention and security equipment in the approximately amount of 426 thousand euros at CTT and prevention and security equipment in the approximately amount of 114 thousand euros at CTT Expresso.

Tangible fixed assets in progress:

The tangible fixed assets in progress of the **Group** and the **Company** as at 31 December 2020 mainly includes operational facilities improvements, namely, stores, postal distribution centers and production and logistics centers.

Rights of Use

Following the adoption of IFRS 16 the **Group** and **Company** recognized rights of use, detailed by type of asset, as follows:

Group	2019			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	187,977,519	28,092,244	1,711,643	217,781,407
New contracts	3,275,146	3,643,838	76,202	6,995,186
Transfers and write-offs	(1,004,078)	(19,223)	-	(1,023,301)
Terminated contracts	(36,450,459)	(11,252,228)	(285,640)	(47,988,327)
Remeasurements	2,200,608	-	-	2,200,608
Adjustments	24,605	56,854	26,839	108,299
Changes in the consolidation perimeter	1,419,084	130,833	-	1,549,917
Closing balance	157,442,425	20,652,319	1,529,045	179,623,789
Accumulated depreciation				
Opening balance	123,639,470	11,900,424	518,891	136,058,784
Depreciation for the period	15,252,183	6,015,929	363,540	21,631,653
Transfers and write-offs	(855,861)	(2,989)	-	(858,850)
Terminated contracts	(36,450,459)	(11,252,228)	(285,640)	(47,988,327)
Adjustments	5	(5)	-	-
Changes in the consolidation perimeter	71,751	17,264	-	89,014
Closing balance	101,657,089	6,678,395	596,791	108,932,275
Net Tangible fixed assets	**55,785,336**	**13,973,924**	**932,254**	**70,691,514**

Group	2020 Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	157,442,425	20,652,319	1,529,045	179,623,789
New contracts	15,254,946	13,349,576	48,537	28,653,059
Transfers and write-offs	(35,817)	-	-	(35,817)
Terminated contracts	(2,344,761)	(2,318,583)	(102,554)	(4,765,898)
Remeasurements	8,401,849	-	-	8,401,849
Remeasurements lease terms	19,301,526	-	-	19,301,526
Closing balance	198,020,167	31,683,313	1,475,027	231,178,507
Accumulated depreciation				
Opening balance	101,657,089	6,678,395	596,791	108,932,275
Depreciation for the period	18,004,732	6,150,313	319,337	24,474,381
Transfers and write-offs	(26,863)	-	-	(26,863)
Terminated contracts	(2,344,761)	(2,318,583)	(102,554)	(4,765,898)
Closing balance	117,290,196	10,510,125	813,574	128,613,895
Net Tangible fixed assets	**80,729,971**	**21,173,188**	**661,454**	**102,564,612**

The Remeasurements lease terms caption is related to the application of the new interpretation issued by IFRIC Committee, that changed the understanding of the lease-term definition, as mentioned in note 3, and also for the new lease agreements.

The depreciation recorded, in the **Group**, in the amount of 24,474,381 Euros (21,631,653 Euros on 31 December 2019), is booked under the heading Depreciation/amortization and impairment of investments, net.

Company	2019 Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	150,888,518	25,217,335	1,103,781	177,209,633
New contracts	1,941,948	2,180,556	-	4,122,504
Terminated contracts	(30,259,896)	(10,136,398)	(811)	(40,397,104)
Transfers and write-offs	(171,814)	-	-	(171,814)
Remeasurements	2,200,608	-	-	2,200,608
Closing balance	124,599,364	17,261,493	1,102,970	142,963,827
Accumulated depreciation				
Opening balance	105,243,796	10,088,817	184,134	115,516,746
Depreciation for the period	11,234,740	5,267,930	158,883	16,661,552
Terminated contracts	(30,259,896)	(10,136,398)	(811)	(40,397,104)
Transfers and write-offs	(89,483)	-	-	(89,483)
Closing balance	86,129,156	5,220,349	342,205	91,691,711
Net Tangible fixed assets	**38,470,208**	**12,041,144**	**760,765**	**51,272,117**

Company	2020 Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	124,599,364	17,261,493	1,102,970	142,963,827
New contracts	5,220,068	12,065,127	-	17,285,195
Terminated contracts	(750,171)	(1,231,363)	-	(1,981,534)
Remeasurements	6,916,678	-	-	6,916,678
Remeasurements lease terms	17,180,678	-	-	17,180,678
Closing balance	153,166,617	28,095,257	1,102,970	182,364,844
Accumulated depreciation				
Opening balance	86,129,156	5,220,349	342,205	91,691,711
Depreciation for the period	13,269,895	5,306,845	158,748	18,735,488
Terminated contracts	(750,171)	(1,231,363)	-	(1,981,534)
Closing balance	98,648,880	9,295,832	500,953	108,445,665
Net Tangible fixed assets	**54,517,737**	**18,799,426**	**602,017**	**73,919,179**

As mentioned previously, the Remeasurements lease terms caption is related to the application of the new interpretation issued by IFRIC Committee, that changed the understanding of the lease-term definition, as mentioned in note 3, and also for the new lease agreements.

The depreciation recorded, in the **Company**, in the amount of 18,735,488 Euros (16,661,552 Euros on 31 December 2019), is booked under the heading Depreciation/amortization and impairment of investments, net.

The information on the liabilities associated with these leases as well as the interest expenses can be found disclosed on Debt (Note 30) and Interest expenses and income (Note 48), respectively.

In 2020, no interest on loans was capitalized, in the **Group** and in the **Company**, as no loans were directly identified attributable to the acquisition or construction of an asset that requires a substantial period of time (greater than one year) to reach its status of use.

The **Group** and the **Company** assessed the existence of impairment indicators of tangible and intangible assets allocated to each segment as of 31 December 2020.

The tangible and intangible assets impairment allocated to the cash-generating unit Mailtec, Transporta, Tourline, CTT Bank (including Payshop) and 321 Crédito was assessed together with the impairment tests on Goodwill and investments (Note 9).

Regarding the tangible and intangible assets related with the mail business developed by the CTT, due to the pandemic impacts on the operational profit of 2020, the **Group** evaluated the existence of impairment indicators, comparing the non-current assets amounts related to the mail business with the corresponding operating profit, verifying that, although the assets to operating results ratio increased in 2020, no impairment indicators were identified.

The group did not also identify any impairment indicators in tangible and intangible assets of the Express & Parcels business in CTT Expresso, whose ratio compared to the related operating profit improved in 2020, despite the pandemic context.

According to the impairment tests performed and analysis of impairment signs, no events or circumstances were identified that indicate that the amount for which the **Group**'s and the **Company**'s tangible fixed assets are recorded may not be recovered.

The **Company** has in progress an analysis for the possible constitution of a real estate investment fund for its real estate fixed assets profitability. The final and updated market evaluations, according to current market conditions corresponding to these assets, will only be carried out after the decision to implement this initiative, and will determine the selection of the assets to be part of the fund.

There are no tangible fixed assets with restricted ownership or any carrying value relative to any tangible fixed assets which have been given as a guarantee of liabilities.

The **Group** and the **Company** contractual commitments, related to Tangible fixed assets at 31 December 2020, amount to 4,798,143 Euros and 584,951 Euros, respectively.

6. Intangible assets

During the years ended 31 December 2019 and 31 December 2020, the movements which occurred in the main categories of the **Group** Intangible assets, as well as the respective accumulated amortization, were as follows:

	2019						
Group	**Development projects**	**Computer Software**	**Industrial property**	**Other intangible assets**	**Intangible assets in progress**	**Advance payments to suppliers**	**Total**
Intangible assets							
Opening balance	4,380,552	98,081,032	14,252,424	444,739	15,139,681	-	132,298,428
Acquisitions	-	1,106,752	2,365,069	-	14,817,787	69,072	18,358,681
Transfers and write-offs	-	13,595,464	8,579	-	(14,331,297)	(69,072)	(796,326)
Adjustments	-	1,400	9,098	-	-	-	10,498
Changes in the consolidation perimeter	-	1,092,007	213,269	-	462,568	-	1,767,844
Closing balance	4,380,552	113,876,654	16,848,440	444,739	16,088,740	-	151,639,125
Accumulated amortisation							
Opening balance	4,375,722	61,288,015	9,419,396	444,739	-	-	75,527,871
Amortisation for the period	1,272	12,754,618	782,218	-	-	-	13,538,108
Transfers and write-offs	-	(730,878)	3,624	-	-	-	(727,254)
Adjustments	-	1,400	4,087	-	-	-	5,487
Changes in the consolidation perimeter	-	1,082,878	199,390	-	-	-	1,282,268
Closing balance	4,376,994	74,396,033	10,408,714	444,739	-	-	89,626,480
Net intangible assets	**3,558**	**39,480,622**	**6,439,725**	**-**	**16,088,740**	**-**	**62,012,644**

Group	2020						
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers	Total
Intangible assets							
Opening balance	4,380,552	113,876,654	16,848,440	444,739	16,088,740	-	151,639,125
Acquisitions	-	1,918,046	580,006	-	11,471,839	-	13,969,891
Transfers and write-offs	-	17,921,450	(50,300)	-	(18,271,063)	-	(399,913)
Adjustments	-	-	(102,410)	-	(80,876)	-	(183,287)
Closing balance	4,380,552	133,716,151	17,275,736	444,739	9,208,639	-	165,025,816
Accumulated amortisation							
Opening balance	4,376,994	74,396,033	10,408,714	444,739	-	-	89,626,480
Amortisation for the period	1,273	16,684,697	1,201,314	-	-	-	17,887,283
Transfers and write-offs	-	(404,012)	(50,300)	-	-	-	(454,312)
Adjustments	-	-	(50,597)	-	-	-	(50,597)
Closing balance	4,378,267	90,676,717	11,509,131	444,739	-	-	107,008,855
Net intangible assets	**2,285**	**43,039,433**	**5,766,604**	**-**	**9,208,639**	**-**	**58,016,961**

The amortization in the **Group** for the year ended 31 December 2020, amounting to 17,887,283 Euros (13,538,108 Euros as at 31 December 2019) was recorded under Depreciation / amortization and impairment of investments, net (Note 45).

In the year ended 31 December 2019, the caption Changes in the consolidation perimeter in the **Group**, relates to the balances of the company 321 Crédito – Instituição Financeira de Crédito, S.A. as at the acquisition date.

During the years ended 31 December 2019 and 31 December 2020, the movements which occurred in the main categories of the **Company** Intangible assets, as well as the respective accumulated amortization, were as follows:

Company	2019						
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers	Total
Intangible assets							
Opening balance	3,717,326	56,141,169	6,080,272	-	10,554,799	-	76,493,567
Acquisitions	-	249,323	2,021,311	-	7,728,943	69,072	10,068,649
Transfers and write-offs	-	9,359,094	8,579	-	(10,094,927)	(69,072)	(796,326)
Closing balance	3,717,326	65,749,586	8,110,162	-	8,188,816	-	85,765,890
Accumulated amortisation							
Opening balance	3,717,326	43,883,941	3,469,888	-	-	-	51,071,155
Amortisation for the period	-	7,221,757	560,211	-	-	-	7,781,968
Transfers and write-offs	-	(730,878)	3,624	-	-	-	(727,254)
Closing balance	3,717,326	50,374,820	4,033,723	-	-	-	58,125,869
Net intangible assets	**-**	**15,374,766**	**4,076,439**	**-**	**8,188,816**	**-**	**27,640,021**

Company	2020						
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers	Total
Intangible assets							
Opening balance	3,717,326	65,749,586	8,110,162	-	8,188,816	-	85,765,890
Acquisitions	-	177,087	552,826	-	4,798,788	-	5,528,701
Transfers and write-offs	-	8,900,869	-	-	(8,843,240)	-	57,630
Adjustments	-	-	(546)	-	-	-	(546)
Closing balance	3,717,326	74,827,542	8,662,441	-	4,144,364	-	91,351,674
Accumulated amortisation							
Opening balance	3,717,326	50,374,820	4,033,723	-	-	-	58,125,869
Amortisation for the period	-	10,004,268	948,088	-	-	-	10,952,356
Disposals	-	-	-	-	-	-	-
Transfers and write-offs	-	3,230	-	-	-	-	3,230
Closing balance	3,717,326	60,382,318	4,981,811	-	-	-	69,081,455
Net intangible assets	**-**	**14,445,224**	**3,680,631**	**-**	**4,144,364**	**-**	**22,270,219**

The amortization in the **Company**, for the year ended 31 December 2020, amounting to 10,952,356 Euros (7,781,968 Euros as at 31 December 2019) was recorded under Depreciation / amortization and impairment of investments, net (Note 45).

The caption Industrial property in the **Group** includes the license of the trademark "Payshop International" of CTT Contacto, S.A., in the amount of 1,200,000 Euros. This license has an indefinite useful life, therefore it is not amortized.

The transfers occurred in the year ended 31 December 2020 from Intangible assets in progress to Computer software refer to IT projects, which were completed during the year.

The amounts of 947,419 Euros and 770,903 Euros were capitalized in computer software or in intangible assets in progress as at 31 December 2019 and 31 December 2020, respectively, related to **Company** staff costs incurred in the development of these projects.

During the year ended 31 December 2020, the most significant movements of the **Group** companies in Intangible assets were the following:

Computer software:

In the acquisition caption are mainly booked the acquisitions, by CTT Bank of, "*Partners Portal*" software in the approximately amount of 106 thousand euros, "*Integrator CH*" software in the approximately amount of 360 thousand euros, "Opening accounts" software in the amount of 140 thousand euros and the "Iberic Project" software in the amount of 256 thousand euros, "Supplier Portal" software in 72 thousand euros, by CTT Expresso.

Industrial property:

In the acquisition caption are mainly booked the acquisition, by CTT, of "Oracle" licenses in the amount of 413 thousand euros.

As at 31 December 2020 the **Group** and the **Company** Intangible assets in progress, relate to IT projects which are under development, of which the most relevant are:

	Group	Company
New Payment Platform	1,932,911	-
CRM - Software	892,483	517,469
OneBiller Solution	848,071	0
SAP Hana & Hybris Billing	318,268	318,268
Interconnect - Software	313,246	313,246
MiddleWare	262,868	-
Accipiens	248,633	-
Management information - Software	234,599	234,599
Business Mail - Software	226,068	226,068
New Ecosystem Operations - Software	206,682	206,682
	5,483,828	**1,816,332**

The **Group** and the **Company** have not identified any relevant uncertainties regarding the conclusion of ongoing projects, nor about their recoverability. Even so, the recoverability of the values of intangible assets in progress was tested in the scope of impairment tests of the assets of the Cash Generating Unit to which they belong, with particularly emphasis on the assets related to the **Group**'s businesses (Note 9).

As mentioned in note 5, according to the impairment tests performed and impairment indicators analysis, no events or circumstances were identified that indicate that the carrying amount of **Group**'s and **Company**'s intangible assets may not recovered.

Most of the projects are expected to be completed in 2021.

Regarding the economic period of 2020, the **Group** and the **Company** are still identifying and quantifying the expenses incurred, as disclosed in Note 49.

In 2020, no interest on loans was capitalized, in the **Group** and in the **Company**, as no loans were directly identified attributable to the acquisition or construction of an asset that requires a substantial period of time (greater than one year) to reach its status of use.

There are no Intangible assets with restricted ownership or any carrying value relative to any Intangible assets which have been given as a guarantee of liabilities.

Contractual commitments relative to the **Group**, at 31 December 2020, amount to 1,908,001 Euros.

7. Investment properties

As at 31 December 2019 and 31 December 2020, the **Group** and the **Company** have the following assets classified as investment properties:

Group and Company	2019 Land and natural resources	Buildings and other constructions	Investment properties in progress	Total
Investment properties				
Opening balance	3,508,355	16,538,633	-	20,046,988
Additions	-	-	-	-
Disposals	(195,997)	(1,528,862)	-	(1,724,859)
Transfers and write-offs	-	-	-	-
Closing balance	**3,312,358**	**15,009,771**	**-**	**18,322,129**
Accumulated depreciation				
Opening balance	234,974	10,388,531	-	10,623,505
Depreciation for the period	-	261,092	-	261,092
Disposals	(21,122)	(943,491)	-	(964,612)
Transfers and write-offs	-	-	-	-
Closing balance	**213,853**	**9,706,133**	**-**	**9,919,985**
Accumulated impairment				
Opening balance	-	1,243,502	-	1,243,502
Impairment for the period	-	(494,358)	-	(494,358)
Transfers	-	-	-	-
Closing balance	-	749,144	-	749,144
Net Investment properties	**3,098,506**	**4,554,494**	**-**	**7,653,000**

Group and Company	2020 Land and natural resources	Buildings and other constructions	Investment properties in progress	Total
Investment properties				
Opening balance	3,312,358	15,009,771	-	18,322,129
Additions	-	-	-	-
Disposals	(15,801)	(66,406)	-	(82,207)
Transfers and write-offs	(104,524)	(1,660,814)	-	(1,765,338)
Closing balance	**3,192,033**	**13,282,551**	**-**	**16,474,584**
Accumulated depreciation				
Opening balance	213,853	9,706,133	-	9,919,985
Depreciation for the period	-	235,404	-	235,404
Disposals	(85)	(21,759)	-	(21,844)
Transfers and write-offs	(11,259)	(1,173,919)	-	(1,185,178)
Closing balance	**202,509**	**8,745,858**	**-**	**8,948,368**
Accumulated impairment				
Opening balance	-	749,144	-	749,144
Impairment for the period	-	(298,836)	-	(298,836)
Transfers	-	-	-	-
Closing balance	-	450,308	-	450,308
Net Investment properties	**2,989,524**	**4,086,384**	**-**	**7,075,908**

These assets are not allocated to the **Group** and the **Company** operating activities, being in the market available for lease.

The market value of these assets, which are classified as investment property, in accordance with the valuations obtained at the end of the fiscal year 2020 which were conducted by independent entities, amounts to 11,956,192 Euros (12,261,900 Euros as at 31 December 2019).

In the year ended 31 December 2020, the amount recorded under the disposals heading relates to the sale of two properties having the corresponding accounting gains, of 23 thousand Euros, been recorded in the caption Gains/Losses on disposal of assets.

The caption Transfers and Write-offs includes the amount of 1,765,338 Euros related to the transfer from Investment Properties, as well as the corresponding accumulated depreciations of 1,185,178 Euros of a group of properties that were again assigned to the operational activity of the **Group**.
Depreciation for the year ended on 31 December 2020, of 235,404 Euros (261,092 Euros on 31 December 2019) was recorded in the caption Depreciation/amortization and impairment of investments, net (Note 45).

On 31 December 2020, the rents amount charged by the **Group** and **Company** for properties and equipment leases classified as investment properties was 48,416 Euros (2019: 43,722 Euros).

Impairment losses of the **Company** for the period amounting to (298,836) Euros ((494,358) Euros on 31 December 2019) were recorded in the caption Depreciation/amortization and impairment of investments, net (Note 45) and are explained by the market value increase observed in some buildings and the properties transferred to tangible fixed assets, as mentioned above.

8. Companies included in the consolidation

Subsidiary companies
As at 31 December 2019 and 31 December 2020, the parent company, CTT - Correios de Portugal, S.A. and the following subsidiaries were included in the consolidation:

Company name	Place of business	Head office	2019 Percentage of ownership			2020 Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Parent company:								
CTT - Correios de Portugal, S.A.	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	-	-	-	-	-	-
Subsidiaries:								
CTT Expresso - Serviços Postais e Logística, S.A. ("CTT Expresso")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
Payshop Portugal, S.A. ("Payshop")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	-	100	100	-	100	100
CTT Contacto, S.A. ("CTT Con")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
CTT Soluções Empresariais, S.A. ("CTT Sol")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	-	-	-	100	-	-
Correio Expresso de Moçambique, S.A. ("CORRE")	Mozambique	Av. 24 de Julho, Edificio 24, n.º 1097, 3.º Piso, Bairro da Polana Maputo - Mozambique	50	-	50	50	-	50
Banco CTT, S.A. ("BancoCTT")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
Fundo Inovação TechTree ("TechTree")	Portugal	Av Conselheiro Fernando de Sousa, 19 3º Esq 1070-072 Lisboa	-	-	-	25	75	100
321 Crédito - Instituição Financeira de Crédito, S.A. ("321 Crédito")	Portugal	Av. Duque d'Ávila, 46, 7º B 1050-083 Lisboa	-	100	100	-	100	100

In relation to the company CORRE, as the **Group** has the right to variable returns arising from its involvement and the ability to affect those returns, it is included in the consolidation.

As at 2 May 2019 100% of the share capital of 321 Crédito – Instituição Financeira de Crédito, S.A. was acquired for 110,782,000 Euros.

On 11 June 2019, but producing effects as of 1 January 2019, was registered the merger by incorporation of Transporta – Transportes Porta a Porta, S.A. in CTT Expresso – Serviços Postais e Logística, S.A. through the global transfer of the assets. This transaction had no impact on the consolidation perimeter.

On 20 December 2019, but taking effect on 1 January 2019, the merger by incorporation of Tourline Express Mensajería, SLU in CTT Expresso - Serviços Postais e Logística, S.A., through the global transfer of the assets was registered. This operation had no impact on the consolidation perimeter. As a result of this operation, CTT Expresso - Serviços Postais e Logística, S.A., sucursal em Espanha was created ("CTT Expresso branch in Spain").

On 9 October 2020, the **Group** established the entity CTT – Soluções Empresariais, S.A., operating in the area of providing advisory services for business and supporting companies' management and administration and was included in the consolidation perimeter in 2020.

In December 2020, CTT, CTT Expresso, CTT Contacto and CTT Soluções Empresariais, subscribed equal shares of an investment fund, Tech Tree. These entities have the possibility of benefit from the Tax Incentive System for Research & Business Development (SIFIDE), through the shares' subscription of this investment fund, intended to finance companies dedicated mainly to research and development. This entity was included in the consolidation perimeter in 2020. EC1

Joint ventures

As at 31 December 2019 and 31 December 2020, the **Group** held the following interests in joint ventures, registered through the equity method:

Company name	Place of business	Head office	2019 Percentage of ownership			2020 Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
NewPost, ACE	Portugal	Av. Fontes Pereira de Melo, 40 Lisboa	49	-	49	49	-	49
PTP & F, ACE	Portugal	Estrada Casal do Canas Amadora	51	-	51	51	-	51
MKTPlace - Comércio Eletrónico, S.A ("MKTP")	Portugal	Rua Eng.º Ferreira Dias 924 Esc. 5 Porto	50	-	50	50	-	50

The entity Mktplace - Comércio Eletrónico, S.A., a partnership with Sonae - SGPS, S.A., is an e-commerce platform that provides integrated services for the intermediation of commercial relations between sellers and consumers. Each shareholder, CTT and Sonae, owns 50% of the share capital of the referred entity.

On 1 July, 3 September and 2 November 2020, the company MKTPlace - Comércio Eletrónico, S.A., was subject to capital increases in the total amount of 2,678,381 Euros made by CTT.

Associated companies

As at 31 December 2019 and 31 December 2020, the **Group** held the following interests in associated companies accounted for by the equity method:

Company name	Place of business	Head office	2019 Percentage of ownership			2020 Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Multicert - Serviços de Certificação Electrónica, S.A. ("Multicert")	Portugal	Lagoas Parque, Edifício 3, Piso 3 Oeiras	20	-	20	-	-	-
Mafelosa, SL [a]	Spain	Castellon - Spain	-	25	25	-	25	25
Urpacksur, SL [a]	Spain	Málaga - Spain	-	30	30	-	30	30

[a] Company held by CTT Expresso - Serviços Postais e Logística, S.A., branch in Spain (until 2018 was held by Tourline Mensajeria, SLU), which currently has no activity.

In August 2020, the investment in Multicert - Serviços de Certificação Electrónica, S.A. was sold, resulting in a capital gain of 707,047 Euros, recorded in the caption Gains/losses in subsidiary, associated companies and joint ventures.

Other investments

In September 2020, the investment in Tagus Park was sold, resulting in a capital gain of 28,507 Euros, recorded in the caption "Gains/losses in subsidiary, associated companies and joint ventures".

Structured entities

Additionally, considering the requirements of IFRS 10, the **Group**'s consolidation perimeter includes the following structured entities:

Name	Constitution Year	Place of issue	% Economic Interest	Consolidation Method
Ulisses Finance No.1 (*)	2017	Portugal	19.2%	Full
Chaves Funding No.8 (*)	2019	Portugal	100%	Full

(*) Entities incorporated in the scope of securitisation operations, recorded in the consolidated financial statements in accordance with the Group's continued involvement, determined based on the percentage held in the residual interests (equity piece) of the respective vehicles.

The main impacts of the consolidation of these structured entities on the **Group**'s accounts are the following:

	31.12.2019	31.12.2020
Cash and cash equivalents	7,730,012	9,896,409
Other banking financial liabilities (Debt securities issued)	76,077,368	44,517,924

Changes in the consolidation perimeter

In the year ended 31 December 2019, the consolidation perimeter was changed following the acquisition of 321 Crédito – Instituição Financeira de Crédito. On July 24, 2018, the **Group** agreed to purchase 100% of 321 Crédito, an institution specializing in granting credit for the purchase of used motor vehicles by retail customers, through an external network of points of sale.

In 2020, the consolidation perimeter includes the entity CTT – Soluções Empresariais, S.A., established on 9 October 2020, and the Investment Fund Techtree whose shares were subscribed by CTT, CTT Expresso, CTT Contacto and CTT Soluções empresariais, in equal parts at the end of 2020.

9. Goodwill

As at 31 December 2019 and 31 December 2020, the **Group** Goodwill was made up as follows:

Group	Year of acquisition	2019	2020
Mailtec Comunicação, S.A.	2004	6,161,326	6,161,326
Payshop Portugal, S.A.	2004	406,101	406,101
321 Crédito - Instituição Financeira de Crédito, S.A.	2019	60,678,648	60,678,648
Transporta, S.A.	2017	2,955,753	2,955,753
		70,201,828	**70,201,828**

During the years ended 31 December 2019 and 31 December 2020, the movements in Goodwill were as follows:

Group	2019	2020
Opening balance	9,523,179	70,201,828
Acquisitions	60,678,648	-
Impairment	-	-
Closing balance	**70,201,828**	**70,201,828**

The acquisitions in the period ended 31 December 2019 relate to the acquisition of the company 321 Crédito – Instituição Financeira de Crédito, S.A., and a Goodwill amounting to 60,678,648 Euros.

Goodwill impairment assessment

The recoverable amount of Goodwill is assessed annually or whenever there is indication of a possible loss of value. The recoverable amount is determined based on the value in use of the assets, computed using calculation methodologies supported by discounted cash flow techniques, considering the market conditions, the time value and business risks.

During the current year, in order to determine the recoverable amount of its investments, the **Group** performed impairment tests as at 31 December 2019 and 31 December 2020 based on the following assumptions:

		2019				
Company name	Activity	Base for determining the recoverable amount	Explicit period for cash flows	Discount rate (WACC)	Discount rate (Cost of Equity)	Perpetutiy rate growth
Mailtec Comunicação, S.A.	Documental services	Equity Value/DCF	5 years	9.17%	-	1.4%
Transporta - Transportes Porta a Porta, S.A.	Cargo and Logistics	Equity Value/DCF	5 years	9.29%	-	2.3%
CTT Expresso, branch in Spain	Cargo and Logistics	Equity Value/DCF	7 years	9.36%	-	1.6%
Payshop (Portugal), S.A.	Payment network management	Equity Value/DCF	10 years	-	10.00%	2.0%
321 Crédito - Instituição Financeira de Crédito, S.A.	Consumer Credit	Equity Value/DCF	10 years	-	10.00%	2.0%

		2020				
Company name	Activity	Base for determining the recoverable amount	Explicit period for cash flows	Discount rate (WACC)	Discount rate (Cost of Equity)	Perpetutiy rate growth
Mailtec Comunicação, S.A.	Documental services	Equity Value/DCF	5 years	9.70%	-	1.5%
Transporta - Transportes Porta a Porta, S.A.	Cargo and Logistics	Equity Value/DCF	5 years	9.70%	-	1.0%
CTT Expresso, branch in Spain	Cargo and Logistics	Equity Value/DCF	6 years	9.60%	-	1.6%
Payshop (Portugal), S.A.	Payment network management	Equity Value/DCF	10 years	-	10.00%	1.5%
321 Crédito - Instituição Financeira de Crédito, S.A.	Consumer Credit	Equity Value/DCF	10 years	-	10.00%	1.5%

The generalized increase in the discount rate (WACC) in the period ended 31 December 2020 resulted mainly from the increase in the "Country Risk Premium" due to the pandemic situation COVID-19 and the decrease in the "Risk free rate".

The cash flow projections were based on historical performance and 5-year business plans, approved by the Board of Directors, except for CTT Expresso, branch in Spain (former Tourline), for which the 6-years (7 years in 2019) business plan was considered, to the extent that changes to the **Company**'s strategy implied the use of a longer period until operating cash flow stability was reached and 321 Crédito, as given the recent acquisition of this entity in 2019, according to the business plan, the cash flows stability will only be achieved in a longer time frame.
Payshop's impairment test was carried out together with the analysis of the recoverability of the investment in Banco CTT (Note 10).

The revenue growth and long-term profitability perspectives for Transporta and 321 Crédito were revised, resulting in a reduction in the respective perpetuity rate growth to 1% (2.3% in 2019) and 1.5% (2% in 2019) respectively.

The assets carrying amount assessed in the impairment tests includes, in addition to goodwill, the amounts of tangible and intangible assets allocated to the related cash-generating units with reference to 31 December 2020.

As a consequence of this impairment analysis, the **Group** concluded that as at 31 December 2020 there were no indications of impairment losses to be recognized.

As at 31 December 2019 and 31 December 2020, the impairment losses registered in the **Group** are as follows:

	2019					
	Year of acquisition	Initial value of Goodwill	Impairment losses for the period	Accumulated impairment losses	Disposals	Carrying value
Tourline Express Mensajería, SLU	2005	20,671,985	-	20,671,985	-	-
Mailtec Comunicação, S.A.	2004	7,294,638	-	1,133,312	-	6,161,326
		27,966,623	**-**	**21,805,297**	**-**	**6,161,326**

	2020					
	Year of acquisition	Initial value of Goodwill	Impairment losses for the period	Accumulated impairment losses	Disposals	Carrying value
Tourline Express Mensajería, SLU	2005	20,671,985	-	20,671,985	-	-
Mailtec Comunicação, S.A.	2004	7,294,638	-	1,133,312	-	6,161,326
		27,966,623	**-**	**21,805,297**	**-**	**6,161,326**

Sensitivity analyzes were performed on the results of the impairment tests, namely the following key assumptions: (i) reduction of 50 basis points in the growth rate in perpetuity and (ii) increase of 50 points in the different discount rates used. The results of the sensitivity analyze carried out do not determine the existence of signs of impairment in Goodwill.

10. Investments in subsidiary companies

During the years ended 31 December 2019 and 31 December 2020, the movements occurred in the **Company** in Investments in subsidiary companies were as follows:

	2019			2020		
	Investments in subsidiary companies	Provisions for investments in subsidiary companies	Total	Investments in subsidiary companies	Provisions for investments in subsidiary companies	Total
Opening balance	113,576,926	-	113,576,926	233,475,030	-	233,475,030
Equity method	(11,342,668)	-	(11,342,668)	790,022	-	790,022
Equity Method Adjustements (intra-group)	-	-	-	(6,941)	-	(6,941)
Distribution of dividends	-	-	-	-	-	-
Share capital increase	131,500,000	-	131,500,000	1,250,000	-	1,250,000
Other	(259,228)	-	(259,228)	23,689	-	23,689
Closing balance	**233,475,030**	**-**	**233,475,030**	**235,531,801**	**-**	**235,531,801**

As at 31 December 2019, the caption Share capital increase includes the Banco CTT's share capital increases, occurred on 26 April and 23 December 2019 in the amount of 110,000,000 Euros and 20,000,000 Euros, respectively. This caption also includes the increase operation, occurred on April 2019, recognized under the caption "Other Equity Instruments", in the subsidiary Transporta (which was merged into CTT Expresso during the year 2019), in the amount of 1,500,000 Euros.

As at 31 December 2020, the caption Share capital increase includes the share capital subscription of the subsidiary CTT Soluções Empresariais, established in the current year, in the amount of 250,000 Euros and the subscription of 25% of FCR Tech Tree shares, in the total amount of 1.000.000 Euros.

As at 31 December 2019 and 31 December 2020, the detail by company of Investments in subsidiaries of the **Company** was as follows:

Company	2019								
	% held	Assets	Liabilities	Equity	Net profit	Goodwill	Investments	Provisions	Proportion of net profit
CTT Expresso,S.A.	100%	107,416,667	98,960,174	8,456,493	(4,644,588)	2,955,753	8,463,833	-	(4,644,588)
CTT Contacto, S.A.	100%	5,250,057	957,483	4,292,574	1,225,240	-	4,292,569	-	1,225,240
CORRE - Correio Expresso Moçambique, S.A.	50%	1,825,513	1,341,003	484,510	175,534	-	242,255	-	87,767
Banco CTT, S.A.	100%	1,560,859,258	1,349,503,769	211,355,489	(8,011,087)	-	211,359,293	-	(8,011,087)
Mailtec Comunicação S.A.		-	-	-	-	6,161,326	-	-	-
						9,117,079	**224,357,951**	**-**	**(11,342,668)**

Company	2020 % held	Assets	Liabilities	Equity	Net profit	Goodwill	Investments	Provisions	Proportion of net profit
CTT Expresso,S.A.	100%	145,468,865	138,960,853	6,508,011	(1,903,514)	2,955,753	6,508,386	-	(1,903,514)
CTT Contacto, S.A.	100%	6,962,138	1,187,116	5,775,022	1,482,447	-	5,775,017	-	1,482,447
CORRE - Correio Expresso Moçambique, S.A.	50%	1,611,955	1,183,802	428,153	194,451	-	323,675	-	97,225
Banco CTT, S.A.	100%	1,930,219,326	1,718,494,360	211,724,966	285,011	-	211,728,793	-	285,011
FCR TECHTREE	25%	4,000,000	-	4,000,000	-	-	1,000,000	-	-
CTT Soluções Empresariais, S.A.	100%	2,146,352	1,067,500	1,078,852	828,852	-	1,078,852	-	828,852
Mailtec Comunicação S.A.		-	-	-	-	6,161,326	-	-	-
						9,117,079	**226,414,722**	**-**	**790,022**

The investments in subsidiaries amount is assessed whenever there are indications of an eventual amount loss. The recoverable amount is determined using methodologies based on discounted cash flow techniques, considering market conditions, time value and business risks.

The **Company**'s investment in Banco CTT was subject to an impairment test with reference to 31 December 2020, and no impairment was determined, based on the following assumptions:

Company name	Activity	2019 Base for determining the recoverable amount	Explicit period for cash flows	Discount rate (WACC)	Discount rate (Cost of Equity)	Perpetutiy rate growth
Banco CTT, S.A.	Banking activty	Equity Value/DCF	10 years	-	10.00%	2.0%

Company name	Activity	2020 Base for determining the recoverable amount	Explicit period for cash flows	Discount rate (WACC)	Discount rate (Cost of Equity)	Perpetutiy rate growth
Banco CTT, S.A.	Banking activty	Equity Value/DCF	10 years	-	10.00%	1.5%

The cash flow projections were based on historical performance and 10-year business plans, approved by the Board of Directors, since given the recent Bank establishment, according to the business plan, the cash flows stability will only be achieved in a longer time frame.

Sensitivity analyzes were performed on the results of the Bank impairment tests, namely the following key assumptions: (i) reduction of 50 basis points in the growth rate in perpetuity and (ii) increase of 50 points in the discount rate used (Cost of Equity). The results of the sensitivity analyze carried out do not determine the existence of signs of impairment in Goodwill.

For the years ended 31 December 2019 and 31 December 2020, the net income in subsidiary companies arising from the application of the equity method, and stated under Gains/losses in subsidiaries, associated companies and joint ventures in the Income statement were recognized against the following items on the balance sheet:

Company	2019	2020
Investment in subsidiaries		
CTT Expresso,S.A.	(4,644,588)	(1,903,514)
CTT Contacto, S.A.	1,225,240	1,482,447
CORRE - Correio Expresso Moçambique, S.A.	87,767	97,225
Banco CTT, S.A.	(8,011,087)	285,011
FCR TECHTREE	-	-
CTT Soluções Empresariais, S.A.	-	828,852
	(11,342,668)	**790,022**

CTT Expresso, S.A. includes CTT Expresso Portugal and its branch in Spain (previously designated as Tourline).

The companies 321 Crédito – Instituição Financeira de Crédito, S.A. and Payshop Portugal, S.A. are owned by CTT Bank, and the bank's financial investment amount includes the gains and losses of these companies.

11. Investments in associated companies

For the years ended 31 December 2019 and 31 December 2020, the **Group** and the **Company** investments in associated companies had the following movements:

	Group		Company	
	2019	2020	2019	2020
Gross carrying value				
Opening balance	296,260	293,434	295,779	292,953
Equity method - proportion of net income	(2,825)	-	(2,825)	-
Other	-	(292,953)	-	(292,953)
Closing balance	**293,434**	**481**	**292,953**	**-**

As at 31 December 2019 and 31 December 2020, the detail by company of the **Group** and the **Company** investments in associated companies were as follows:

	Group		Company	
	2019	2020	2019	2020
Multicert, S.A.	292,953	-	292,953	-
Urpacksur, S.L.	481	481	-	-
	293,434	**481**	**292,953**	**-**

In August 2020, the investment in Multicert - Serviços de Certificação Electrónica, S.A. was sold, resulting in a capital gain of 707,047 Euros, recorded in the caption Gains/losses in subsidiary, associated companies and joint ventures.

Group	2019							
	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	Proportion of net profit
Multicert - Serviços de Certificação Electrónica, S.A. [a]	20%	3,985,057	2,520,290	1,464,767	251,014	292,953	-	(2,825)
Mafelosa, SL [b] [c]	25%	n.a.	n.a.	n.a.	n.a.	-	-	n.a.
Urpacksur [b] [c]	30%	n.a.	n.a.	n.a.	n.a.	481	-	n.a.
						293,434	**-**	**(2,825)**

[a] Data reported as at December 2018
[b] Companies held by Tourline Express Mensajeria
[c] Companies without activity

Group	2020							
	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	Proportion of net profit
Mafelosa, SL [a] [b]	25%	n.a.	n.a.	n.a.	n.a.	-	-	n.a.
Urpacksur [a] [b]	30%	n.a.	n.a.	n.a.	n.a.	481	-	n.a.
						481	**-**	**-**

[a] Company held by CTT Expresso - Serviços Postais e Logística, S.A., branch in Spain (until 2018 held by Tourline Mensajeria, SLU).
[b] Companies without activity

Company	2019							
	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	Proportion of net profit
Multicert - Serviços de Certificação Electrónica, S.A. [a]	20%	3,985,057	2,520,290	1,464,767	251,014	292,953	-	(2,825)
						292,953	**-**	**(2,825)**

[a] Data reported as at December 2018

12. Investments in joint ventures

As at 31 December 2019 and 31 December 2020, the detail of the **Group** and the **Company** investments in joint ventures were as follows:

Group and Company	2019							
	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	Proportion of net profit
MKTPlace - Comércio Eletrónico, S.A	50%	7,149,588	1,757,833	5,391,755	(3,681,863)	2,723,803	-	(1,397,796)
PTP & F, ACE	51%	-	-	-	-	-	-	-
NewPost, ACE	49%	-	-	-	-	-	-	-
						2,723,803	**-**	**(1,397,796)**

Group and Company	2020							
	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	Proportion of net profit
MKTPlace - Comércio Electrónico, S.A.	50%	9,564,986	3,608,053	5,956,933	(4,633,969)	2,925,100	-	(2,477,083)
PTP & F, ACE	51%	-	-	-	-	-	-	-
NewPost, ACE	49%	-	-	-	-	-	-	-
						2,925,100	**-**	**(2,477,083)**

The **Group** and the **Company**'s investment in MKTPlace – Comércio Eletrónico, S.A. was subject to an impairment test with reference to 31 December 2020, and no impairment was determined. The impairment test was carried out considering a WACC of 20%.

13. Other investments

The amount of Other investments as at 31 December 2019 and 31 December 2020, in the **Group** and the **Company**, were as follows:

Entity	Head office	Group and Company	
		2019	2020
IPC-International Post Corporation	Brussels - Belgium	6,157	6,157
Tagus Park	Lisbon - Portugal	1,372,743	-
CEPT	Copenhagen - Denmark	237	237
		1,379,137	**6,394**

In September 2020, the investment in Tagus Park was sold, resulting in a capital gain of 28,507 Euros, recorded in the caption Gains/losses in subsidiary, associated companies and joint ventures.

During the year, no impairment loss was recognized in these investments.

There are no market prices available for the mentioned investments and it is not possible to determine fair value in the period using comparable transactions. These instruments were not measured through discounted cash flows since these could not be reliably determined.

14. Debt securities

As at 31 December 2019 and 31 December 2020, the caption Debt securities, in the **Group**, showed the following composition:

	31.12.2019	31.12.2020
Non-current		
Financial assets at fair value through other comprehensive income [(1)]		
Government bonds	528,420	860,281
Bonds issued by other entities	-	11,413,276
	528,420	**12,273,557**
Financial assets at amortised cost		
Government bonds	409,886,034	450,600,878
Bonds issued by other entities	14,605,943	2,665,125
Impairment	(169,217)	(175,486)
	424,322,759	**453,090,517**
	424,851,179	**465,364,074**
Current		
Financial assets at fair value through other comprehensive income [(1)]		
Government bonds	13,727	6,760,199
Bonds issued by other entities	-	521,074
	13,727	**7,281,273**
Financial assets at amortised cost		
Government bonds	31,536,069	39,973,188
Bonds issued by other entities	14,491	5,193,374
Impairment	(4,136)	(6,505)
	31,546,424	**45,160,057**
	31,560,152	**52,441,330**
	456,411,331	**517,805,404**

[(1)] As at 31 December 2019 and 31 December 2020 includes the amount of 225 Euros and 9,429 Euros, respectively, regarding Accumulated impairment losses.

The analysis of the Financial assets at fair Value through other comprehensive income and the Financial assets at amortized cost, by remaining maturity, as at 31 December 2019 and 31 December 2020 is detailed as follows:

	31.12.2019						
	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Financial assets at fair value through other comprehensive income [1]							
Government bonds							
National	13,727	-	13,727	528,420	-	528,420	542,147
	13,727	**-**	**13,727**	**528,420**	**-**	**528,420**	**542,147**

[1] As at 31 December 2019 includes the amount of 225 Euros regarding Accumulated impairment losses.

	31.12.2019						
	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Financial assets at amortised cost							
Government bonds							
National	4,538,504	4,717,697	9,256,202	41,143,284	236,717,591	277,860,875	287,117,077
Foreign	752,422	21,527,446	22,279,868	34,645,814	97,379,345	132,025,158	154,305,026
Bonds issued by other entities							
National	14,491	-	14,491	14,605,943	-	14,605,943	14,620,434
	5,305,417	**26,245,143**	**31,550,561**	**90,395,041**	**334,096,936**	**424,491,976**	**456,042,537**

	31.12.2020						
	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Financial assets at fair value through other comprehensive income [1]							
Government bonds							
National	45,271	6,714,928	6,760,199	860,281	-	860,281	7,620,481
Bonds issued by other entities							
National	521,074	-	521,074	11,413,276	-	11,413,276	11,934,350
	566,345	**6,714,928**	**7,281,273**	**12,273,557**	**-**	**12,273,557**	**19,554,830**

[1] As at 31 December 2020 includes the amount of 9,429 Euros regarding Accumulated impairment losses.

	31.12.2020						
	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Financial assets at amortised cost							
Government bonds							
National	4,492,510	13,931,350	18,423,860	60,600,346	209,854,020	270,454,366	288,878,226
Foreign	993,484	20,555,844	21,549,328	24,543,252	155,603,260	180,146,511	201,695,839
Bonds issued by other entities							
National	5,193,374	-	5,193,374	2,665,125	-	2,665,125	7,858,500
	10,679,369	**34,487,193**	**45,166,562**	**87,808,724**	**365,457,279**	**453,266,003**	**498,432,565**

The impairment losses, for the period ended 31 December 2019 and 31 December 2020, are detailed as follows:

	2019					
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current assets						
Financial assets at fair value through other comprehensive income	504	19	(40,529)	(299)	40,529	225
Financial assets at amortised cost	164,379	31,512	(43,292)	-	16,618	169,217
	164,883	31,531	(83,821)	(299)	57,147	169,442
Current assets						
Financial assets at fair value through other comprehensive income	127,286	-	-	(86,757)	(40,529)	-
Financial assets at amortised cost	18,447	2,678	(370)	-	(16,618)	4,136
	145,733	**2,678**	**(370)**	**(86,757)**	**(57,147)**	**4,136**
Financial assets at fair value through other comprehensive income	***127,790***	***19***	***(40,529)***	***(87,056)***	**-**	***225***
Financial assets at amortised cost	***182,826***	***34,190***	***(43,662)***	**-**	**-**	***173,353***
	310,616	**34,209**	**(84,191)**	**(87,056)**	**-**	**173,578**

	2020					
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current assets						
Financial assets at fair value through other comprehensive income	225	5,878	(101)	-	(84)	5,918
Financial assets at amortised cost	169,217	23,878	(15,549)	-	(2,060)	175,486
	169,442	29,756	(15,650)	-	(2,144)	181,404
Current assets						
Financial assets at fair value through other comprehensive income	-	3,487	(60)	-	84	3,511
Financial assets at amortised cost	4,136	885	(576)	-	2,060	6,505
	4,136	**4,372**	**(636)**	**-**	**2,144**	**10,016**
Financial assets at fair value through other comprehensive income	***225***	***9,365***	***(161)***	**-**	**-**	***9,429***
Financial assets at amortised cost	***173,353***	***24,763***	***(16,125)***	**-**	**-**	***181,991***
	173,578	**34,128**	**(16,286)**	**-**	**-**	**191,420**

Regarding the movements in impairment losses of Financial assets at fair value through other comprehensive income by stages, in the periods ended on 31 December 2019 and 31 December 2020, they are detailed as follows:

	2019	2020
	Stage 1	Stage 1
Opening balance	**127,790**	**225**
Change in period:		
Increases due to origination and acquisition	-	9,365
Changes due to change in credit risk	19	(161)
Decrease due to derecognition repayments and disposals	(127,585)	-
Write-offs	-	-
Changes due to update in the institution's methodology for estimation	-	-
Foreign exchange and other	-	-
Impairment - Financial assets at fair value through other comprehensive income	**225**	**9,429**

The reconciliation of accounting movements related to impairment losses is presented below:

	2019	2020
	Stage 1	Stage 1
Opening balance	**127,790**	**225**
Change in period:		
ECL income statement change for the period	(40,510)	9,204
Stage transfers (net)	-	-
Disposals	-	-
Utilisations during the period	(87,056)	-
Write-offs	-	-
Write-off recoveries	-	-
Foreign exchange and other	-	-
Impairment - Financial assets at fair value through other comprehensive income	**225**	**9,429**

For the impairment losses of Financial assets at amortized cost, the movements by stages, in the periods ended on 31 December 2019 and 31 December 2020, they are detailed as follows:

	2019	2020
	Stage 1	Stage 1
Opening balance	**182,825**	**173,353**
Change in period:		
Increases due to origination and acquisition	13,008	11,139
Changes due to change in credit risk	(4,033)	1,636
Decrease due to derecognition repayments and disposals	(18,447)	(4,136)
Write-offs	-	-
Changes due to update in the institution's methodology for estimation	-	-
Foreign exchange and other	-	-
Impairment - Financial assets at amortised cost	**173,353**	**181,991**

The reconciliation of accounting movements related to impairment losses is presented below:

	2019	2020
	Stage 1	Stage 1
Opening balance	**182,825**	**173,353**
Change in period:		
ECL income statement change for the period	(9,473)	8,639
Stage transfers (net)	-	-
Disposals	-	-
Utilisations during the period	-	-
Write-offs	-	-
Write-off recoveries	-	-
Foreign exchange and other	-	-
Impairment - Financial assets at amortised cost	**173,353**	**181,991**

According to the accounting policy described in Note 2.11, the **Group** regularly assesses whether there is objective evidence of impairment in its financial asset portfolios at fair value through other comprehensive income and other financial assets at amortized cost, following the criteria described in Note 2.30.

15. Other banking financial assets and liabilities

As at 31 December 2019 and 31 December 2020, the **Group** headings Other banking financial assets and Other banking financial liabilities showed the following composition:

	31.12.2019	31.12.2020
Non-current assets		
Loans to credit institutions	18,928,416	11,424,488
Impairment	(166,249)	(3,712)
Other	1,882	2,107
	18,764,049	**11,422,884**
Current assets		
Investments in credit institutions	1,650,072	20,000,635
Loans to credit institutions	11,551,960	7,504,875
Impairment	(47,303)	(23,980)
Other	5,688,014	5,213,955
Impairment	(4,182,457)	(3,238,971)
	14,660,286	**29,456,513**
	33,424,335	**40,879,397**
Non-current liabilities		
Debt securities issued	76,060,295	44,506,988
	76,060,295	**44,506,988**
Current liabilities		
Debt securities issued	17,073	10,936
Other	17,970,646	21,475,716
	17,987,719	**21,486,652**
	94,048,014	**65,993,640**

Investments in credit institutions and Loans to credit institutions

Regarding the above-mentioned captions, the scheduling by maturity is as follows:

	31.12.2019	31.12.2020
Up to 3 months	3,367,931	12,872,862
From 3 to 12 months	9,834,101	14,632,648
From 1 to 3 years	13,689,301	10,462,768
Over 3 years	5,239,115	961,721
	32,130,448	**38,929,998**

The heading "Investments at credit institutions" showed an annual average rate of 1.179% in 2020 (2019: 0.781%).

Impairment

The impairment losses, for the period ended 31 December 2019 and 31 December 2020, are detailed as follows:

	2019						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
Non-current assets							
Investments and loans in credit institutions	217,751	91,523	(244,427)	-	101,403	-	166,249
	217,751	**91,523**	**(244,427)**	**-**	**101,403**	**-**	**166,249**
Current assets							
Investments and loans in credit institutions	197,018	24,916	(73,229)	-	(101,403)	-	47,303
Other	10,927	224,755	(53,534)	-	(10,927)	4,011,235	4,182,457
	207,945	**249,672**	**(126,763)**	**-**	**(112,330)**	**4,011,235**	**4,229,760**
	425,696	**341,194**	**(371,190)**	**-**	**(10,927)**	**4,011,235**	**4,396,009**

	2020						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
Non-current assets							
Investments and loans in credit institutions	166,249	3,071	(27,984)	-	(137,625)	-	3,712
	166,249	**3,071**	**(27,984)**	**-**	**(137,625)**	**-**	**3,712**
Current assets							
Investments and loans in credit institutions	47,303	19,840	(180,787)	-	137,625	-	23,980
Other	4,182,457	32,889	(976,375)	-	-	-	3,238,971
	4,229,760	**52,729**	**(1,157,162)**	**-**	**137,625**	**-**	**3,262,951**
	4,396,009	**55,800**	**(1,185,146)**	**-**	**-**	**-**	**3,266,663**

Regarding the movements in impairment losses on investments and loans to credit institutions by stages, in the periods ended on 31 December 2019 and 31 December 2020, they are detailed as follows:

	2019	2020
	Stage 1	Stage 1
Opening balance	**414,769**	**213,552**
Change in period:		
Increases due to origination and acquisition	52,737	22,911
Changes due to change in credit risk	(64,377)	(161,468)
Decrease due to derecognition repayments and disposals	(189,576)	(47,303)
Write-offs	-	-
Changes due to update in the institution's methodology for estimation	-	-
Foreign exchange and other	-	-
Impairment	**213,552**	**27,692**

The reconciliation of accounting movements related to impairment losses is presented below:

	2019	2020
	Stage 1	Stage 1
Opening balance	**414,769**	**213,552**
Change in period:		
ECL income statement change for the period	(201,217)	(185,860)
Stage transfers (net)	-	-
Disposals	-	-
Utilisations during the period	-	-
Write-offs	-	-
Write-off recoveries	-	-
Foreign exchange and other	-	-
Impairment	**213,552**	**27,692**

Debt securities issued

This caption showed the following composition:

	31.12.2019	31.12.2020
Securitisations	76,077,368	44,517,924
	76,077,368	**44,517,924**

As at 31 December 2019 and 31 December 2020, the Debt securities issued are analyzed as follows:

31.12.2019					
Issue	Issue date	Maturity date	Remuneration	Nominal value	Book value
Ulisses Finance No.1 – Class A	July 2017	July 2033	Euribor 1M + 85 b.p.	61,938,000	61,963,646
Ulisses Finance No.1 – Class B	July 2017	July 2033	Euribor 1M + 160 b.p.	7,000,000	7,004,497
Ulisses Finance No.1 – Class C	July 2017	July 2033	Euribor 1M + 375 b.p.	7,100,000	7,109,225
				76,038,000	**76,077,368**

31.12.2020					
Issue	Issue date	Maturity date	Remuneration	Nominal value	Book value
Ulisses Finance No.1 – Class A	July 2017	July 2033	Euribor 1M + 85 b.p.	30,401,824	30,429,037
Ulisses Finance No.1 – Class B	July 2017	July 2033	Euribor 1M + 160 b.p.	7,000,000	6,992,378
Ulisses Finance No.1 – Class C	July 2017	July 2033	Euribor 1M + 375 b.p.	7,100,000	7,096,509
				44,501,824	**44,517,924**

During the period ended at 31 December 2019 and 31 December 2020, the movement of this item is as follows:

2019	Opening balance	Changes in the consolidation perimeter	Issues	Repayments	Other movements	Closing balance
Chaves Funding No.7	-	201,660,418	-	(201,600,000)	(60,418)	-
Ulisses Finance No.1	-	101,060,139	-	(25,007,517)	24,746	76,077,368
	-	**302,720,556**	**-**	**(226,607,517)**	**(35,672)**	**76,077,368**

2020	Opening balance	Changes in the consolidation perimeter	Issues	Repayments	Other movements	Closing balance
Chaves Funding No.7	-	-	-	-	-	-
Ulisses Finance No.1	76,077,368	-	-	(31,148,098)	(411,346)	44,517,924
	76,077,368	**-**	**-**	**(31,148,098)**	**(411,346)**	**44,517,924**

During June 2019, the **Group** decided to early redeem Chaves Funding no. 7. This securitization transaction included an auto loan and leasing portfolio and had a nominal value of 197.200.000 Euros at the time of its redemption.

The scheduling by maturity regarding this caption is as follows:

31.12.2019	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Securitisations	17,073	-	17,073	-	76,060,295	76,060,295	76,077,368
	17,073	**-**	**17,073**	**-**	**76,060,295**	**76,060,295**	**76,077,368**

31.12.2020	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Securitisations	10,936	-	10,936	-	44,506,988	44,506,988	44,517,924
	10,936	**-**	**10,936**	**-**	**44,506,988**	**44,506,988**	**44,517,924**

The caption other current liabilities primarily record the banking operations' balances pending of financial settlement.

16. Financial risk management

The **Group** and the **Company** activities imply exposure to financial risks. Financial risk is defined as the probability of obtaining results that are different from those expected, whether positive or negative, thus changing the net worth of the **Group** in a material and unexpected way. Risk management focuses on the unpredictability of financial markets and seeks to mitigate the adverse effects arising from this unpredictability on the **Group** and the **Company**'s financial performance. Financial risks include credit risk, interest rate risk, exchange rate risk, liquidity risk, market risk, operational risk and capital risk.

Under the non-banking activity, financial risk management integrates the Risk Management System of the **Group** and the **Company** reporting directly to the Executive Committee. The Finance and Risk Management Office and the Accounting and Tax department ensure the centralized management of financing operations, investment of surplus liquidity, exchange transactions as well as the counterparty risk management of the **Group** and the monitoring of the foreign currency exchange rate risk, according to the policies approved by the Executive Committee. Additionally, they are responsible for the identification, assessment, proposal and implementation of mitigating measures of financial risks that the **Group** and the **Company** are exposed to. The **Group** and the **Company** are developing an integrated risk management system.

Under the banking activity, Banco CTT has an independent risk management system, based on a set of concepts, principles, rules and on an organizational model applicable and adjusted to the specificities and to the regulatory framework of its activity.

Banco CTT's risk management and internal control policy aims to maintain an adequate relationship between its equity and the activity developed, as well as the corresponding risk profile assessment/ return per business line. It also aims to support the decision-making process, being able to enhance, both in the short and long term, the ability to manage the risks to which Banco CTT is exposed and allow clear communication of the ways in which the risks arising from the business must be managed in order to create the basis for a solid operating environment. In this context, monitoring and control of the main types of risks to which the Bank's activity is subject becomes relevant.

Credit risk

Credit risk essentially refers to the risk that a third party fails on its contractual obligations, resulting in financial losses to the **Group** and the **Company.** Thus, credit risk basically resides in the accounts receivable from customers and other debtors, related to its operating and treasury activities.

The credit risk management is based on a set of standards and guidelines, part of the CTT's Group Credit Regulation ("Regulamento de Crédito Grupo CTT") and comprises the processes of credit granting, monitoring and debt recovery.

Considering the guiding principles of the **Group** and the **Company** Risk Management, a methodology of credit risk assessment is defined which allows, a priori, and based on the information available at the time, to evaluate the Customer's capacity to comply with all its obligations on time and within the conditions established. Based on this evaluation, a credit limit is defined for the customer, whose progress is regularly monitored.

The credit risk in the accounts receivable is monitored on a regular basis by each business of the **Group** companies and monthly monitored by the Credit Committee with the purpose of limiting the credit granted to Customers, considering the respective profile and the ageing of receivable of each customer, ensuring the follow-up of the evolution of credit that has been granted and analyzing the recoverability of the receivables.

Under the non-banking activity, the deterioration of economic conditions or adversities which affect economies may lead to difficulty or incapacity of customers to pay their liabilities, with consequent negative effects on the net income of the **Group** companies. For this purpose, an effort has been made to reduce the average receivable term and amount of credit granted to clients.

Banking activity
Regarding the banking activity, credit risk reflects the degree of uncertainty of the expected returns, due to the inability either of the borrower, or of the counterpart of a contract, to comply with the respective obligations.

At Banco CTT, credit risk management includes the identification, measurement, assessment and monitoring of the different credit exposures, ensuring risk management throughout the successive phases of the life of the credit process.

The control and mitigation of credit risk are carried out through the early detection of signs of deterioration in the portfolio, namely through early warning systems and the pursuit of appropriate actions to prevent the risk of default, to regularize the effective default and to create conditions that maximize recovery results.

The **Group** considers that there is a concentration of risk when various counterparts are in a common geographic region, develop activities or have economic features that are similar which affect their capacity to comply with contractual obligations in the event of significant changes in macroeconomic conditions or other relevant changes for the activities carried out by the counterparts. Banco CTT has defined and implemented limits of concentration to mitigate this risk.

The analysis of risk concentration is essentially based on geographic concentration and concentration in the economic sector in which the counterparts operate.

The exposure subject to credit risk by country and risk class are detailed in this section, portraying the increased geographic diversification of the **Group**'s investments.

The activities developed by the counterparts show some level of concentration in investment in public debt products, namely in eurozone countries. However, this concentration is in accordance with the **Group**'s policy and is part of the liquidity risk management performed by the **Group**.

The quantification / measurement of credit risk is carried out on a monthly basis, through the assessment of the necessary impairment to cover credit to customers, resulting from the application of a collective and individual impairment model.
The monitoring of Banco CTT's credit risk profile, in particular with regard to the evolution of credit exposures and the monitoring of losses, is carried out on a regular basis by the Risk Management, the Capital and Risk Committee, by the Audit Committee and the Board of Directors of Banco CTT. Compliance with approved credit requirements and limits are also subject to review on a regular basis.

As its main activity is the commercial banking business, with special emphasis on the retail segment, in a first phase, Banco CTT offers simple credit products - mortgage loans and overdraft facilities associated with a current account with payroll/pension domiciliation and, through the acquisition of 321 Crédito, the offer of specialized credit at the point of sale.

In the first quarter of 2017, the Bank launched the commercialization of the mortgage loan product. As at 31 December 2020, the exposures (net of impairment and including off-balance exposures) to this type of loan of credit stood at 537,956thousand euros (421,748 thousand euros as at 31 December 2019).

The retail segment credit, more specifically in auto loans at point of sale, is of 553,863 thousand euros of exposures (net of impairment and including off-balance exposures) compare with 467,468 thousand euros of 2019.

The bank is currently exposed to credit risk in other areas of its business activity. These necessarily include direct exposure to credit risk associated to investments and deposits at other credit institutions (counterpart risk), to public debt securities issues by eurozone countries (Portugal, Italy, Spain, France and Ireland), debt instruments of other issuers (credit institutions and companies), securitization operations relative to the tariff deficit and other portfolios of 321 Crédito that are essentially at a run-off stage.

In order to mitigate credit risk, the mortgage lending operations have associated collateral, namely mortgages.

Except in situations of default, the Bank, under its activity, does not have permission to sell or pledge this collateral. The fair value of this collateral is determined as at the date of the granting of the loan, with its value being checked periodically.

Auto loans' operations are made with reservation of ownership, and the value of the vehicle is assessed at the time of granting the credit.

The acceptance of collateral to secure credit operations requires the need to define and implement techniques to mitigate the risks to which this collateral is exposed. Thus, and as an approach to this matter, the **Group** has stipulated a series of procedures applicable to collateral (namely real estate properties), that hedge, among others, the volatility of the value of the collateral.

The gross value of the loans and respective fair value of the collateral, in which the collateral is limited to the value of the associated loan, are presented below:

	2019		2020	
	Loans and advances to customers	Fair value of the collateral	Loans and advances to customers	Fair value of the collateral
Mortgage loans	402,126,475	687,597,900	520,339,595	879,528,009
Auto loans	460,808,444	456,534,365	538,971,473	561,938,120
Other	884,957,635	1,176,950,550	50,635,546	27,384,162
	1,747,892,553	**2,321,082,816**	**1,109,946,614**	**1,468,850,291**

Impairment

The impairment losses for accounts receivable are calculated considering essentially: (i) the ageing of the accounts receivable; (ii) the risk profile of each client; and (iii) the financial situation of the client. The amounts of accounts receivable were adjusted for bank guarantees and advance deposits for the purpose of calculating expected losses.

In the case of customers in the Mail, Express and Parcels and Financial Services segments, the existence of a reduced probability that the customer will pay in full its credit obligations is essentially determined based on the following criteria:

- Overdue credits with high seniority;
- Clients in bankruptcy, insolvency or liquidation; and
- Credits in litigation.

Regarding banking clients, those who meet at least one of the following criteria are considered to be default:

- Existence of payments of capital or interest overdue for more than 90 days;
- Debtors in bankruptcy, insolvency or liquidation;
- Credits in litigation;
- Cross-default credits;
- Restructured credits due to financial difficulties;
- Default quarantined credits;
- Credits for which there is a suspected fraud or confirmed fraud.

Significant increase in credit risk (SICR) is determined according to a set of mostly quantitative but also qualitative criteria, to detect significant increases in the Probability of Default (PD), complemented by another type of information in which it stands out the behavior of customers to entities of the financial system. However, regardless of the observation of a significant increase in credit risk in an exposure, it is classified in Stage 2 when one of the following conditions is met:

- Credit with late payment over 30 days (backstop);
- Credit with qualitative triggers subject to risk, namely those contained in Banco de Portugal Circular Letter No. 02/2014 / DSP.

The movement of impairment losses of accounts receivable is disclosed in Notes 24 and 44.
The impairment losses movements by financial instrument category, stage and movement type, are disclosed in each note, such as, Note 14 – Debt securities, Note 15 – Other banking financial assets and liabilities and Note 19 – Credit to banking clients.

As at 31 December 2020, the **Group** and the **Company** believe that impairment losses in accounts receivable are adequately estimated and recorded in the financial statements.

In addition, within the scope of treasury activities, the credit risk essentially results from the cash deposits investments made both by the **Group** and the **Company**. With the purpose of reducing that risk, the **Group** and the **Company** policy is to invest in short/medium-term periods negotiated with several financial institutions, all with a relatively high credit rating (considering the rating of the Portuguese Republic).

The **Group** and the **Company** credit risk quality, as at 31 December 2020, related to these types of assets (Cash and cash equivalents as stated in Note 22, excluding the cash value) whose counterparties are financial institutions are detailed as follows:

Rating [1]	2020	
	Group	Company
Aa3	11,770,990	3,509
A1	596,224	596,224
A2	3,448,931	189,528
A3	7,157,976	-
Baa1	126,299,897	123,124,456
Baa2	40,621,769	25,203,056
Baa3	167,502,375	-
Ba2 [2]	86	86
Ba3	27,361,348	24,968,996
B1	47,303,089	43,985,345
B2	1,118	-
Others [3]	8,495,895	378,363
	440,559,697	**218,449,563**

[1] Rating assigned by Moody's.

[2] Conversion of BB rating by Standard & Poor's.

[3] Others with no rating.

As at 31 December 2020, the **Group** and the **Company** caption Cash and cash equivalents included term deposits, net of impairments, of 55,843,177 Euros and 53,108,141 Euros, respectively (64,662,643 Euros and 59,995,355 Euros as at 31 December 2019) (Note 22).

Due to the activity developed by CTT, namely, the requirements related to the Financial Services segment business, CTT are required to work with the majority of the financial institutions operating in Portugal, so the bank deposit amounts are spread over a wide range of financial institutions, some of which presenting a lower rate than the Portuguese Republic (Baa3). The assigned rating to the instruments rated below the Portuguese Republic was considered in the determination of Probability of Default ("PD") used to calculate the Expected Credit Loss ("ELC") as required by IFRS 9.

The following table includes the maximum exposure to credit risk associated with financial assets held by the **Group** and the **Company**. These amounts include only financial assets subject to credit risk and do not reconcile with the consolidated and individual balance sheet:

	Group		Company	
	2019	2020	2019	2020
Non-current				
Debt securities	424,851,179	465,364,074	-	-
Accounts receivable	-	-	661,287	495,932
Other assets	1,543,308	1,063,789	1,237,070	635,508
Credit to bank clients	792,469,611	985,355,687	-	-
Other banking financial assets	18,764,049	11,422,884	-	-
Current				-
Accounts receivable	146,471,712	153,616,009	112,842,210	111,665,473
Credit to bank clients	93,350,959	107,925,845	-	-
Debt securities	31,560,152	52,441,330	-	-
Other assets	8,731,765	33,728,584	8,881,347	12,234,425
Other banking financial assets	13,182,971	27,504,441	-	-
Cash and cash equivalents	383,749,225	440,616,809	228,301,887	211,927,460
	1,914,674,931	**2,279,039,450**	**351,923,802**	**336,958,799**

The main changes in financial assets subject to credit risk are explained as follows:

- The increase in current and non-current bank credit to customers is mainly explained by a general increase in banking activity, as mentioned in note 4;
- The debt securities portfolio is mainly composed for sovereign debt securities in the Eurozone. This portfolio growth is related to the increase of funds from clients raised, that were invested, among others, in this portfolio;
- The increase in "cash and cash equivalents" is explained in detail in note 22.

The following table presents information on credit risk exposures of the banking activity (net of impairment and including off-balance exposures), on 31 December 2019 and 31 December 2020:

	2019	2020
Central administrations or Central banks	471,295,224	660,474,176
Regional governments or Local authorities	-	5,042,760
Credit Instituitions	154,268,707	92,084,675
Companies	18,040,561	25,886,076
Retail Clients	467,468,187	546,767,855
Real estate secured loans	421,747,775	537,959,391
Loans in default	7,290,879	16,689,600
Other elements	57,071,875	69,223,492
Risk items	**1,597,183,207**	**1,954,128,025**

As mentioned before, the analysis of risk concentration is essentially based on geographic concentration and concentration in the economic sector in which the counterparts operate, so the respective details are as follows:

	2019								
	Central Authorities or Central Banks	Regional governments or Local authorities	Credit institutions	Companies	Retail customers	Loans secured by immovable assets	Non-performing loans	Other Items	Total
Portugal	317,035,231	-	102,220,352	18,040,561	467,468,187	421,747,775	7,290,879	57,071,875	1,390,874,859
Spain	54,924,450	-	47,373,607	-	-	-	-	-	102,298,057
France	6,492,448	-	29,310	-	-	-	-	-	6,521,758
Italy	87,172,372	-	-	-	-	-	-	-	87,172,372
Irland	5,670,723	-	-	-	-	-	-	-	5,670,723
United Kingdom	-	-	3,229,641	-	-	-	-	-	3,229,641
Germany	-	-	1,415,797	-	-	-	-	-	1,415,797
Total	**471,295,224**	**-**	**154,268,707**	**18,040,561**	**467,468,187**	**421,747,775**	**7,290,879**	**57,071,875**	**1,597,183,207**

	2020								
	Central Authorities or Central Banks	Regional governments or Local authorities	Credit institutions	Companies	Retail customers	Loans secured by immovable assets	Non-performing loans	Other Items	Total
Portugal	458,834,378	5,042,760	69,986,059	25,886,076	546,767,855	537,959,391	16,689,600	69,223,492	1,730,389,610
Spain	94,406,927	-	33	-	-	-	-	-	94,406,960
France	6,434,289	-	9,029,045	-	-	-	-	-	15,463,334
Italy	95,233,489	-	-	-	-	-	-	-	95,233,489
Austria	-	-	9,986,432	-	-	-	-	-	9,986,432
Irland	5,565,094	-	-	-	-	-	-	-	5,565,094
United Kingdom	-	-	2,738,433	-	-	-	-	-	2,738,433
Germany	-	-	344,673	-	-	-	-	-	344,673
Total	**660,474,177**	**5,042,760**	**92,084,675**	**25,886,076**	**546,767,855**	**537,959,391**	**16,689,600**	**69,223,492**	**1,954,128,025**

The gross credit exposure and related impairment detail for banking activity, by stages (excluding off-balance exposures) is as follows:

		2020							
		Central Authorities or Central Banks	Credit institutions	Other securities	Credit Portfolio				Total
					Mortage Loans	Overdrafts	Car Credit	Others	
Stage 1	Gross Exposure	665,668,736	63,092,736	19,792,849	517,064,646	935,443	502,336,467	5,978,269	1,774,869,146
	Impairment Losses	(182,329)	(28,033)	(9,123)	(444,620)	(164,225)	(3,500,851)	(51,983)	(4,381,166)
	Net exposure	665,486,407	63,064,702	19,783,726	516,620,025	771,218	498,835,616	5,926,286	1,770,487,981
Stage 2	Gross Exposure	-	-	-	3,763,813	194,658	47,747,935	338,279	52,044,686
	Impairment Losses	-	-	-	(44,244)	(42,703)	(2,076,668)	(60,960)	(2,224,575)
	Net exposure	-	-	-	3,719,570	151,955	45,671,267	277,318	49,820,110
Stage 3	Gross Exposure	-	-	-	34,133	1,063,186	20,935,084	95,614	22,128,017
	Impairment Losses	-	-	-	(9,899)	(898,208)	(8,421,490)	(26,909)	(9,356,506)
	Net exposure	-	-	-	24,234	164,978	12,513,593	68,705	12,771,511
POCI (Stage 3)	Gross Exposure	-	-	-	-	-	3,877,899	1,360,936	5,238,835
	Impairment Losses	-	-	-	-	-	(658,197)	(264,124)	(922,321)
	Net exposure	-	-	-	-	-	3,219,702	1,096,812	4,316,515
Total	Gross Exposure	665,668,736	63,092,736	19,792,849	520,862,592	2,193,288	574,897,385	7,773,098	1,854,280,684
	Impairment Losses	(182,329)	(28,033)	(9,123)	(498,762)	(1,105,137)	(14,657,206)	(403,977)	(16,884,568)
	Net exposure	665,486,407	63,064,702	19,783,726	520,363,829	1,088,151	560,240,179	7,369,121	1,837,396,116

Banco CTT uses an impairment model that is based on IFRS 9 and the respective reference criteria of Bank of Portugal defined in Circular Letter nº62 / 2018. In addition, the model considers the definitions and criteria that have been published by European Banking Authority (EBA).

The exposure to public debt, net of impairment, of eurozone countries is detailed as follows:

	2019			2020		
	Other financial assets at fair value through other comprehensive income	Other financial assets at amortised cost	Total	Other financial assets at fair value through other comprehensive income	Other financial assets at amortised cost	Total
Portugal	542,147	286,995,456	287,537,604	7,620,481	288,754,314	296,374,794
Spain	-	54,924,450	54,924,450	-	94,406,927	94,406,927
Italy	-	87,172,372	87,172,372	-	95,233,489	95,233,489
France	-	6,492,448	6,492,448	-	6,434,289	6,434,289
Ireland	-	5,670,723	5,670,723	-	5,565,094	5,565,094
	542,147	**441,255,449**	**441,797,597**	**7,620,481**	**490,394,113**	**498,014,593**

Interest rate risk

Changes in interest rates have a direct impact on the financial results of the **Group** and the **Company**. The interest rate risk manifests itself in three forms: (i) through the remuneration obtained with the application of the surplus liquidity, (ii) by the amount of the charges with the bank loans obtained and (iii) with the determination, through the impact on the discount rate, the estimate of liabilities with benefits to employees.

In order to reduce the impact of interest rate risk, the **Group** and the **Company** monitor market trends on a regular and systematic basis, with a view to leveraging the term/rate ratio on the one hand and risk/yield on the other.

The **Group** and the **Company** generally negotiate their deposits at fixed rates, while loans are negotiated at variable rates.

The application of surpluses liquidity follows criteria of diversification of financial risks, both in terms of terms and institutions, which are regularly reviewed and updated.

In the **Group** the investment of surplus liquidity, on 31 December 2019 and 31 December 2020, generated interest income of 39,298 Euros and 20,091 Euros, respectively (Note 48). Additionally, interest income is recorded for financial services in the caption Other operating income, in the years of 2019 and 2020, amounting to 42,232 Euros and 20,832 Euros, respectively (Note 41).

In the **Company** the investment of surplus liquidity, on 31 December 2019 and 31 December 2020, generated interest income of 22,723 Euros and 3,393 Euros, respectively (Note 48). Additionally, interest income is recorded for financial services in the caption Other operating income, in the years of 2019 and 2020, amounting to 42,232 Euros and 20,823 Euros, respectively (Note 41).

The prospects for the evolution of the money market do not point to an increase in the reference rates of the Eurozone, so it is expected that they will remain in negative territory for some time. In this scenario, the **Group** and the **Company** believe that the resulting differential between fixed rate financial assets and variable rate financial liabilities represents a potentially minor impact on the income statement.

Under the non-banking activity, if the interest rates had a variation of 0.25 b.p., during the year ended 31 December 2020, the effect in the interest would have been 15 thousand Euros in the **Group** and 155 thousand Euros in the **Company** (71 thousand Euros and 130 thousand Euros as at 31 December 2019, respectively).

In the scope of banking activity, Banco CTT manages the interest rate risk on a continuous basis and within the specific tolerance limits defined by its Board of Directors. Until now, Banco CTT has been managing interest rate risk in its balance sheet structurally by using natural hedges in the composition of the investment portfolio, without recourse to derivative instruments.

In the banking activity, as at 31 December 2020, one of the main instruments in the monitoring of balance sheet interest rate risk is based on the Banco de Portugal Instruction 34/2018. This model groups variation-sensitive assets and liabilities into19 fixed timeframes (maturity dates or date of first review of interest rates, when indexed), from which a potential impact on economic value is calculated. Economic value is calculated by the sum of the net present value of the discounted cash flows. This discount is based on an interest rate curve not subject to any type of shock, in which, for discount purposes, the average periods of the timeframes are assumed. As presented in the table below, the two standard scenarios that correspond to a positive and negative shock of 200 basis points are applied to the baseline scenario.

As at 31 December 2020, the distribution of assets, liabilities and off-balance sheet items sensitive to the interest rate, according to the 19 timeframes and respective impact on economic value, are as follows:

2019 *(amounts in thousand euros)*

Timeframe	Assets	Liabilities	Off-balance Sheet	Net position	Economic Value Delta (+200 bps)	Economic Value Delta (-200 bps)
At sight	236,498	229,709	(43,719)	(36,930)	2	(1)
At sight - 1 month	83,856	145,146	5,660	(55,630)	49	(17)
1 - 3 months	67,016	51,741	(312)	14,963	(49)	17
3 - 6 months	119,676	97,276	27	22,427	(167)	55
6 - 9 months	145,813	64,646	34	81,201	(1,004)	323
9 - 12 months	174,000	47,260	166	126,906	(2,194)	699
1 - 1,5 years	69,076	61,788	10,912	18,200	(448)	140
1,5 - 2 years	57,094	61,788	-	(4,694)	161	(49)
2 - 3 years	119,323	122,054	-	(2,731)	133	(41)
3 - 4 years	100,911	109,392	-	(8,481)	573	(193)
4 - 5 years	97,422	107,869	-	(10,448)	895	(335)
5 - 6 years	78,315	86,559	-	(8,245)	848	(356)
6 - 7 years	69,791	76,942	-	(7,151)	852	(403)
7 - 8 years	64,298	76,942	-	(12,644)	1,699	(904)
8 - 9 years	54,173	57,706	-	(3,533)	524	(312)
9 - 10 years	28,228	57,706	-	(29,479)	4,761	(3,082)
10 - 15 years	11,679	-	-	11,679	(2,290)	1,719
15 - 20 years	-	-	-	-	-	-
> 20 years	-	-	-	-	-	-
	652,859	**588,518 -**	**38,310**	**26,031 -**	**1,169**	**377**

2020 *(amounts in thousand euros)*

Timeframe	Assets	Liabilities	Off-balance Sheet	Net position	Economic Value Delta (+200 bps)	Economic Value Delta (-200 bps)
At sight	306,048	294,927	(49,951)	(38,830)	2	(1)
At sight - 1 month	107,392	98,774	7,022	15,640	(14)	3
1 - 3 months	108,765	67,037	66	41,794	(139)	32
3 - 6 months	160,359	86,225	157	74,291	(554)	126
6 - 9 months	170,258	68,865	136	101,529	(1,260)	283
9 - 12 months	202,972	73,019	546	130,499	(2,265)	478
1 - 1,5 years	67,983	87,644	10,564	(9,097)	225	(47)
1,5 - 2 years	78,555	87,644	-	(9,089)	314	(65)
2 - 3 years	134,743	172,257	-	(37,514)	1,843	(372)
3 - 4 years	119,503	154,121	-	(34,618)	2,365	(468)
4 - 5 years	98,388	151,089	-	(52,701)	4,590	(944)
5 - 6 years	86,877	108,633	-	(21,756)	2,291	(510)
6 - 7 years	82,037	96,563	-	(14,526)	1,783	(448)
7 - 8 years	69,707	96,563	-	(26,856)	3,743	(1,056)
8 - 9 years	48,703	72,422	-	(23,719)	3,681	(1,156)
9 - 10 years	67,629	72,422	-	(4,793)	814	(287)
10 - 15 years	47	-	-	47	(10)	4
15 - 20 years	-	-	-	-	-	-
> 20 years	-	-	-	-	-	-
	1,909,966	**1,788,205**	**(31,460)**	**90,301**	**17,409**	**(4,428)**

In view of the interest rate gaps observed, as at 31 December 2020, the impact on the economic value of instantaneous and parallel shifts of the interest rates by -200 basis points is (4,428) thousand euros (2019: -2,740 thousand euros).

The main assumptions used in 2019 and 2020 in the Bank's analyzes are:

- For Demand Deposits: 15% at sight, 85% distributed non-linearly over 10 years, giving rise to a duration of 3.9 years;
- Saving Accounts: 18% at sight, 82% distributed non-linearly over 5 years, giving rise to a duration of 1.9 years;

- Auto Loans: constant annual pre-payment rate of 10%.

Foreign currency exchange rate risk

Under the non-banking activity, exchange rate risk is related to the existence of balances in currencies other than the Euro, in particular balances arising from transactions with foreign Postal Operators recorded in Special Drawing Rights (SDR) and the related changes on the fair value of the financial assets and liabilities, as a result of changes in foreign currency exchange rates.

The management of foreign exchange risk relies on the periodic monitoring of the degree of exposure to the exchange rate risk of assets and liabilities, with the reference of previously defined objectives based on the evolution of the international business activities.

As at 31 December 2019 and 31 December 2020, the net exposure (assets minus liabilities) of the **Group** amounted to 8,408,782 SDR (10,393,255 Euros at the exchange rate €/SDR 1.236), and 2,755,831 SDR (3,262,435 Euros at the exchange rate €/SDR 1.18383), respectively.

As far as the **Company** is concerned, as at 31 December 2019 and 31 December 2020, the net exposure (assets minus liabilities) amounted to 8,122,209 SDR (10,039,051 Euros at the exchange rate €/SDR 1.236), and 2,780,674 SDR (3,291,845 Euros at the exchange rate €/SDR 1.8383), respectively.

In the sensitivity analysis performed for the balances of accounts receivable and payable to foreign Postal Operators, on 31 December 2019 and 31 December 2020, assuming an increase / decrease of 10% in the exchange rate € / SDR, the **Group**'s profit and losses would have been higher by 1,039,326 Euros and by 326,244 Euros, respectively. The impact on the **Company**'s profit and losses would have been higher by 1,003,905 Euros and by 329,184 Euros, respectively.

In the scope of the banking activity, Banco CTT does not incur in foreign currency exchange rate risk, since it only operates in the euro currency.

Liquidity risk

Liquidity risk may occur if the funding sources, such as cash balances, operating cash flows and cash flows from divestment operations, credit lines and cash flows obtained from financial operations, do not match the **Group**'s financial needs, such as cash outflows for operating and financing activities and investments and shareholder remuneration. Based on the cash flow generated by operations and the available cash on hand, the **Group** and the **Company** believe that they have the capacity to meet their obligations.

The fact of the **Group**'s current liabilities is higher than its current assets as of 31 December 2020 does not derive from an effective liquidity risk but is the result of 321 Crédito and Banco CTT subsidiaries consolidation, which, in view of its activities financial nature, they naturally present a current liability higher than the current asset, with the liquidity risk assessment of these activities carried out using regulatory indicators defined by the supervisory authorities. The **Company**'s current assets, no longer influenced by the financial activities of these subsidiaries, are higher than the current liabilities as of 31 December 2020.

Their main contractual obligations are related to the financing obtained (essentially financial leases) and respective interest, the operating leases and other non-contingent financial commitments.

The following tables detail the expected contractual obligations and financial commitments as at 31 December 2019 and 31 December 2020 for the **Group** and the **Company** and do not reconcile with the balance sheet:

Group	2019 Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	29,918,100	144,834,084	14,737,518	189,489,702
Accounts payable	360,079,510	-	-	360,079,510
Banking client deposits and other loans	1,321,418,042	-	-	1,321,418,042
Other current liabilities	40,843,760	-	-	40,843,760
Non-financial liabilities				
Non-contingent financial commitments (1)	3,093,299	-	-	3,093,299
	1,755,352,711	**144,834,084**	**14,737,518**	**1,914,924,313**

(1) The non-contingent financial commitments are essentially related to contracts signed with tangible fixed assets and intangible assets suppliers and a corresponding liability has not been recognized in the balance sheet (Notes 5 and 6).

Group	2020 Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	48,508,388	158,137,566	18,964,112	225,610,067
Accounts payable	356,528,136	-	-	356,528,136
Banking client deposits and other loans	1,688,465,160	-	-	1,688,465,160
Other current liabilities	41,401,275	-	-	41,401,275
Non-financial liabilities				
Non-contingent financial commitments (1)	6,706,144	-	-	6,706,144
	2,141,609,103	**158,137,566**	**18,964,112**	**2,318,710,781**

(1) The non-contingent financial commitments are essentially related to contracts signed with tangible fixed assets and intangible assets suppliers and a corresponding liability has not been recognized in the balance sheet (Notes 5 and 6).

Company	2019 Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	14,829,464	131,884,819	3,897,164	150,611,447
Accounts payable	333,182,282	309,007	-	333,491,289
Shareholders	-	-	-	-
Other current liabilities	21,868,312	-	-	21,868,312
Non-financial liabilities				
Non-contingent financial commitments (1)	1,759,130	-	-	1,759,130
	371,639,188	**132,193,826**	**3,897,164**	**507,730,179**

(1) The non-contingent financial commitments are essentially related to contracts signed with tangible fixed assets and intangible assets suppliers and a corresponding liability has not been recognized in the balance sheet (Notes 5 and 6).

Company	2020 Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	31,779,255	137,418,193	5,403,000	174,600,449
Accounts payable	326,464,402	309,007	-	326,773,409
Shareholders	-	-	-	-
Other current liabilities	22,046,058	-	-	22,046,058
Non-financial liabilities				
Non-contingent financial commitments (1)	584,951	-	-	584,951
	380,874,666	**137,727,200**	**5,403,000**	**524,004,867**

(1) The non-contingent financial commitments are essentially related to contracts signed with tangible fixed assets and intangible assets suppliers and a corresponding liability has not been recognized in the balance sheet (Notes 5 and 6).

In the scope of banking activity, liquidity risk is the risk of the Bank's potential inability to satisfy its financing repayment obligations without incurring in significant losses, due to more onerous financing conditions or the sale of assets under market values.

Banco CTT is exposed to the liquidity risk inherent to its business of transforming maturities, granted in the long-term (essentially in mortgage loans) and usually taken essentially in the short-term (deposits). Therefore, a prudent management of liquidity risk is crucial.

Overall, the liquidity risk management strategy is entrusted to the Board of Directors, which delegates it to the Executive Committee, and is carried out by the Treasury Department, based on constant vigilance of exposure indicators, being closely monitored by the Capital and Risk Committee.

The Capital and Risk Committee is responsible for controlling liquidity risk exposure, by analyzing liquidity positions and assessing their conformity with the applicable regulatory rules and limitations, as well as with the goals and guidelines defined by the **Group**.

The **Group**'s liquidity risk is assessed through regulatory indicators defined by the supervision authorities, as well as through other internal metrics.

The Bank conducts liquidity stress tests aimed at identifying the main liquidity risk factors affecting its balance sheet and testing the Bank's resilience to liquidity crises.

As a liquidity contingency plan, the Bank has defined a series of measures that, when activated, will enable addressing and/or mitigating the effects of a liquidity crisis. These measures aim to respond to liquidity needs in stress scenarios.

Furthermore, the Bank conducts Internal Liquidity Adequacy Assessment Process (ILAAP) analyzes, thus complying with Banco de Portugal Instruction 2/2019 and the European Banking Authority (EBA) guidelines (EBL/GL/2016/10).

The Capital and Risk Committee that held 13 meetings in 2020, analyzes the Bank's liquidity position, namely, the evolution of the balance sheet, the analysis of gaps and key activity indicators (liquidity and commercial gaps, deposit and credit rates). In brief, a comprehensive assessment is carried out of liquidity risk and its evolution, with special focus on current liquidity buffers and the generation/maintenance of eligible assets.

At the level of the different assets, constant monitoring of the possibility of their transaction is maintained, duly framed by limits for operation in each market. Furthermore, under the periodic monitoring of the liquidity situation, the **Group** calculates the liquidity mismatch, Additional Liquidity Monitoring Metrics (ALMM), pursuant to the addenda issued in 2018 to Regulation (EU) 680/2014 of the Commission.

ALMM takes into account all the contracted outflows and inflows and uses a maturity ladder which enables confirming the existence or not of the **Group**'s liquidity mismatch, and also enables knowing its capacity to counterbalance any liquidity mismatch.

The liquidity mismatch is calculated for various timeframes, from overnight up to more than five years, taking into account the asset liability and off-balance sheet positions with expected and estimated financial flows that are scheduled according to the corresponding residual maturities or inflow/outflow date of the monetary flow.

As at 31 December 2020, the ALMM shows a positive liquidity mismatch (difference between contracted outflows and inflows) of 170,407 thousand euros (609,479 thousand years at 31 December 2019).

Additionally, this positive liquidity mismatch is reinforced by the financial assets and reserves at the Central Bank of close to 1,020,108 thousand euros (781,858 thousand years at 31 December 2019).

Market Risk

Market Risk broadly means any loss arising from an adverse change in the value of a financial instrument as a result of a variation in interest rates, exchange rates, share prices, prices of goods or real estate, volatility and credit spreads.

The **Group** does not have a trading portfolio, with the exception of a derivative with a residual valuation (345 thousand euros) that was acquired by one of the securitizations included in the consolidation perimeter, and almost all of its investment portfolio is recorded as financial assets at amortized cost and residually as financial assets at fair value through other comprehensive income. Credit risk, and not market risk, is the main risk arising from the **Group**'s investments.

Operational Risk

The **Group**, in view of the nature of its activity, is exposed to potential losses or reputational risk, as a result of human errors, failures of systems and/or processing, unexpected stoppage of activity or failures on the part of third parties in terms of supplies, provisions or execution of services.

The approach to operational risk management is underpinned by the end-to-end structure, ensuring the effective adequacy of the controls involving functional units that intervene in the process. The Group identifies and assesses the risks and controls of the processes, ensuring their compliance with the requirements and principles of the Internal Control System.

Capital risk

The **Group** and the **Company** manage their capital to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the **Group** and the **Company** may adjust the amount paid to shareholders in dividends, issue new debt or sell assets to reduce debt.

The balance of capital structure is monitored based on the adjusted solvency ratio, calculated as: Equity / Liabilities.

During the years ended 31 December 2019 and 31 December 2020, the **Group** and the **Company** maintained their high solvency ratio.

The solvency ratios at 31 December 2019 and 31 December 2020 were as follows:

	Group		Company	
	2019	2020	2019	2020
Equity	131,414,932	150,275,094	131,172,677	150,003,105
Liabilities	2,382,025,972	2,744,627,532	884,907,075	903,280,297
Amounts of third parties	236,614,131	234,121,234	236,614,131	234,121,234
Adjusted solvency ratio [1]	6.1%	6.0%	20.2%	22.4%

[1] Equity / (Liabilities - Amounts of third parties in Cash and cash quivalents)

Regarding Banco CTT, the definition of the strategy to be adopted in terms of capital management is the responsibility of the Board of Directors.

Banco CTT seeks to achieve high financial solidity by maintaining a total own funds ratio - the ratio between own capital and risk-weighted assets - comfortably above the legal minimum as set out in Directive 2013/36/EU and Regulation (EU) No. 575/2013, adopted on 26 June 2013 by the European Parliament and the Council.

Banco CTT conducts an annual self-assessment exercise to determine the levels of capital adequacy in relation to its business model. This process is regulated by Banco de Portugal Instruction nº3/2019 and by the EBA guidelines and fulfils the objectives of Pillar II of the Basel II Agreement, in order to ensure that the risks to which the institutions are exposed are correctly evaluated and that the internal capital available to them is adequate in view of their risk profile.

Banco CTT has developed and formalized its methodology for the Internal Capital Assessment Adequacy Process (ICAAP), in order to ensure that the risks to which it is exposed are adequately assessed and that the internal capital it has is adequate to its risk profile. The methods and procedures adopted are based on the assessment and quantification of internal capital and the risks through quantitative and qualitative methods.

The referred Regulation (EU) No. 575/2013 comprises a set of transitional provisions allowing the phased application of the requirements, providing the possibility for credit institutions to gradually accommodate the new requirements both at the level of own funds and at the level of minimum capital ratios.

Capital ratios – Banco CTT

The main goal of capital management is ensuring compliance with the Bank's strategic goals as regards capital adequacy, thereby complying and enforcing compliance with the minimum capital requirements stipulated by the supervisory authorities.

In calculating capital requirements, Banco CTT used the standard method for credit risk and risk of the counterpart, used the basic indicator method for operational risk and used the standard method with the maturity-based approach to market risk.

Capital, calculated pursuant to Directive 2013/36/UE and Regulation (UE) no. 575/2013 of the European Parliament and of the Council and Bank of Portugal Notice 10/2017, include Common and additional Equity Tier 1 and Tier 2 capital. Tier 1 includes Common Equity Tier 1 (CET1) and additional Tier 1 capital.

The Bank's Common Equity Tier 1 includes: a) paid-up capital and retained earnings and reserves, b) regulatory deductions related to intangible assets and losses for the financial year underway and c) prudential filters. The Bank has no additional Tier 1 capital, nor Tier 2 capital.

The current legislation contemplates a transition period between the own funds' requirements according to national legislation and those calculated according to Community legislation in order to phase both the non-inclusion/exclusion of elements previously considered (phased-out) or the inclusion/deduction of new elements (phased-in). At the prudential framework level, institutions should report Common Equity Tier 1, tier 1 and total ratios of not less than 7%, 8.5% and 10.5%, respectively, including a 2.5% conservation buffer and a countercyclical buffer, in the case of the Bank, 0%

In order to promote the banking system capacity to perform this function adequately, and cumulatively with monetary policy measures, financial regulatory and supervisory authorities have introduced a wide range of measures. These measures went through the easing of a wide range requirements usually required to institutions. In the case of the banking system, the European Central Bank and the Bank of Portugal allowed the institutions directly supervised by them to operate temporarily with a level of own funds below the orientations and of the combined reserve of own funds, and with levels of liquidity lower than the liquidity coverage requirement.

During 2020, there were disclosed - by the national supervisor and the European Union - several measures of flexibilization of regulatory and supervisory requirements to relieve the contingency situation arising from the Covid-19 outbreak, through the reduction of regulatory capital requirements, including reserves of macroprudential capital.

Bank of Portugal Notice 10/2017 governs the transition period set out in the CRR as regards capital, namely regarding the deduction related to deferred taxes generated before 2014 and to the subordinated debt and non-eligible hybrid instruments, both of which are not applicable to Banco CTT.

With the introduction of IFRS 9 the Bank chose to recognize in stages the respective impacts of the static component in accordance with article 473-A of the CRR.

As at 31 December 2019 and 2020, the Bank had the following capital ratios, calculated pursuant to the transitory provisions set out in the CRR:

	2019		2020	
	CRR Phasing in	CRR Fully Implemented	CRR Phasing in	CRR Fully Implemented
OWN FUNDS				
Share Capital	**286,400,000**	**286,400,000**	**286,400,000**	**286,400,000**
Retained Earnings	**(66,147,585)**	**(66,147,585)**	**(74,158,672)**	**(74,158,672)**
Other Reserves	**(207,127)**	**(207,127)**	**(190,208)**	**(190,001)**
Prudential Filters	**15,448**	**15,448**	**63,775**	**63,775**
Fair value reserve	15,990	15,990	83,330	83,330
Additional Valuation Adjustment (AVA)	(542)	(542)	(19,555)	(19,555)
Deduction to the main Tier 1 elements	**(96,824,512)**	**(97,415,009)**	**(81,212,922)**	**(81,699,214)**
Losses for the period	(8,011,087)	(8,011,087)	-	-
Intangible assets	(88,709,220)	(88,709,220)	(81,004,512)	(81,004,512)
IFRS 9 adoption	(104,205)	(694,703)	(208,411)	(694,703)
Items not deducted from Own Funds according to article 437 of CRR	**2,093,072**	**2,093,072**	**1,929,123**	**1,929,123**
Deferred tax assets	2,093,072	2,093,072	1,929,123	1,929,123
Common Equity Tier 1	**123,236,224**	**122,645,727**	**130,901,973**	**130,415,888**
Tier 1 Capital	**123,236,224**	**122,645,727**	**130,901,973**	**130,415,888**
Total Own Funds	**123,236,224**	**122,645,727**	**130,901,973**	**130,415,888**
RWA				
Credit Risk	596,760,834	596,760,834	695,234,440	695,234,440
Operational Risk	45,816,101	45,816,101	84,768,166	84,768,166
Market Risk	486,680	486,680	118,481	118,481
IFRS 9 Adjustments	-	(334,964)	-	(432,067)
	643,063,615	**642,728,651**	**780,121,088**	**779,689,021**
CAPITAL RATIOS				
Common Equity Tier 1	19.16%	19.08%	16.78%	16.73%
Tier 1 Ratio	19.16%	19.08%	16.78%	16.73%
Total Capital Ratio	19.16%	19.08%	16.78%	16.73%
REGULATORY MINIMUM RATIOS				
Common Equity Tier 1	7.00%	7.00%	7.00%	7.00%
Tier 1 Ratio	8.50%	8.50%	8.50%	8.50%
Total Capital Ratio	10.50%	10.50%	10.50%	10.50%

Use of External Rating Assessments:

Banco CTT uses the ECAI's ratings (External Credit Assessment Institutions), in particular, the ratings issued by Moody's, S&P, Fitch and DBRS, for credit institutions exposures with a residual maturity greater than 3 months and for company exposures. Regarding this, the **Group** uses the standard relationship published by EBA between ECAIs and credit quality degrees.

Regarding the risk weight calculation to be applied in RWA calculation, the credit assessments allocation of the issuer occurs as follows:

a) debt securities positions are rated specifically for these issues;

b) If there are no specific credit ratings for the issues, as mentioned in a), the credit ratings attributed to the issuers of the same are considered, if any;

c) credit exposures that are not represented by debt securities receive only, and when they exist, the issuers' credit ratings.

At the reference dates, the Bank presented the following exposures:

Credit Quality Degree	2019 Institutions, residual maturity > 3m	2019 Companies	2019 Sovereign	2020 Institutions, residual maturity > 3m	2020 Companies	2020 Sovereign
1	-	-	6,493,032	10,000,400	-	6,434,907
2	-	14,620,434	60,605,491	19,419,126	15,484,974	99,987,816
3	1,650,072	-	374,865,952	9,300,234	-	386,726,562
4	-	-	-	-	-	5,047,605
5	-	-	-	-	-	-
6	-	-	-	-	-	-
Sem rating	30,480,376	-	-	210,238	4,314,960	-
	32,130,448	**14,620,434**	**441,964,475**	**38,929,998**	**19,799,934**	**498,196,890**

17. Inventories

As at 31 December 2019 and 31 December 2020, the **Group** and the **Company** Inventories are detailed as follows:

2019	Group Gross amount	Group Impairment losses	Group Net amount	Company Gross amount	Company Impairment losses	Company Net amount
Merchandise	5,403,997	2,116,305	3,287,693	5,059,847	2,093,793	2,966,054
Raw, subsidiary and consumable materials	3,429,590	725,188	2,704,402	3,383,003	725,187	2,657,816
Advances on purchases	(132,026)	-	(132,026)	(132,026)	-	(132,026)
	8,701,562	**2,841,493**	**5,860,069**	**8,310,824**	**2,818,980**	**5,491,844**

2020	Group Gross amount	Group Impairment losses	Group Net amount	Company Gross amount	Company Impairment losses	Company Net amount
Merchandise	6,509,642	2,525,086	3,984,556	6,191,416	2,525,086	3,666,330
Raw, subsidiary and consumable materials	3,572,266	847,331	2,724,935	3,548,077	847,331	2,700,746
Advances on purchases	(107,492)	-	(107,492)	(107,492)	-	(107,492)
	9,974,416	**3,372,417**	**6,601,999**	**9,632,001**	**3,372,417**	**6,259,585**

Cost of sales

During the years ended 31 December 2019 and 31 December 2020, the details of Cost of sales related to the **Group** and the **Company**, were as follows:

2019	Group Merchandise	Group Raw, subsidiary and consumable materials	Group Total	Company Merchandise	Company Raw, subsidiary and consumable materials	Company Total
Opening balance	4,849,214	3,273,849	8,123,063	4,479,790	3,242,516	7,722,306
Purchases	10,866,751	3,703,524	14,570,275	10,261,958	3,667,872	13,929,830
Adjustments	(3,856)	2,006	(1,850)	(3,856)	2,006	(1,850)
Impairment of inventories	311,889	91,662	403,551	289,377	91,662	381,039
Closing balance	(5,403,997)	(3,429,590)	(8,833,587)	(5,059,847)	(3,383,003)	(8,442,850)
Cost of sales	**10,620,000**	**3,641,450**	**14,261,450**	**9,967,421**	**3,621,053**	**13,588,474**

2020	Group Merchandise	Group Raw, subsidiary and consumable materials	Group Total	Company Merchandise	Company Raw, subsidiary and consumable materials	Company Total
Opening balance	5,403,997	3,429,590	8,833,587	5,059,847	3,383,003	8,442,850
Purchases	16,796,280	3,299,932	20,096,212	16,242,868	3,291,513	19,534,381
Adjustments	(65,228)	(202,484)	(267,711)	(65,228)	(202,484)	(267,711)
Impairment of inventories	513,486	124,398	637,884	513,486	124,398	637,884
Closing balance	(6,509,642)	(3,572,266)	(10,081,907)	(6,191,416)	(3,548,077)	(9,739,493)
Cost of sales	**16,138,893**	**3,079,171**	**19,218,064**	**15,559,557**	**3,048,353**	**18,607,910**

Impairment

During the years ended 31 December 2019 and 31 December 2020, the movements in the **Group** Accumulated impairment losses (Note 24) were as follows:

Group (2019)	Opening balance	Increases	Reversals	Utilisations	Closing balance
Merchandise	1,824,111	313,018	(1,129)	(19,695)	2,116,305
Raw, subsidiary and consumable materials	633,526	91,661	-	-	725,187
	2,457,637	**404,679**	**(1,129)**	**(19,695)**	**2,841,492**

Group	Opening balance	Increases	Reversals	Utilisations	Closing balance
	2020				
Merchandise	2,116,305	513,486	-	(104,705)	2,525,086
Raw, subsidiary and consumable materials	725,187	131,708	(7,310)	(2,254)	847,331
	2,841,492	**645,194**	**(7,310)**	**(106,959)**	**3,372,417**

For the years ended 31 December 2019 and 31 December 2020, impairment losses of inventories were recorded in the **Group** net of reversals amounting to 403,551 Euros and 637,884 Euros, respectively, in the caption Cost of sales.

In relation to the **Company**, during the years ended 31 December 2019 and 31 December 2020, the movements in Accumulated impairment losses (Note 24) were as follows:

Company	Opening balance	Increases	Reversals	Utilisations	Closing balance
	2019				
Merchandise	1,804,416	289,377	-	-	2,093,793
Raw, subsidiary and consumable materials	633,526	91,662	-	-	725,188
	2,437,942	**381,039**	**-**	**-**	**2,818,981**

Company	Opening balance	Increases	Reversals	Utilisations	Closing balance
	2020				
Merchandise	2,093,793	513,486	-	(82,193)	2,525,086
Raw, subsidiary and consumable materials	725,188	131,708	(7,310)	(2,255)	847,331
	2,818,981	**645,194**	**(7,310)**	**(84,448)**	**3,372,417**

For the years ended 31 December 2019 and 31 December 2020, impairment losses of inventories were recorded in the **Company** net of reversals amounting to 381,039 Euros and 637,884 Euros, respectively, in the caption Cost of sales.

18. Accounts receivable

As at 31 December 2019 and 31 December 2020 the **Group** and the **Company** heading Accounts receivable showed the following composition:

	Group		Company	
	2019	2020	2019	2020
Non-current				
Group companies [(1)]	-	-	661,287	495,932
	-	**-**	**661,287**	**495,932**
Current				
Third parties	98,114,516	105,752,676	55,047,904	51,606,014
Postal operators	47,981,357	47,297,803	46,046,281	45,352,597
Group companies [(1)]	375,838	565,530	11,748,025	14,706,863
	146,471,712	**153,616,009**	**112,842,210**	**111,665,473**
	146,471,712	**153,616,009**	**113,503,497**	**112,161,406**

[(1)] Includes subsidiary, associated and joint-ventures companies.

As at 31 December 2019 and 31 December 2020, the ageing of accounts receivable is detailed as follows:

Accounts receivable	2019					
	Group			Company		
	Gross amount	Accumulated impairment losses	Net amount	Gross amount	Accumulated impairment losses	Net amount
Non-overdue	70,155,715	1,366,006	68,789,710	47,845,821	1,760	47,844,061
Overdue [(1)]**:**						
0-30 days	12,486,360	14,800	12,471,560	9,202,001	2,308	9,199,693
31-90 days	20,563,592	810,187	19,753,405	17,476,987	49,149	17,427,837
91-180 days	8,260,228	887,104	7,373,123	5,315,051	50,093	5,264,958
181-360 days	11,419,842	1,323,043	10,096,799	8,133,126	113,276	8,019,849
> 360 days	61,567,810	33,580,695	27,987,115	30,027,429	4,280,330	25,747,098
	184,453,546	**37,981,835**	**146,471,711**	**118,000,414**	**4,496,917**	**113,503,497**

[(1)] The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

Accounts receivable	2020					
	Group			Company		
	Gross amount	Accumulated impairment losses	Net amount	Gross amount	Accumulated impairment losses	Net amount
Non-overdue	71,820,598	41,244	71,779,355	39,962,084	18,129	39,943,955
Overdue [(1)]**:**						
0-30 days	23,497,949	4,159	23,493,790	19,884,509	-	19,884,509
31-90 days	16,900,018	268,891	16,631,127	14,355,876	7,103	14,348,774
91-180 days	7,350,316	441,249	6,909,067	4,218,822	36,818	4,182,005
181-360 days	12,227,677	819,606	11,408,071	11,033,712	136,826	10,896,887
> 360 days	61,453,294	38,058,694	23,394,600	27,133,913	4,228,637	22,905,276
	193,249,852	**39,633,843**	**153,616,009**	**116,588,918**	**4,427,512**	**112,161,406**

The net amount of the Accounts receivable balances overdue over 360 days is broken down as follows:

	Group		Company	
	2019	2020	2019	2020
Other accounts receivable	3,580,667	1,211,620	2,168,562	1,206,142
Foreign operators	24,406,448	22,182,980	23,578,536	21,699,134
Total	**27,987,115**	**23,394,600**	**25,747,098**	**22,905,276**
Foreign operators - payable (Note 33)	**(18,543,513)**	**(20,603,903)**	**(18,155,347)**	**(20,438,443)**

The caption Foreign Operators relates to receivables associated with the distribution of postal items in Portugal with origin in other countries.

These operations fall within the scope of the regulations of the Universal Postal Union (UPU) that establishes the closing of the accounts on an annual basis which therefore is only made after the year end and originates the significant overdue balance with more than 360 days with these customers. It should also be mentioned that the referred regulation establishes a period of up to 22 months for the presentation of the accounts and, therefore, the foreign operators' balances reflect the expected trend of this specific business.

The **Group** does not have an unconditional right to settle the Foreign Operators amounts by net values, deducting unilaterally the receivable amounts from the payable amounts, for which the balances are presented in assets and liabilities. However, under the UPU regulations, the accounts between Foreign Operators are cleared by netting accounts, so the credit risk is mitigated by the accounts payable balances related to these entities and by the advance payments on the net receivables of the year (Note 33).

The accounts receivable and payable from foreign postal operators' detail by ageing (reference year) with reference of 31.12.2019 were as follows:

Group	2019	2018	2017 and previous	Total
Nature				
Customers	22,671,033	17,026,591	8,283,733	47,981,357
Suppliers	(18,413,678)	(13,320,508)	(6,809,490)	(38,543,677)

The accounts receivable and payable from foreign postal operators' detail by ageing (reference year) with reference of 31.12.2020 were as follows:

Group	2020	2019	2018 and previous	Total
Nature				
Customers	14,510,743	19,331,373	13,455,687	47,297,803
Suppliers	(15,273,622)	(15,748,170)	(9,072,777)	(40,094,570)

In the actual interest rate environment, the revenue recognition impact of significant financing component effect associated to the contractual performance obligations with Foreign Operators is not significant. The **Group** and the **Company** did not recognize any amount.

The balance of national customers includes receivables of public entities and other clients that are also suppliers which will be netted with accounts payable balances and customers with debt payment plans.

For the national customers, the bank guarantees and advance deposits coverage over the customers receivables maintained at 1.8% as at 31 December 2020 compared to the end of 2019, in the **Group** and at 2.1% as at 31 December 2020 compared to the end of 2019 in the **Company**.

	Group		Company	
	2019	2020	2019	2020
Advance deposits	1,319,695	1,309,538	1,310,804	1,300,647
Bank guarantees	484,020	75,253	75,253	75,253
Total	**1,803,715**	**1,384,791**	**1,386,057**	**1,375,900**

Impairment losses

During the years ended 31 December 2019 and 31 December 2020, the movement in the **Group** Accumulated impairment losses caption (Note 24) was as follows:

Group	2019				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Accounts receivable	33,436,621	7,204,092	(766,236)	(1,892,645)	37,981,832
	33,436,621	**7,204,092**	**(766,236)**	**(1,892,645)**	**37,981,832**

Group	2020				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Accounts receivable	37,981,832	5,390,793	(2,014,668)	(1,724,114)	39,633,843
	37,981,832	**5,390,793**	**(2,014,668)**	**(1,724,114)**	**39,633,843**

For the years ended 31 December 2019 and 31 December 2020, impairment losses of accounts receivable were recorded in the **Group** (net of reversals) amounting to 6,437,856 Euros and 3,376,125 Euros, respectively, in the caption Impairment of accounts receivable, net (Note 44).

The impairment reversals verified in 2020 are mainly explained by the amounts' recovery in litigation and pre-litigation, with emphasis on CTT Expresso and CTT Expresso branch in Spain. The increase in impairment losses is due to an aggravation of the forward-looking component in PD accounts receivable calculation.

During the years ended 31 December 2019 and 31 December 2020, the movement in Accumulated impairment losses caption (Note 24) of the **Company** was as follows:

Company	2019 Opening balance	Increases	Reversals	Utilisations	Closing balance
Accounts receivable	4,087,678	585,751	-	(176,512)	4,496,917
	4,087,678	**585,751**	**-**	**(176,512)**	**4,496,917**

Company	2020 Opening balance	Increases	Reversals	Utilisations	Closing balance
Accounts receivable	4,496,917	943,189	-	(1,012,594)	4,427,512
	4,496,917	**943,189**	**-**	**(1,012,594)**	**4,427,512**

For the years ended 31 December 2019 and 31 December 2020, impairment losses of accounts receivable were recorded in the **Company** (net of reversals) amounting to 585,751 Euros and 943,189 Euros, respectively, in the caption Impairment of accounts receivable, net (Note 44).

19. Credit to banking clients

As at 31 December 2019 and 31 December 2020, the **Group** caption Credit to banking clients was detailed as follows:

	31.12.2019	31.12.2020
Performing loans	**884,922,781**	**1,101,441,373**
Mortgage Loans	405,168,238	525,082,831
Auto Loans	469,774,742	568,273,557
Leasings	8,977,360	6,936,643
Overdrafts	1,002,441	1,148,342
Overdue loans	**4,875,990**	**8,505,242**
Overdue loans - less than 90 days	740,614	1,008,648
Overdue loans - more than 90 days	4,135,376	7,496,594
	889,798,770	**1,109,946,614**
Credit risk impairment	**(3,978,200)**	**(16,665,082)**
	885,820,571	**1,093,281,532**

The maturity analysis of the Credit to bank clients as at 31 December 2019 and 31 December 2020 is detailed as follows:

31.12.2019	Current					Non-current			
	At sight	Due within 3 months	Over 3 months and less than 1 year	Overdue Loans	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Mortgage loans	-	2,963,207	8,424,196	563	11,387,966	22,801,200	370,979,635	393,780,835	405,168,801
Auto Loans	-	21,508,729	53,448,350	3,120,988	78,078,067	138,181,295	256,636,368	394,817,663	472,895,730
Leasings	-	671,623	1,843,173	445,221	2,960,017	3,962,260	2,500,304	6,462,564	9,422,580
Overdrafts	1,002,441	-	-	679,753	1,682,194	-	-	-	1,682,194
Other credits	-	-	-	629,465	629,465	-	-	-	629,465
	1,002,441	**25,143,559**	**63,715,719**	**4,875,990**	**94,737,709**	**164,944,755**	**630,116,307**	**795,061,062**	**889,798,770**

31.12.2020	Current					Non-current			
	At sight	Due within 3 months	Over 3 months and less than 1 year	Overdue Loans	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Mortgage loans	-	3,678,902	10,649,699	12	14,328,613	29,885,595	480,868,635	510,754,230	525,082,842
Auto Loans	-	24,671,168	62,937,327	6,623,827	94,232,322	163,219,651	317,445,413	480,665,063	574,897,386
Leasings	-	364,790	1,390,217	209,623	1,964,630	3,068,253	2,113,383	5,181,635	7,146,265
Overdrafts	1,148,342	-	-	1,044,947	2,193,289	-	-	-	2,193,289
Other credits	-	-	-	626,832	626,832	-	-	-	626,832
	1,148,342	**28,714,860**	**74,977,243**	**8,505,242**	**113,345,686**	**196,173,498**	**800,427,430**	**996,600,928**	**1,109,946,614**

The breakdown of this heading by type of rate is as follows:

	31.12.2019	31.12.2020
Fixed rate	427,176,016	528,330,964
Floating rate	462,622,754	581,615,650
	889,798,770	**1,109,946,614**
Credit risk impairment	(3,978,200)	(16,665,082)
	885,820,571	**1,093,281,532**

As at 31 December 2019 and 31 December 2020, the analysis of this caption by type of collateral, is presented as follows:

	2019				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	414,131,534	733,350	414,864,883	(410,314)	414,454,569
Other guaranteed Loans	463,692,443	1,651,366	465,343,809	(1,938,840)	463,404,969
Unsecured Loans	7,098,804	2,491,274	9,590,078	(1,629,045)	7,961,033
	884,922,781	**4,875,990**	**889,798,770**	**(3,978,200)**	**885,820,571**

	2020				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	531,954,585	924,100	532,878,686	(1,513,304)	531,365,381
Other guaranteed Loans	562,616,191	3,766,660	566,382,851	(10,183,295)	556,199,556
Unsecured Loans	6,870,596	3,814,481	10,685,078	(4,968,483)	5,716,595
	1,101,441,373	**8,505,242**	**1,109,946,614**	**(16,665,082)**	**1,093,281,532**

The credit type analysis of the caption, as at 31 December 2019 and 31 December 2020 is detailed as follows:

	2019				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	405,168,238	563	405,168,801	(94,675)	405,074,126
Auto Loans	469,774,742	3,120,988	472,895,730	(3,339,385)	469,556,345
Leasings	8,977,360	445,221	9,422,580	(99,647)	9,322,933
Overdrafts	1,002,441	679,753	1,682,194	(434,392)	1,247,802
Other credits	-	629,465	629,465	(10,101)	619,364
	884,922,781	**4,875,990**	**889,798,770**	**(3,978,200)**	**885,820,571**

	2020				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	525,082,831	12	525,082,842	(498,762)	524,584,080
Auto Loans	568,273,557	6,623,827	574,897,385	(14,657,207)	560,240,178
Leasings	6,936,643	209,623	7,146,266	(282,076)	6,864,190
Overdrafts	1,148,342	1,044,947	2,193,289	(1,105,137)	1,088,152
Other credits	-	626,832	626,832	(121,900)	504,932
	1,101,441,373	**8,505,242**	**1,109,946,614**	**(16,665,082)**	**1,093,281,532**

The analysis of credit to bank clients as at 31 December 2019 and 31 December 2020, by sector of activity, is as follows:

	2019				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies					
Agriculture, forestry and fishing	1,111,340	8,581	1,119,921	(19,854)	1,100,067
Mining and quarrying	22,559	-	22,559	(130)	22,430
Manufacturing	3,414,359	82,939	3,497,297	(53,265)	3,444,032
Water supply	192,904	5,712	198,615	(5,806)	192,809
Construction	8,289,160	198,054	8,487,214	(46,230)	8,440,985
Wholesale and retail trade	5,370,786	654,597	6,025,382	(41,074)	5,984,309
Transport and storage	1,459,131	27,086	1,486,217	(35,098)	1,451,119
Accommodation and food service activities	1,969,233	15,598	1,984,831	(40,979)	1,943,852
Information and communication	347,009	1,459	348,467	(2,804)	345,663
Financial and insurance activities	167,845	702	168,547	(2,503)	166,044
Real estate activities	1,788,935	10,730	1,799,665	(12,427)	1,787,238
Professional, scientific and technical activities	1,107,319	7,105	1,114,424	(12,141)	1,102,283
Administrative and support service activities	1,611,610	289,475	1,901,084	(19,749)	1,881,336
Education	648,410	997	649,407	(4,634)	644,773
Human health services and social work activities	876,026	851	876,878	(14,683)	862,195
Arts, entertainment and recreation	478,756	2,074	480,830	(9,266)	471,564
Other services	14,038,952	34,985	14,073,937	(106,888)	13,967,049
Individuals					
Mortgage Loans	405,168,238	563	405,168,801	(94,675)	405,074,126
Consumer Loans	436,860,210	3,534,481	440,394,691	(3,455,994)	436,938,697
	884,922,781	**4,875,989**	**889,798,770**	**(3,978,200)**	**885,820,570**

	2020				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies					
Agriculture, forestry and fishing	1,570,642	20,473	1,591,115	(46,820)	1,544,295
Mining and quarrying	257,127	421	257,548	(4,545)	253,003
Manufacturing	3,048,245	94,055	3,142,300	(105,257)	3,037,043
Water supply	143,772	5,712	149,484	(5,802)	143,682
Construction	6,186,340	325,240	6,511,580	(291,722)	6,219,858
Wholesale and retail trade	4,781,134	470,539	5,251,673	(253,496)	4,998,177
Transport and storage	1,325,020	55,757	1,380,776	(79,724)	1,301,053
Accommodation and food service activities	1,639,376	23,246	1,662,622	(67,124)	1,595,498
Information and communication	252,085	1,971	254,056	(3,273)	250,783
Financial and insurance activities	171,080	1,577	172,657	(2,918)	169,739
Real estate activities	1,353,647	11,437	1,365,084	(16,980)	1,348,104
Professional, scientific and technical activities	884,963	5,135	890,098	(31,703)	858,395
Administrative and support service activities	1,407,730	293,970	1,701,700	(95,120)	1,606,580
Education	572,582	845	573,427	(8,711)	564,717
Human health services and social work activities	805,858	14,818	820,676	(33,691)	786,984
Arts, entertainment and recreation	411,482	31,057	442,539	(36,638)	405,901
Other services	23,392,740	120,422	23,513,162	(455,112)	23,058,050
Individuals					
Mortgage Loans	525,082,830	12	525,082,842	(498,762)	524,584,079
Consumer Loans	528,154,720	7,028,553	535,183,273	(14,627,684)	520,555,590
	1,101,441,372	**8,505,241**	**1,109,946,614**	**(16,665,082)**	**1,093,281,532**

The total credit portfolio, split by stage according to IFRS 9, is analyzed as follows:

	2019	2020
Stage 1	**834,895,752**	**1,026,604,019**
Gross amount	836,958,434	1,030,765,765
Impairment	(2,062,682)	(4,161,745)
Stage 2	**39,336,322**	**49,989,172**
Gross amount	40,207,967	52,213,747
Impairment	(871,645)	(2,224,575)
Stage 3	**11,588,496**	**16,688,341**
Gross amount	12,632,369	26,967,103
Impairment	(1,043,873)	(10,278,762)
	885,820,571	**1,093,281,532**

The caption credit to bank clients includes the effect of traditional securitization transactions, carried out through securitization vehicles, consolidated pursuant to IFRS 10 in accordance with accounting policy 2.2.

Moratoria

Decree-Law No. 10-J/2020 of 26 March laid down exceptional measures to protect credit to households, companies, private charity institutions and other entities of the social economy, as well as a special scheme of State guarantees within the scope of the COVID-19 pandemic.

In the course of 2020, this regulation was successively amended by Law no. 8/2020 of 10 April, Decree-Law no. 26/2020 of 16 June, Law no. 27-A/2020 of 24 July, and Decree-Law no. 78-A/2020 of 29 September.

Following various legislative amendments, the end of the moratorium period, initially scheduled for September 2020, was extended until September 2021. These amendments also provided for the extension of the deadline for clients to formalize their moratorium requests. The conditions of access and the types of credit covered have also been altered. The measures foreseen in the legislation described above - Public Moratoria - , translated into the granting of a grace period for principal or principal and interest to debtors of credit agreements.

In addition to the Public Moratorium, ASFAC - Association of Specialized Credit Institutions - created the ASFAC Private Moratorium, which established exceptional measures to support and protect families resulting from the financial impacts of the pandemic caused by COVID-19, similar to those provided in the Public Moratorium and applicable to 321 Crédito's auto loan portfolio.

In accordance with the EBA Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07), the gross exposures and impairment of contracts with moratoria in force as of 31 December 2020 are presented below:

	Gross carrying amount							
		Productives			Non-productives			
	Gross carrying amount	Productives	Of which: exposures subject to restructuring measures	Of which: instruments with a significant credit risk increase (*)	Non-productives	Of which: exposures subject to restructuring measures	Of which: reduced payment probability not due or due ≤ 90 days	Entries to non-productive exposures
Loans and advances subject to a moratoria	40,389,848	40,040,953	-	820,687	348,894	-	304,027	276,320
of which: families	31,118,478	31,118,478	-	-	-	-	-	-
of which: secured by residential properties	31,112,216	31,112,216	-	-	-	-	-	-
of which: non-financial companies	9,271,370	8,922,475	-	820,687	348,894	-	304,027	276,320
of which: small and medium-sized companies	8,115,476	7,808,860	-	701,065	306,615	-	272,227	276,320
of which: secured by commercial real estate	2,793,523	2,705,329	-	-	88,194	-	88,194	88,194

(*) since initial recognition but without credit impairment (Stage 2)

	Accumulated impairment, fair value accumulated negative changes resulting from credit risk						
		Productives			Non-productives		
	Accumulated impairment	Productives	Of which: exposures subject to restructuring measures	Of which: instruments with a significant credit risk increase (*)	Non-productives	Of which: exposures subject to restructuring measures	Of which: reduced payment probability not due or due ≤ 90 days
Loans and advances subject to a moratoria	(394,328)	(246,066)	-	(30,381)	(148,261)	-	(127,846)
of which: families	(67,896)	(67,896)	-	-	-	-	-
of which: secured by residential properties	(67,849)	(67,849)	-	-	-	-	-
of which: non-financial companies	(326,431)	(178,170)	-	(30,381)	(148,261)	-	(127,846)
of which: small and medium-sized companies	(195,967)	(75,642)	-	(27,386)	(120,325)	-	(106,384)
of which: secured by commercial real estate	(130,679)	(105,339)	-	-	(25,339)	-	(25,339)

(*) since initial recognition but without credit impairment (Stage 2)

Requests for late payments total numbers, late payments granted (excluding withdrawals) and late payments in effect at the end of December 2020, are as follows:

		Gross carrying amount							
					Moratoria's residual maturity				
	Debtors number	Gross carrying amount	Of which: legislative moratoria	Of which: expired	≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 9 months	> 9 months ≤ 12 months	> 1 year
Loans and advances that a moratoria have been offered	7,018	103,469,519							
Loans and advances subject to a moratoria	4,364	82,150,696	54,212,773	41,760,849	9,423,344	388,779	30,577,724	-	-
of which: families		71,837,335	44,355,505	40,718,857	151,975	388,779	30,577,724	-	-
of which: secured by residential properties		44,335,088	44,335,088	13,222,871	145,713	388,779	30,577,724	-	-
of which: non-financial companies		10,313,362	9,857,268	1,041,992	9,271,370	-	-	-	-
of which: small and medium-sized companies		9,130,510	8,674,417	1,015,034	8,115,476	-	-	-	-
of which: secured by commercial real estate		2,958,321	2,958,321	164,798	2,793,523	-	-	-	-

The moratorium credit portfolio by stage is detailed as follows:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	39,220,267	820,687	348,894	40,389,848
Impairment	(215,685)	(30,381)	(148,261)	(394,328)
Net Amount	**39,004,582**	**790,305**	**200,633**	**39,995,520**

The caption credit to bank clients includes the following amounts related to finance leases contracts:

	2019	2020
Amount of future minimum payments	9,632,194	7,458,032
Interest not yet due	(654,835)	(521,389)
Present value	**8,977,360**	**6,936,643**

The amount of future minimum payments of lease contracts, by maturity terms, is analyzed as follows:

	2019	2020
Due within 1 year	2,532,976	1,763,456
Due between 1 to 5 years	5,835,429	4,601,281
Over 5 years	1,263,789	1,093,295
Amount of future minimum payments	**9,632,194**	**7,458,032**

The analysis of financial leases contracts, by type of client, is presented as follows:

	2019	2020
Individuals	**1,097,230**	**773,163**
Home	95,072	96,094
Others	1,002,158	677,069
Companies	**7,880,129**	**6,163,480**
Equipment	634,577	314,966
Real Estate	7,245,552	5,848,514
	8,977,360	**6,936,643**

Impairment losses

During the year ended 31 December 2019 and 31 December 2020, the movement in the **Group** under the Accumulated impairment losses caption (Note 24) was as follows:

	2019							
	Opening balance	Increases	Reversals	Utilisations	Transfers	PPA adjustments	Changes in the consolidation perimeter	Closing balance
Non-current assets								
Credit to banking clients	225,968	2,298,517	(1,777,703)	(469,677)	611,781	(5,446,614)	7,149,174	2,591,450
	225,968	**2,298,517**	**(1,777,703)**	**(469,677)**	**611,781**	**(5,446,614)**	**7,149,174**	**2,591,450**
Current assets								
Credit to banking clients	231,556	5,409,498	(2,876,295)	(705,364)	(611,781)	(12,694,345)	12,633,482	1,386,750
	231,556	**5,409,498**	**(2,876,295)**	**(705,364)**	**(611,781)**	**(12,694,345)**	**12,633,482**	**1,386,750**
	457,525	**7,708,015**	**(4,653,998)**	**(1,175,041)**	**-**	**(18,140,959)**	**19,782,656**	**3,978,200**

	2020							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Other adjustments	Changes in the consolidation perimeter	Closing balance
Non-current assets								
Credit to banking clients	2,591,450	8,993,653	(2,226,654)	(507,412)	92,954	2,301,249	-	11,245,241
	2,591,450	**8,993,653**	**(2,226,654)**	**(507,412)**	**92,954**	**2,301,249**	**-**	**11,245,241**
Current assets								
Credit to banking clients	1,386,750	4,334,649	(1,073,175)	(244,556)	(92,954)	1,109,127	-	5,419,841
	1,386,750	**4,334,649**	**(1,073,175)**	**(244,556)**	**(92,954)**	**1,109,127**	**-**	**5,419,841**
	3,978,200	**13,328,302**	**(3,299,828)**	**(751,968)**	**-**	**3,410,377**	**-**	**16,665,082**

For the years ended 31 December 2019 and 31 December 2020, impairment losses of Credit to banking clients were recorded in the **Group** (net of reversals) amounting to 3,054,017 Euros and 10,028,474 Euros, respectively in the caption Impairment of accounts receivable, net (Note 44).

Regarding the movements in impairment losses by stages, in the periods ended on 31 December 2019and 31 December 2020, they are detailed as follows:

	2019			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	**184,341**	**67,195**	**205,989**	**457,525**
Change in period:				
Increases due to origination and acquisition	2,553,925	305,614	230,886	3,090,425
Changes due to change in credit risk	(842,651)	1,469,995	(49,602)	577,742
Decrease due to derecognition repayments and disposals	(139,146)	(64,702)	(410,302)	(614,150)
Write-offs	-	-	(1,175,041)	(1,175,041)
Transfers to:				
Stage 1	403,848	(373,530)	(30,318)	-
Stage 2	(82,928)	121,868	(38,940)	-
Stage 3	(14,707)	(717,728)	732,435	-
Foreign exchange and other	-	62,932	1,578,765	1,641,697
Impairment	**2,062,682**	**871,644**	**1,043,873**	**3,978,200**
Of which: POCI	*-*	*-*	*(1,293,376)*	*(1,293,376)*

	2020			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	**2,062,682**	**871,644**	**1,043,873**	**3,978,200**
Change in period:				
Increases due to origination and acquisition	1,555,460	654,163	724,897	2,934,520
Changes due to change in credit risk	558,236	(308,282)	7,606,556	7,856,509
Decrease due to derecognition repayments and disposals	(225,784)	(50,462)	(486,310)	(762,556)
Write-offs	-	-	(751,967)	(751,967)
Transfers to:				
Stage 1	449,964	(177,013)	(272,951)	-
Stage 2	(252,522)	934,051	(681,529)	-
Stage 3	(233,377)	(116,151)	349,528	-
Foreign exchange and other	247,087	416,625	2,746,665	3,410,377
Impairment	**4,161,745**	**2,224,575**	**10,278,762**	**16,665,082**
Of which: POCI	-	-	*(922,255)*	*(922,255)*

The reconciliation of accounting movements related to impairment losses is presented below:

	2019			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	**184,341**	**67,195**	**205,989**	**457,525**
Change in period:				
ECL income statement change for the period	1,572,128	1,710,907	(229,018)	3,054,017
Stage transfers (net)	306,213	(969,390)	663,177	-
Write-offs	-	-	(1,175,041)	(1,175,041)
Other movements	-	62,932	1,578,765	1,641,697
Impairment	**2,062,682**	**871,644**	**1,043,873**	**3,978,200**

	2020			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	**2,062,682**	**871,644**	**1,043,873**	**3,978,200**
Change in period:				
ECL income statement change for the period	1,887,912	295,419	7,845,143	10,028,474
Stage transfers (net)	(35,935)	640,887	(604,952)	-
Write-offs	-	-	(751,968)	(751,968)
Other movements	247,087	416,625	2,746,665	3,410,377
Impairment	**4,161,745**	**2,224,575**	**10,278,762**	**16,665,082**

20. Deferrals

As at 31 December 2019 and 31 December 2020, the Deferrals included in current assets and current and non-current liabilities of the **Group** and the **Company** showed the following composition:

	Group		Company	
	2019	2020	2019	2020
Assets deferrals				
Current				
Rents payable	1,391,768	1,500,004	1,025,236	1,030,936
Meal allowances	1,486,218	1,441,931	1,486,218	1,441,931
Other	4,427,275	3,556,825	2,873,327	2,130,348
	7,305,261	**6,498,759**	**5,384,781**	**4,603,214**
Liabilities deferrals				
Non-current				
Investment subsidy	294,490	283,289	294,490	283,289
	294,490	**283,289**	**294,490**	**283,289**
Current				
Investment subsidy	11,201	11,201	11,201	11,201
Contratual liabilities	1,533,212	1,310,217	1,028,940	696,738
Other	1,910,064	2,090,641	1,584,574	1,738,815
	3,454,477	**3,412,059**	**2,624,716**	**2,446,754**
	3,748,967	**3,695,348**	**2,919,206**	**2,730,043**

The caption "Contractual liabilities" results from the application of IFRS 15 - Revenue from Contracts with Customers and stands for the amount already invoiced, but not yet recognized as revenue because the performance obligations have not yet been met as recommended by the standard.

The "Contractual liabilities" recognized by the **Group** essentially refer to values related to stamps and prepaid postage of priority mail in the amount of 696,738 euros (1,028,940 euros on 31 December 2019), whose revenue is expected to be recognized in January 2021 (estimate of 80% of the item's value) and the remaining during 2021, and to objects invoiced and not delivered on 31 December 2020 in the express segment, in the amount of 613,479 euros (504,272 euros as of December 31, 2019), whose revenue is recognized upon delivery in the following month.

The revenue recognized by the **Group** and **Company** in the period, included in the balance of Contractual liabilities at the beginning of the period amounted to 1,533,212 Euros and 1,028,940 Euros, respectively.

No "Assets resulting from contracts" associated with the application of IFRS 15 - Revenue from contracts with customers were recognized.

21. Non-current assets held for sale and Discontinued operations

As at 31 December 2019 and 31 December 2020 the amounts recorded under this caption, in the **Group**, are detailed as follows:

	31.12.2019	31.12.2020
Non-current assets held for sale		
Real estate	989,446	2,421,005
Equipment	838	838
	990,284	**2,421,843**
Impairment	(184,609)	(282,778)
	805,675	**2,139,065**

Regarding 2020, the non-current assets held for sale correspond to: a) a building located in Santarém, held by CTT, in the amount of 1,173,231 euros, transferred from tangible fixed assets, following the conclusion of the promissory agreement for the sale of this property ii) properties and equipment recovered following the termination of financial and operating lease contracts, for which, in applicable cases, impairment was recorded, which reflects the difference between the gross amount and the appraised value of said assets, being the total amount of the mentioned properties and equipments of 965,833 Euros.

As determined in IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations the associated depreciations of the assets referred above have ceased in the moment of transfer to Non-Current Assets Held for Sale.

Impairment losses

During the years ended at 31 December 2019 and 31 December 2020, the movement in the **Group** under the caption "Impairment of Non-current assets held for sale" (Note 24) was as follows:

	2019						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
Current assets							
Non-current assets held for sale	-	9	(3,059)	-	-	187,659	184,609
	-	**9**	**(3,059)**	**-**	**-**	**187,659**	**184,609**

	2020						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
Current assets							
Non-current assets held for sale	184,609	99,640	(1,470)	-	-	-	282,778
	184,609	**99,640**	**(1,470)**	**-**	**-**	**-**	**282,778**

As at 31 December 2019 and 31 December 2020, there were no operations classified as discontinued operations.

22. Cash and cash equivalents

As at 31 December 2019 and 31 December 2020, cash and cash equivalents correspond to the value of cash, sight deposits, term deposits and cash investments on the monetary market, net of bank overdrafts and equivalent short-term bank financing, and is detailed as follows:

	Group		Company	
	2019	2020	2019	2020
Cash	59,266,424	77,580,872	33,306,761	49,681,160
Slight deposits	182,192,757	189,516,082	168,289,690	165,324,609
Demand deposits at Bank of Portugal	29,497,627	167,502,343	-	-
Deposits in other credit institutions	107,376,274	27,737,696	-	-
Term deposits	64,662,643	55,843,177	59,995,355	53,108,141
Cash and cash equivalents (Balance sheet)	**442,995,724**	**518,180,171**	**261,591,807**	**268,113,910**
Sight deposits at Bank of Portugal	(25,924,034)	(15,795,600)	-	-
Outstanding checks / Checks clearing	(2,226,045)	(3,575,300)	-	-
Impairment of slight and term deposits	19,924	17,510	16,842	16,813
Cash and cash equivalents (Cash flow statement)	**414,865,569**	**498,826,782**	**261,608,648**	**268,130,723**

The heading Sight deposits at Bank of Portugal includes mandatory deposits in order to meet the legal requirements to maintain a minimum cash reserve in accordance with the provisions of Regulation (EU) No. 1358/2011 of European Central Bank of 14 December 2011, which states that the minimum cash requirements kept as demand deposits at Bank of Portugal amounts to 1% of deposits and other liabilities.

Therefore, the item Demand deposits at Bank of Portugal includes, as at 31 December 2020, a total amount of demand deposits of 167,502,343 Euros (2019: 29,497,627 Euros), of which 15,795,600 Euros (2019: 25.924.034 Euros) were allocated to the fulfilment of the above mentioned mandatory minimum cash requirements at Banco de Portugal.

The caption "Outstanding checks/ Checks clearing" represents checks drawn by third parties on other credit institutions, which are in collection.

In 2020, the **Group**'s Cash-flows decrease 83,961,213 Euros. The main changes in the **Group**'s cash flow statement captions that contribute to the global change, are explained as follows:

- The caption "receivables resulting from Debt Securities", from Investment activities, amounts to 241,633,577 Euros (2019: 54,365,867 Euros). Similarly, the payments caption has also increased, with an amount of 307,332,086 Euros (2019: 63,920,455 Euros. As part of its liquidity management, Banco CTT decided to increase its investment in debt securities in 2020, justifying the change in both captions.
- The caption "receivables resulting from other banking financial assets", from investment activities, amounts to 36,190,000 Euros, comparing with 116,865,000 Euros in 2019, is mainly explained by, in 2019 there was a larger number of investments achieving the maturity compared with 2020. This additional cash was used to allow the reimbursement of Chaves Funding no. 7 operation, among others.
- The payments resulting from financial investments, from investment activities, in 2019, are mainly due to the 321 Crédito – Instituição Financeira de Crédito, S.A. acquisition, which explain the change in 2020 (2019: 114,407,523 Euros and 2020: 2,678,381 Euros);
- The caption "receivables from Loans obtained", from financial activities, amounts to 21,293,090 Euros (2019: 73,196,336 Euros), and the change is mainly explained by the increase, in 2019, of the used amount of Bankinter and BBVA's Loan and a simple credit agreement signed between CTT and Novo Banco for a total amount of 35 million Euros;
- The caption "receivables from Loans obtained", from financial activities, amounts to 250,000 Euros (2019: 202,340,829 Euros), and its change is mainly explained by, in 2019, Banco CTT had recurred to financing from other credit institutions, mainly through sales with repurchase agreements, which

did not occur in 2020. The same occurs in this caption payments in the total amount of 38,131,082 Euros (2019: 183,459,746 Euros;

- The caption "payments from other banking financial liabilities", from financial activities, amounts to 31,536,230 Euros (2019: 222,288,337 Euros. During 2019, the **Group** decided to early redeem Chaves Funding no. 7., which explains the change occurred.

The nature and main changes in the **Company**'s cash flow statement captions are explained as follows:

- The caption "Other receivables/ Payments", from operational activity, mainly books the amounts paid as payment orders, vouchers issued in stores, subscription and settlement of saving/ treasury certificates and related payments to IGCP, tax collections, foreign postal operators' payments and receivables , among others. This caption books, in 2020, the amount of 1,831,743 Euros (2019: 44,278,369 Euros), and the change is mainly explained for in 2020 there was a decrease in Treasury Certificates subscription, and the additional impact of payments made in January 2019 and 2020 of the outstanding amounts in December 2018 and 2019, respectively;
- The "payments resulting from financial investments", in 2019, respects mainly to, the share capital increase of Banco CTT S.A., occurred on April 26 and 23 December 2019 in the amount of 110,000,000 Euros and 20,000,000 Euros, respectively, explaining the change in 2020 (2019: 135,125,523) Euros and 2020: (3,928,381) Euros;
- The caption "receivables resulting from Loans obtained", from financial activities, has no amount in 2020 (2019: 57,500,000 Euros). The explanation for the change is explained above at the **Group** level.

Impairment

In the scope of IFRS 9 – Financial instruments the **Group** has begun to recognized impairment on sight and term deposits as well as on investments in credit institutions. Therefore, in the period ended 31 December 2019 and 31 December 2020, the movement recorded under the caption "Impairment of sight and term deposits" (Note 24) related to the **Group** is detail as follows:

	2019				
Group	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Closing balance**
Sight and term deposits	21,295	5,351	(6,723)	-	19,924
	21,295	**5,351**	**(6,723)**	**-**	**19,924**

	2020				
Group	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Closing balance**
Sight and term deposits	19,924	551	(2,965)	-	17,510
	19,924	**551**	**(2,965)**	**-**	**17,510**

For the year ended 31 December 2019 and 31 December 2020 impairment losses (increases net of reversals) of sight and term deposits amounted to (1,372) Euros and (2,414) Euros, respectively, and were booked under the heading Impairment of accounts receivable, net (Note 44).

Regarding the **Company**, in the period ended 31 December 2019 and 31 December 2020, the movement recorded under the caption "Impairment of sight and term deposits" (Note 24) related to the **Company** is detail as follows:

	2019				
Company	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Closing balance**
Sight and term deposits	11,973	4,868	-	-	16,842
	11,973	**4,868**	**-**	**-**	**16,842**

	2020				
Company	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Closing balance**
Sight and term deposits	16,842	329	(358)	-	16,813
	16,842	**329**	**(358)**	**-**	**16,813**

For the year ended 31 December 2019 and 31 December 2020 impairment losses (increases net of reversals) of sight and term deposits amounted to 4,868 Euros and (29) Euros, respectively, and were booked under the heading Impairment of accounts receivable, net (Note 44).

23. Other non-current and current assets

As at 31 December 2019 and 31 December 2020, the headings Other non-current assets and Other current assets of the **Group** and the **Company** had the following composition:

	Group		Company	
	2019	2020	2019	2020
Non-current				
Advances to staff	208,261	321,331	208,261	321,331
Other receivables from staff	2,523,249	2,205,419	2,523,249	2,205,419
Labour compensation fund	444,314	530,281	296,348	338,736
Other non-current assets	467,280	545,742	309,007	309,007
Impairment	(2,099,796)	(2,538,985)	(2,099,796)	(2,538,985)
	1,543,308	**1,063,789**	**1,237,070**	**635,508**
Current				
Advances to suppliers	307,196	357,598	261,382	252,848
Advances to staff	3,739,987	4,207,913	3,738,317	4,163,458
Postal financial services	4,415,627	9,119,894	4,415,627	9,119,894
State and other public entities	1,234,063	4,335,503	-	471,636
Debtors by accrued revenues	7,216,595	3,202,291	6,951,828	6,579,506
Amounts collected on CTT behalf	560,755	55,839	251,428	244,130
Guaranteed	338,513	580,060	-	-
Advances to lawyers	78,740	102,877	-	-
Debtors by asset disposals	69,854	56,414	69,854	56,414
Payshop agents	349,935	345,922	-	-
Mobility allowances for Autonomous Regions	5,900,466	4,009,533	5,900,466	4,009,533
Office for media	290,427	1,196,048	290,427	1,196,048
Sundry debtors	340,363	319,599	318,812	319,599
Collections	1,387,681	1,423,646	427,629	481,315
Deposits	2,396,558	738,889	216,907	291,425
Customs	705,401	735,818	705,401	735,818
Non-core billing	1,663,429	1,926,147	1,374,678	1,545,072
Billing to partners	2,947,681	1,437,894	-	-
Other current assets	10,164,689	9,629,249	9,675,375	9,232,400
Impairment	(8,341,733)	(10,052,550)	(7,658,758)	(8,968,023)
	35,766,227	**33,728,584**	**26,939,374**	**29,731,071**

The amounts recorded in the caption Postal financial services refer to receivables from the redemption of savings products and the sale of insurance, which presents an average ageing lower than 180 days.

The Caption Mobility allowances for Autonomous Regions refers to the amounts paid to residents of the Autonomous Regions of Madeira and the Azores on trips between the Mainland and the Autonomous Regions or between the Autonomous Regions, reimbursed by the Direção Geral do Tesouro e Finanças (Treasury and Finance General Department) within 2 months.

<u>Debtors by accrued revenues</u>

As at 31 December 2019 and 31 December 2020, the debtors by accrued revenues refer to amounts not invoiced namely regarding postal financial services, philatelic products, philatelic agents and other amounts, which present an average ageing lower than one year.

<u>Impairment</u>

For the years ended 31 December 2019 and 31 December 2020, the movement in the **Group** Accumulated impairment losses (Note 24) was as follows:

Group	2019						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
Other current and non-current assets	9,499,878	1,585,794	(100,274)	(232,877)	10,927	(321,918)	10,441,530
	9,499,878	**1,585,794**	**(100,274)**	**(232,877)**	**10,927**	**(321,918)**	**10,441,530**

Group	2020						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
Other current and non-current assets	10,441,530	1,886,462	(85,730)	(275,681)	624,954	-	12,591,535
	10,441,530	**1,886,462**	**(85,730)**	**(275,681)**	**624,954**	**-**	**12,591,535**

For the years ended 31 December 2019 and 31 December 2020, impairment losses (increases net of reversals) of Other current and non-current assets amounted to 1,485,520 Euros and 1,800,732 Euros, respectively, were booked under the heading Impairment of accounts receivable, net (Note 44).

Regarding the **Company**, during the years ended 31 December 2019 and 31 December 2020, the movement in the Accumulated impairment losses caption (Note 24) was as follows:

Company	2019						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Mergers	Closing balance
Other current and non-current assets	8,612,312	1,400,753	(85,980)	(168,532)	-	-	9,758,553
	8,612,312	**1,400,753**	**(85,980)**	**(168,532)**	**-**	**-**	**9,758,553**

Company	2020						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Mergers	Closing balance
Other current and non-current assets	9,758,553	1,865,313	(58,236)	(58,622)	-	-	11,507,008
	9,758,553	**1,865,313**	**(58,236)**	**(58,622)**	**-**	**-**	**11,507,008**

For the years ended 31 December 2019 and 31 December 2020, impairment losses of Other current and non-current assets were recorded in the **Company** (net of reversals) amounting to 1,314,773 Euros and 1,807,077 Euros, respectively in the caption Impairment of accounts receivable, net (Note 44).

24. Accumulated impairment losses

During the years ended 31 December 2019 and 31 December 2020, the following movements occurred in the **Group**'s impairment losses:

Group	2019							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	PPA adjustments	Closing balance
Non-current assets								
Tangible fixed assets	24,256	-	(83)	-	-	-	-	24,173
Investment properties	1,243,502	-	(494,358)	-	-	-	-	749,144
	1,267,758	**-**	**(494,442)**	**-**	**-**	**-**	**-**	**773,316**
Debt securities	164,883	31,531	(83,821)	(299)	57,147	-	-	169,441
Other non-current assets	1,982,890	-	-	-	116,906	-	-	2,099,796
Credit to banking clients	225,968	2,298,517	(1,777,703)	(5,916,288)	611,781	7,149,174	-	2,591,449
Other banking financial assets	217,751	91,523	(244,428)	-	101,403	-	-	166,249
	2,591,492	**2,421,571**	**(2,105,952)**	**(5,916,587)**	**887,237**	**7,149,174**	**-**	**5,026,935**
	3,859,250	**2,421,571**	**(2,600,394)**	**(5,916,587)**	**887,237**	**7,149,174**	**-**	**5,800,251**
Current assets								
Accounts receivable	33,436,621	7,204,092	(766,236)	(1,892,645)	-	-	-	37,981,832
Credit to banking clients	231,556	5,409,498	(2,876,295)	(13,399,710)	(611,781)	12,633,482	-	1,386,750
Debt securities	145,733	2,678	(370)	(86,758)	(57,147)	-	-	4,136
Other current assets	7,516,988	1,585,794	(100,275)	(554,795)	(105,979)	-	-	8,341,734
Other banking financial assets	207,945	249,671	(126,763)	-	(112,330)	4,011,236	-	4,229,759
Slight and term deposits	21,295	5,352	(6,723)	-	-	-	-	19,923
	41,560,139	**14,457,085**	**(3,876,662)**	**(15,933,908)**	**(887,237)**	**16,644,718**	**-**	**51,964,134**
Non-current assets held for sale	-	9	(3,059)	-	-	187,659	-	184,609
	-	**9**	**(3,059)**	**-**	**-**	**187,659**	**-**	**184,609**
Merchandise	1,824,111	313,018	(1,129)	(19,695)	-	-	-	2,116,305
Raw, subsidiary and consumable	633,526	91,662	-	-	-	-	-	725,188
	2,457,637	**404,680**	**(1,129)**	**(19,695)**	**-**	**-**	**-**	**2,841,493**
	44,017,776	**14,861,773**	**(3,880,850)**	**(15,953,603)**	**(887,237)**	**16,832,377**	**-**	**54,990,236**
	47,877,025	**17,283,344**	**(6,481,244)**	**(21,870,190)**	**-**	**23,981,551**	**-**	**60,790,487**

	2020							
Group	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Transfers**	**Changes in the consolidation perimeter**	**PPA adjustments**	**Closing balance**
Non-current assets								
Tangible fixed assets	24,172	-	(4,712)	-	-	-	-	19,460
Investment properties	749,144	-	(298,836)	-	-	-	-	450,308
	773,315	**-**	**(303,548)**	**-**	**-**	**-**	**-**	**469,768**
Debt securities	169,441	29,756	(15,650)	-	(2,144)	-	-	181,403
Other non-current assets	2,099,796	-	-	-	439,189	-	-	2,538,985
Credit to banking clients	2,591,449	8,993,653	(2,226,654)	(507,412)	92,954	-	2,301,249	11,245,241
Other banking financial assets	166,249	3,071	(27,984)	-	(137,625)	-	-	3,712
	5,026,935	**9,026,481**	**(2,270,288)**	**(507,412)**	**392,374**	**-**	**2,301,249**	**13,969,341**
	5,800,250	**9,026,481**	**(2,573,836)**	**(507,412)**	**392,374**	**-**	**2,301,249**	**14,439,109**
Current assets								
Accounts receivable	37,981,832	5,390,793	(2,014,668)	(1,724,114)	-	-	-	39,633,843
Credit to banking clients	1,386,750	4,334,649	(1,073,175)	(244,556)	(92,954)	-	1,109,127	5,419,841
Debt securities	4,136	4,372	(636)	-	2,144	-	-	10,016
Other current assets	8,341,734	1,886,462	(85,730)	(275,680)	185,765	-	-	10,052,551
Other banking financial assets	4,229,759	52,729	(1,157,163)	-	137,626	-	-	3,262,950
Slight and term deposits	19,923	551	(2,965)	-	-	-	-	17,509
	51,964,134	**11,669,556**	**(4,334,338)**	**(2,244,350)**	**232,581**	**-**	**1,109,127**	**58,396,710**
Non-current assets held for sale	184,609	99,640	(1,470)	-	-	-	-	282,778
	184,609	**99,640**	**(1,470)**	**-**	**-**	**-**	**-**	**282,778**
Merchandise	2,116,305	513,486	-	(104,705)	-	-	-	2,525,086
Raw, subsidiary and consumable	725,188	131,708	(7,310)	(2,255)	-	-	-	847,331
	2,841,493	**645,194**	**(7,310)**	**(106,960)**	**-**	**-**	**-**	**3,372,417**
	54,990,236	**12,414,389**	**(4,343,118)**	**(2,351,310)**	**232,581**	**-**	**1,109,127**	**62,051,906**
	60,790,486	**21,440,870**	**(6,916,953)**	**(2,858,722)**	**624,955**	**-**	**3,410,377**	**76,491,014**

As at 31 December 2020, the **Group** review the expected credit losses ("ECL") to be applied to amounts receivable and bank deposits, with reformulation of the risk parameters in order to reflect in the forward-looking component the economic deterioration resulting from the situation of COVID-19, considering for this purpose the combination of the projected changes in unemployment rate and GDP. This revision of the parameters had an impact of around €3.2m in the consolidated accounts of the **Group**.

The PPA adjustments refer to the transfer of the contracts' current impairment value that at the acquisition date of 321Crédito were classified as stage 2 and 3 for gross credit (gross exposure).

Regarding the **Company**, during the years ended 31 December 2019 and 31 December 2020, the movement in the Accumulated impairment losses was as follows:

	2019							
Company	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Transfers**	**Mergers**	**PPA adjustments**	**Closing balance**
Non-current assets								
Tangible fixed assets	24,255	-	(83)	-	-	-	-	24,172
Investment properties	1,243,502	-	(494,358)	-	-	-	-	749,144
	1,267,757	**-**	**(494,441)**	**-**	**-**	**-**	**-**	**773,316**
Other non-current assets	1,982,890	-	-	-	116,906	-	-	2,099,796
	1,982,890	**-**	**-**	**-**	**116,906**	**-**	**-**	**2,099,796**
	3,250,647	**-**	**(494,441)**	**-**	**116,906**	**-**	**-**	**2,873,112**
Current assets								
Accounts receivable	4,087,678	585,751	-	(176,512)	-	-	-	4,496,917
Other current assets	6,629,421	1,400,753	(85,981)	(168,531)	(116,906)	-	-	7,658,758
Slight and term deposits	11,973	4,868	-	-	-	-	-	16,842
	10,729,072	**1,991,373**	**(85,981)**	**(345,043)**	**(116,906)**	**-**	**-**	**12,172,516**
Merchandise	1,804,416	289,377	-	-	-	-	-	2,093,793
Raw, subsidiary and consumable	633,526	91,662	-	-	-	-	-	725,188
	2,437,942	**381,039**	**-**	**-**	**-**	**-**	**-**	**2,818,981**
	13,167,014	**2,372,411**	**(85,981)**	**(345,043)**	**(116,906)**	**-**	**-**	**14,991,497**
	16,417,661	**2,372,411**	**(580,422)**	**(345,043)**	**-**	**-**	**-**	**17,864,608**

	2020							
Company	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Transfers**	**Mergers**	**PPA adjustments**	**Closing balance**
Non-current assets								
Tangible fixed assets	24,172	-	(4,712)	-	-	-	-	19,460
Investment properties	749,144	-	(298,836)	-	-	-	-	450,308
Intangible assets	-	-	-	-	-	-	-	-
	773,316	**-**	**(303,548)**	**-**	**-**	**-**	**-**	**469,768**
Other non-current assets	2,099,796	-	-	-	439,189	-	-	2,538,985
	2,099,796	**-**	**-**	**-**	**439,189**	**-**	**-**	**2,538,985**
	2,873,112	**-**	**(303,548)**	**-**	**439,189**	**-**	**-**	**3,008,753**
Current assets								
Accounts receivable	4,496,917	943,189	-	(1,012,594)	-	-	-	4,427,512
Other current assets	7,658,758	1,865,313	(58,236)	(58,622)	(439,189)	-	-	8,968,024
Slight and term deposits	16,842	329	(358)	-	-	-	-	16,813
	12,172,517	**2,808,831**	**(58,594)**	**(1,071,216)**	**(439,189)**	**-**	**-**	**13,412,349**
Non-current assets held for sale	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Merchandise	2,093,793	513,486	-	(82,193)	-	-	-	2,525,086
Raw, subsidiary and consumable	725,188	131,708	(7,310)	(2,255)	-	-	-	847,331
	2,818,981	**645,194**	**(7,310)**	**(84,448)**	**-**	**-**	**-**	**3,372,417**
	14,991,498	**3,454,025**	**(65,904)**	**(1,155,664)**	**(439,189)**	**-**	**-**	**16,784,766**
	17,864,610	**3,454,025**	**(369,452)**	**(1,155,664)**	**-**	**-**	**-**	**19,793,519**

25. Equity

As at 31 December 2020, the **Company** share capital was composed of 150,000,000 shares with the nominal value of 0.50 Euros each. The share capital is fully underwritten and paid-up.

The information related to the shareholders with shareholdings equal to or greater than 2% can be found in chapter 5.1.2 section 7 of the Integrated Report.

26. Own shares, Reserves, Other changes in equity and Retained earnings

Own shares

The commercial legislation regarding own shares requires that a non-distributable reserve must be created for the same amount of the acquisition price of such shares. This reserve is not available for distribution while the shares stay in the **Company**'s possession. In addition, the applicable accounting standards determine that the gains or losses obtained with the sale of such shares are recognized in reserves.

As at 31 December 2020, CTT held 1 own share, with a nominal value of 0.50€, being all the inherent rights suspended pursuant to article 324 of the Portuguese Companies Code.

Own shares held by CTT are within the limits established by the Articles of Association of the **Company** and by the Portuguese Companies Code. These shares are recorded at acquisition cost.

Reserves

As at 31 December 2019 and 31 December 2020, the **Group**'s and **Company**'s heading Reserves showed the following composition:

	2019									
	Group					Company				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	15,000,000	8	270	50,836,597	65,836,875	15,000,000	8	-	50,836,597	65,836,605
Assets fair value	-	-	15,720	-	15,720	-	-	-	-	-
Closing balance	**15,000,000**	**8**	**15,990**	**50,836,597**	**65,852,595**	**15,000,000**	**8**	**-**	**50,836,597**	**65,836,605**

	2020									
	Group					Company				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	15,000,000	8	15,990	50,836,597	65,852,595	15,000,000	8	-	50,836,597	65,836,605
Assets fair value	-	-	67,340	-	67,340	-	-	-	-	-
Closing balance	**15,000,000**	**8**	**83,330**	**50,836,597**	**65,919,935**	**15,000,000**	**8**	**-**	**50,836,597**	**65,836,605**

Legal reserves

The commercial legislation establishes that at least 5% of the annual net profit must be allocated to reinforce the legal reserve, until it represents at least 20% of the share capital. This reserve is not distributable except in the event of the liquidation of the **Company** but may be used to absorb losses after all the other reserves have been depleted or incorporated in the share capital.

Own shares reserve (CTT, S.A.)

As at 31 December 2020, this caption includes the amount of 8 Euros related to the creation of an unavailable reserve for the same amount of the acquisition price of the own shares held.

Other reserves

This heading records the profits transferred to reserves that are not imposed by the law or articles of association, nor constituted pursuant to contracts signed by the **Company**.

Retained earnings

During the years ended 31 December 2019 and 31 December 2020, the following movements were made in the **Group** and the **Company** heading Retained earnings:

	Group		Company	
	2019	2020	2019	2020
Opening balance	4,378,984	10,867,301	4,387,132	10,679,731
Application of the net profit of the prior year	21,499,271	29,196,933	21,499,271	29,196,933
Distribution of dividends (note 27)	(15,000,000)	-	(15,000,000)	-
Adjustments from the application of the equity method	(10,954)	(15,806)	(206,672)	23,691
Other movements	-	(86,009)	-	-
Closing balance	**10,867,301**	**39,962,419**	**10,679,731**	**39,900,355**

Other changes in equity

The actuarial gains/losses associated to post-employment benefits, as well as the corresponding deferred taxes, are recognized in this heading (Note 31).

Thus, for the years ended 31 December 2019 and 31 December 2020, the movements occurred in this heading in the **Group** and in the **Company** were as follows:

	Group		Company	
	2019	2020	2019	2020
Opening balance	(30,993,430)	(49,744,144)	(31,001,308)	(49,540,583)
Actuarial gains/losses (Note 31)	(25,769,253)	2,917,315	(25,540,045)	2,896,864
Tax effect (Note 49)	7,018,539	(773,407)	7,000,770	(811,122)
Closing balance	**(49,744,144)**	**(47,600,236)**	**(49,540,583)**	**(47,454,842)**

27. Dividends

According to the dividend distribution proposal included in the 2018 Annual Report, at the General Meeting of Shareholders, which was held on 23 April 2019, a dividend distribution of 15,000,000 Euros, corresponding to a dividend per share of 0.10 Euros, regarding the financial year ended 31 December 2018 was proposed and approved. The dividend amount assigned to own shares was transferred to Retained earnings, totaling 0.10 Euros.

At the General Meeting of Shareholders, which was held on 29 April 2020, the non-distribution of dividends regarding the year ended 31 December 2019 was proposed and approved. The net income in the amount of 29,196,933 Euros was transferred to retained earnings.

28. Earnings per share

During the years ended 31 December 2019 and 31 December 2020, the earnings per share were calculated as follows:

	2019	2020
Net income for the period	29,196,933	16,669,309
Average number of ordinary shares	149,999,999	149,999,999
Earnings per share		
Basic	0.19	0.11
Diluted	0.19	0.11

The average number of shares is detailed as follows:

	2019	2020
Shares issued at begining of the period	150,000,000	150,000,000
Own shares effect	1	1
Average number of shares during the period	149,999,999	149,999,999

The basic earnings per share are calculated dividing the net profit attributable to equity holders of the parent company by the average ordinary shares, excluding the average number of own shares held by the **Group**.

As at 31 December 2020, the number of own shares held is 1 and its average number for the year ended 31 December 2020 is also 1, reflecting the fact that no acquisitions or sales/attribution have occurred in the given period.

There are no dilutive factors of earnings per share.

29. Non-controlling interests

During the years ended 31 December 2019 and 31 December 2020, the following movements occurred in non-controlling interests:

	2019	2020
Opening balance	165,494	242,255
Net profit for the year attributable to non-controlling interest	87,767	97,225
Other movements	(11,006)	(15,806)
Closing balance	**242,255**	**323,675**

As at 31 December 2019 and 31 December 2020, non-controlling interests are fully related to Correio Expresso de Moçambique, S.A..

30. Debt

As at 31 December 2019 and 31 December 2020, Debt of the **Group** and the **Company** showed the following composition:

	Group		Company	
	2019	2020	2019	2020
Non-current liabilities				
Bank loans	81,702,538	74,799,925	81,702,538	74,799,925
Lease liabilities	66,895,396	89,234,203	45,614,055	60,502,613
	148,597,934	**164,034,127**	**127,316,593**	**135,302,537**
Current liabilities				
Bank loans	9,749,470	16,856,747	-	7,125,000
Lease liabilities	17,064,097	25,975,879	12,898,704	20,120,348
	26,813,567	**42,832,626**	**12,898,704**	**27,245,348**
	175,411,501	**206,866,753**	**140,215,297**	**162,547,885**

As at 31 December 2020, the interest rates applied to bank loans were between 1.25% and 1.875% (31 December 2019: 1.25% and 1.875%).

Bank loans

As at 31 December 2019 and 31 December 2020, the details of the **Group** and **Company** bank loans were as follows:

Group	2019			2020		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans						
Millennium BCP	11,250,000	9,749,470	-	11,250,000	9,731,747	-
BBVA / Bankinter	75,000,000	-	46,891,381	75,000,000	7,125,000	40,075,774
Novo Banco	35,000,000	-	34,811,157	35,000,000	-	34,724,151
Banco Montepio	-	-	-	25,000,000	-	-
BIM - (Mozambique)	44,870	-	-	40,928	-	-
	121,294,870	**9,749,470**	**81,702,538**	**146,290,928**	**16,856,747**	**74,799,925**

Company	2019			2020		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans						
Millennium BCP	50,000	-	-	50,000	-	-
Novo Banco	35,000,000	-	34,811,157	35,000,000	-	34,724,151
Banco Montepio	-	-	-	25,000,000	-	-
BBVA / Bankinter	75,000,000	-	46,891,381	75,000,000	7,125,000	40,075,774
	110,050,000	**-**	**81,702,538**	**135,050,000**	**7,125,000**	**74,799,925**

On 27 September 2017, a financing contract between CTT and BBVA and Bankinter was signed, for an initial period of 5 years and for a total amount of 90 million Euros, with the possibility of using the funds until September 2018. As no amount was used until the mentioned date, the contract was renegotiated on 27 September 2018, having the total amount been altered to 75 million Euros, while maintaining the one-year term for the use of the funds. Regarding 31 December 2018, the amount of 25 million Euros was used, presented in the balance sheet net of commission in the amount of 24,276,250 Euros. As at 31 December 2020, the referred amount corresponded to 47,200,774 Euros. By a company decision, the remaining available amount will not be used.

On April 22, 2019, a simple credit agreement was signed between CTT and Novo Banco for a period of 60 months, with a grace period of two years, and may be extended for a period of 24 months, for a total amount of 35 million Euros. Regarding 31 December 2020, the 35 million Euros were used and are presented in the balance sheet net of commission in the amount of 34,724,151 Euros.

On 21 May 2020, a Commercial Paper Issue Placement Agreement was signed in the maximum amount of 25 million Euros, with a term of 3 years, renewable for the same period. As of 31 December 2020, no amount was used.

Bank loans obtained are subject to compliance with financial covenants, namely clauses of Cross default, Negative Pledge and Assets Disposal's limits. Additionally, the loans obtained also require compliance with rations of Net Debt over EBITDA and financial autonomy. Compliance with financial covenants is regularly monitored by the **Group** and is measured by counterparties on an annual basis based on the Financial Statements as at 31 December. As at 31 December 2020, the **Group** is in compliance with financial covenants.

Lease Liabilities

The **Group** presents lease liabilities which future payments, undiscounted and discounted amounts presented in the financial position, are detailed as follows:

	Group		Company	
	2019	2020	2019	2020
Due within 1 year	20,168,630	31,651,641	14,829,464	24,654,255
Due between 1 to 5 years	63,131,546	83,337,641	50,182,282	62,618,268
Over 5 years	14,737,518	18,964,112	3,897,164	5,403,000
Total undiscounted lease liabilities	**98,037,694**	**133,953,395**	**68,908,910**	**92,675,524**
Current	17,064,097	25,975,879	12,898,704	20,120,348
Non-current	66,895,396	89,274,939	45,614,055	60,502,613
Lease liabilities included in the statement of financial position	**83,959,493**	**115,250,818**	**58,512,759**	**80,622,960**

The increase in lease liabilities is explained by the new interpretation issued by *IFRIC Committee*, that changed the understanding of the lease-term definition, as mentioned in note 3, and also for the new lease agreements.

The amounts recognized in the income statement are detailed as follows:

	Group 2019	Group 2020	Company 2019	Company 2020
Lease Liabilities interests (note 48)	3,663,261	3,270,933	2,424,680	2,075,214
Variable payments not included in the measurament of the lease liability (note 42)	3,050,726	2,772,287	2,586,907	2,318,683

The amounts recognized in the Cash flow statement are as follows:

	Group 2019	Group 2020	Company 2019	Company 2020
Total of lease payments	(26,991,454)	(28,528,297)	(20,762,669)	(21,455,288)

The movement in the rights of use underlying these lease liabilities can be analyzed in note 5.

Reconciliation of Changes in the responsibilities of Financing activities

The reconciliation of changes in the responsibilities of financing activities as of 31 December 2019 and 31 December 2020, in the **Group** and the **Company**, are detailed as follows:

Group	**2019**	**2020**
Opening Balance	127,378,275	175,411,501
Movements without cash	13,396,825	60,096,573
New contracts + IFRS 16 Interests	12,980,229	59,773,852
Others	416,597	322,721
Changes in the consolidation perimeter	32,079,422	-
Loans:		
Inflow	73,196,336	21,293,090
Outflow	(43,647,903)	(21,405,813)
Lease liabilities:		
Inflow	-	-
Outflow	(26,991,454)	(28,528,597)
Closing balance	**175,411,501**	**206,866,753**

Company	**2019**	**2020**
Opening Balance	94,837,625	140,215,297
Movements without cash	9,072,216	43,882,876
New contracts + IFRS 16 Interests	8,767,668	43,565,489
Others	304,548	317,387
Loans:		
Inflow	57,500,000	-
Outflow	(521,875)	(95,000)
Lease liabilities:		
Inflow	-	-
Outflow	(20,672,669)	(21,455,288)
Closing balance	**140,215,297**	**162,547,885**

31. Employee benefits

| EC3

Liabilities related to employee benefits refer to (i) post-employment benefits – healthcare and pension plan (ii) other long-term employee benefits and (iii) other long-term benefits for the Statutory Bodies.

During the years ended 31 December 2019 and 31 December 2020, the **Group** and the **Company** liabilities presented the following movement:

2019	Group							Company			
	Healthcare	Healthcare - SAMS	Pension Plan	Other benefits	Other long-term employee benefits	Other long-term benefits statutory bodies	Total	Healthcare	Other long-term employee benefits	Other long-term benefits statutory bodies	Total
Opening balance	251,798,510	-	344,351	-	9,447,302	91,020	261,681,183	251,798,510	9,447,302	91,020	261,336,832
Movement of the period	22,630,030	1,285,591	58,829	198,589	797,790	(91,020)	24,879,809	22,630,030	797,790	(91,020)	23,336,800
Closing balance	**274,428,540**	**1,285,591**	**403,180**	**198,589**	**10,245,092**	**-**	**286,560,992**	**274,428,540**	**10,245,092**	**-**	**284,673,632**

2020	Group						Company			
	Healthcare	Healthcare - SAMS	Pension Plan	Other long-term employee benefits	Other long-term benefits statutory bodies	Total	Healthcare	Other long-term employee benefits	Other long-term benefits statutory bodies	Total
Opening balance	274,428,540	1,285,591	403,180	10,443,681	-	286,560,992	274,428,540	10,245,092	-	284,673,632
Movement of the period	(3,270,227)	146,303	(77,723)	(561,077)	201,592	(3,561,132)	(3,270,227)	(579,137)	201,593	(3,647,771)
Closing balance	**271,158,313**	**1,431,894**	**325,457**	**9,882,604**	**201,592**	**282,999,860**	**271,158,313**	**9,665,955**	**201,593**	**281,025,861**

The heading Other long-term employee benefits essentially refers to the benefit Pensions for work accidents, to the on-going staff reduction program and to the benefit End of Career Awards.

The caption Other long-term benefits for the Statutory Bodies refers to the long-term variable remuneration assigned to the executive members of the Board of Directors.

The details of the **Group** and the **Company** liabilities related to employee benefits, considering their classification, are as follows:

	Group		Company	
	2019	2020	2019	2020
Non-current liabilities	267,286,679	264,369,292	265,431,555	281,025,861
Current liabilities	19,416,212	18,630,568	19,383,977	-
	286,702,892	**282,999,860**	**284,815,532**	**281,025,861**

As at 31 December 2019 and 31 December 2020, the costs related to employee benefits recognized in the consolidated and individual income statement and the amount recognized directly in Other changes in equity were as follows:

	Group		Company	
	2019	2020	2019	2020
Costs for the period				
Healthcare	9,436,794	8,663,500	9,436,794	8,663,500
Healthcare - SAMS	54,405	115,891	-	-
Pension plan	7,174	5,977	-	-
Other benefits	6,201	-	-	-
Other long-term employee benefits	3,388,466	3,057,483	3,388,466	3,039,423
Other long-term benefits statutory bodies	-	201,592	-	201,592
	12,893,040	**12,044,443**	**12,825,260**	**11,904,515**
Other changes in equity				
Healthcare	25,540,045	(2,896,864)	25,540,045	(2,896,864)
Healthcare - SAMS	130,890	31,499	-	-
Pension Plan	83,890	(51,950)	-	-
Other benefits	14,427	-	-	-
	25,769,252	**(2,917,315)**	**25,540,045**	**(2,896,864)**

As at 31 December 2019 and 31 December 2020, the amounts recognized as actuarial gains or losses detailed by nature, in the **Group** and in the **Company**, were as follows:

	2019				2020			
Group	Changes Financial Assumptions	Changes Demographic Assumptions	Experience	Total	Changes Financial Assumptions	Changes Demographic Assumptions	Experience	Total
Healthcare	(3,987,942)	-	29,527,987	25,540,045	12,505,421	-	(15,402,285)	(2,896,864)
Healthcare - SAMS	189,691	25,133	(83,934)	130,890	73,413	-	(41,914)	31,499
Pension Plan	19,809	-	64,081	83,890	4,840	-	(56,790)	(51,950)
Other benefits	12,022	1,302	1,104	14,427	-	-	-	-
Other long-term employee benefits	417,377	-	(585,827)	(168,450)	148,927	-	(164,021)	(15,094)
	(3,349,043)	**26,435**	**28,923,411**	**25,600,802**	**12,732,601**	**-**	**(15,665,010)**	**(2,932,409)**

Company	2019 Changes Financial Assumptions	2019 Changes Demographic Assumptions	2019 Experience	2019 Total	2020 Changes Financial Assumptions	2020 Changes Demographic Assumptions	2020 Experience	2020 Total
Healthcare	(3,987,942)	-	29,527,987	25,540,045	12,505,421	-	(15,402,285)	(2,896,864)
Other long-term employee benefits	417,377	-	(585,827)	(168,450)	143,701	-	(161,859)	(18,158)
	(3,570,565)	**-**	**28,942,160**	**25,371,595**	**12,649,122**	**-**	**(15,564,143)**	**(2,915,021)**

In 2020, actuarial losses related to financial assumptions changes reflect the discount rate review from 1.60% in 2019 to 1.30% to 2020.

The actuarial gains related to "Experience" are mainly explained by the introduction of a stop loss mechanism in 2020 related to healthcare, with an impact of approximately 9 million Euros, and the differences between the estimated payments for 2020 and the effective payments due to the lower use of health services due to the COVID-19 impact on the health system, with an impact of approximately 3,2 million Euros.

Healthcare - IOS Plan and Insurance policy

As mentioned in Note 2.21, CTT is responsible for financing each healthcare plans applicable to certain employees – IOS Plan and Insurance policy.

In order to obtain the estimate of the liabilities and costs to be recognized for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2020.

The main assumptions followed in the **Group** and the **Company** actuarial study of both plans were:

	2019	2020
Financial assumptions		
Discount rate	1.60%	1.30%
Salaries expected growth rate	2.25%	2.25%
Pensions growth rate	Law no. 53-B/2006 (with Δ GDP < 2%)	Law no. 53-B/2006 (with Δ GDP < 2%)
Inflation rate	1.50%	1.50%
Health costs growth rate	3.30%	3.30%
Stop-Loss	n/a	949.50
Duration	15.4	15.1
Demographic assumptions		
Mortality table	Men: TV 88/90 Women : TV 88/90 (-1)	Men: TV 88/90 Women : TV 88/90 (-1)
Disability table	Swiss RE	Swiss RE

The discount rate is estimated based on interest rates of private debt bonds with high credit rating ("AA" or equivalent) at the date of the balance sheet and with a duration equivalent to that of the liabilities with healthcare.

The discount rate is determined by the **Group** and the **Company** analysis of the evolution of the macroeconomic context and the constant need to match the actuarial and financial assumptions to that reality. Therefore, as a result of that analysis the discount rate was changed to 1.30% (1.60% in 2019).

The salaries expected growth rate is determined according to the salary policy defined by the **Group** and the **Company**.

The pensions expected growth rate is determined considering the estimated evolution of inflation and GDP growth rate.

The healthcare costs growth rate reflects the best estimate for the future evolution of these costs, considering the history of the plan's data. The estimate of health costs growth rate did not take into account the decrease in social action expenditures in 2020, as it is a one-off decrease explained by the pandemic impact on the health system and not a structural trend.

Note that, in the beginning of 2021, the entity that currently manages the Plan, Médis, accepted the introduction of a Stop-loss coverage, with the introduction of a cap corresponding to an average annual cost per beneficiary of 949,50 Euros fixed for the next 3 years Stop-loss is an insurance coverage where the risk above the reference amount is transferred from the policyholder (CTT) to the insurance company (Médis), in this case, defined by the average annual cost per beneficiary. The contract between Médis and CTT, with the conditions negotiated, has a minimum duration of 3 years, starting on January 1, 2021 and ending on December 31, 2023. The liabilities were calculated considering, from 2024, an annual increase in Stop Loss equivalent to the healthcare expenditures growth rate. The effect of Stop-Loss introduction led to a decrease in liabilities of approximately 9 million Euros, recognized in "Other changes in equity".

The demographic assumptions are based on the mortality and disability tables considered appropriate for the actuarial assessment of this plan.

The evolution of the present value of the **Group** and the **Company** liabilities related to the healthcare plans has been as follows:

Group and Company	2020	2019	2018	2017	2016
Liabilities at the end of the period					
IOS plan	261,776,888	265,509,580	244,758,317	250,622,728	246,367,140
Insurance policy	9,381,426	8,918,960	7,040,193	3,349,658	2,743,059
	271,158,314	**274,428,540**	**251,798,510**	**253,972,386**	**249,110,199**

For the years ended 31 December 2019 and 31 December 2020, the movement which occurred in the present value of the defined benefits liability regarding the healthcare plans was as follows:

Group and Company	Total		IOS Plan		Insurance policy	
	2019	2020	2019	2020	2019	2020
Opening balance	251,798,510	274,428,540	244,758,317	265,509,580	7,040,193	8,918,960
Service cost of the year	4,223,000	4,370,000	4,223,000	4,370,000	-	-
Interest cost of the year	5,174,000	4,293,500	5,029,000	4,153,500	145,000	140,000
Plan amendment	39,794	-	(1,201,035)	(109,492)	1,240,830	109,492
Pensioners contributions	4,997,232	5,018,780	4,737,962	4,745,004	259,270	273,776
(Payment of benefits)	(16,749,186)	(13,521,026)	(16,047,943)	(12,872,387)	(701,243)	(648,639)
(Other costs)	(594,855)	(534,617)	(568,343)	(511,282)	(26,512)	(23,335)
Actuarial (gains)/losses	25,540,045	(2,896,864)	24,578,623	(3,508,034)	961,422	611,171
Closing balance	**274,428,540**	**271,158,314**	**265,509,580**	**261,776,888**	**8,918,960**	**9,381,426**

Under the human resources optimization process, started in 2016 and maintained until 2019, some employees are no longer considered in the IOS healthcare plan ("*Instituto das Obras Sociais*") being from that date onwards covered by an insurance policy with similar coverages of the IOS healthcare plan and the same monthly contributions and co-payments in the existing terms, as referred to in note 2.21. This revised plan has been considered as an amendment to the plan and therefore recognized in profit and loss under the caption Staff costs.

The total costs for the period were recognized as follows:

Group and Company	Total		IOS Plan		Insurance policy	
	2019	2020	2019	2020	2019	2020
Staff costs/employee benefits (Note 43)	3,667,939	3,835,383	2,453,621	3,749,226	1,214,318	86,157
Other costs	594,855	534,617	568,343	511,282	26,512	23,335
Interest expenses (Note 48)	5,174,000	4,293,500	5,029,000	4,153,500	145,000	140,000
	9,436,794	**8,663,500**	**8,050,965**	**8,414,008**	**1,385,830**	**249,492**

As at 31 December 2020, regarding the IOS Plan, the actuarial (gains)/losses in the amount of (3,508,034) Euros (24,578,623 Euros as at 31 December 2019) were recognized in equity under Other changes in equity, net of deferred taxes of 982,250 Euros ((6,882,014) Euros as at 31 December 2019).

In this respect, the amount of the actuarial (gains)/losses accounted in 31 December 2019 regarding the IOS Plan mainly refer to the reduction in the discount rate as well as to conjugated effect of the growth in healthcare costs per capita in 2019 being higher than the expected growth rate and the review of the growth rate of medical costs from 3.75% to 3.3%.

As at 31 December 2020, regarding the IOS plan, the actuarial (gains)/ losses amount is mainly due to the reduction of the discount rate from 1.60% to 1.30% as well as to the effect of the Stop-loss mechanism introduced and to the fact that payment of benefits was lower than estimated.

In what refers to the Insurance Policy, as at 31 December 2019 and as at 31 December 2020, the amounts of 961,422 Euros and 611,171 Euros, respectively, related to the actuarial (gains)/losses were recognized in equity under Other changes in equity, net of deferred taxes of (269,198) Euros and (171,128) Euros, respectively.

The best estimate the **Group** and the **Company** have at this date for costs related to the healthcare plan, which they expect to recognize in the next annual period is 7,492 thousand Euros.

The sensitivity analysis performed for the IOS Plan and Insurance policy leads to the following conclusions:

(i) If there was an increase of 100 b.p. in the growth rate of medical costs and keeping all other variables constant, the liabilities of the healthcare plan would be 327,280 thousand Euros, increasing by approximately 20.7%.

(ii) If the discount rate was reduced 25 b.p. and keeping all the remaining variables constant, the liabilities would increase by approximately 3.8%, amounting to 281,462 thousand Euros.

(iii) The use of adjusted mortality tables, differentiated between men and women (Men TV 73/77 (-2) and Women TV 88/90 (-3)), holding everything else constant, could translate into an increase of the health care plan liability for past services of about 3.1% amounting to a total of 279,441 thousand Euros.

<u>Healthcare - SAMS</u>

As mentioned in Note 2.21, the **Group** is responsible for paying medical care charges to all 321 Crédito, S.A. employees in a situation of retirement, as well as for survival pensioners.

The provision of this medical care is ensured by the Social Medical Assistance Service (SAMS) whose post-retirement charges, for the member, are defined in clause 92 of the ACT of the banking sector published in BTE nº 38 of 2017 of October 15.

In order to obtain the estimate of the liabilities and costs to be recognized for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2020.

The main assumptions followed in the **Group** actuarial study were:

	2019	2020
Financial assumptions		
Discount rate	1.50%	1.30%
Salaries growth rate	1.25%	1.25%
Inflation rate	1.00%	1.00%
Demographic assumptions		
Mortality table	Men: TV 88/90 Women : TV 88/90 (-1)	Men: TV 88/90 Women : TV 88/90 (-1)
Disability table	Swiss RE	Swiss RE

For the year ended 31 December 2020, the movement of **Group** liabilities with the Healthcare – SAMS was as follows:

Group	2019	2020
Opening balance	-	1,285,591
Changes in the consolidation perimeter	1,101,362	-
Service cost of the year	32,944	96,631
Interest cost of the year	21,461	19,260
(Payment of benefits)	(1,065)	(1,087)
Actuarial (gains)/losses	130,890	31,499
Closing balance	**1,285,591**	**1,431,894**

The total costs for the period were recognized as follows:

Group	2019	2020
Staff costs/employee benefits (Note 43)	32,944	96,631
Interest expenses (Note 48)	21,461	19,260
	54,405	**115,891**

The best estimate the **Group** has at this date for costs related to the Healthcare – SAMS, which it expects to recognize in the next annual period, is 126,019 Euros.

The sensitivity analysis performed in the year ended 31 December 2020 for the Healthcare – SAMS leads to the conclusion that if the discount rate were reduced by 25 b.p. and keeping all the remaining variables constant, the liabilities for past services would increase by approximately by 6.3%, amounting to 1,522,103 Euros.

<u>Pension Plan</u>

As mentioned in Note 2.21, the **Group** is responsible for the payment of cash benefits in the form of supplementary retirement pension contributions over the amounts paid by Social Security to a closed group of employees of Transporta, which was merged into CTT Expresso during the year 2019.

In order to obtain the estimate of the liabilities and costs to be recognized for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2020.

The main assumptions followed in the **Group** actuarial study were:

	2019	2020
Financial assumptions		
Discount rate	1.50%	1.30%
Salaries growth rate	2.25%	2.25%
Inflation rate	1.50%	1.50%
Demographic assumptions		
Mortality table	Men: TV 88/90 Women : TV 88/90 (-1)	Men: TV 88/90 Women : TV 88/90 (-1)
Disability rate	EKV 80	EKV 80

For the year ended 31 December 2019 and 31 December 2020, the movement of **Group** liabilities with the Pension Plan was as follows:

Group	2019	2020
Opening balance	344,351	403,180
Service cost of the year	276	190
Interest cost of the year	6,898	5,787
(Payment of benefits)	(32,235)	(31,750)
Actuarial (gains)/losses	83,890	(51,950)
Closing balance	**403,180**	**325,457**

The total costs for the period were recognized as follows:

Group	2019	2020
Staff costs/employee benefits (Note 43)	276	190
Interest expenses (Note 48)	6,898	5,787
	7,174	**5,977**

The best estimate the **Group** has at this date for costs related to the pension plan, which it expects to recognize in the next annual period, is 4,203 Euros.

As at 31 December 2019 and as at 31 December 2020, the amounts of 83,890 Euros and (51,950) Euros, respectively, related to the actuarial (gains)/losses were recognized in equity under Other changes in equity, net of deferred taxes of (15,482) Euros and 10,910 Euros, respectively.

The sensitivity analysis performed in the year ended 31 December 2020 for the Pension Plan leads to the conclusion that if the discount rate were reduced by 25 b.p. and keeping all the remaining variables constant, the liabilities for past services would increase by approximately by 1.9%, amounting to 331,641 Euros.

Other long-term employee benefits

Following the mentioned note 2.21, the **Group** assumed the commitment regarding the payment of a "End of Career award" on the date of retirement, due to disability or old age, in the amount of 1.5 times the effective monthly remuneration earned in that date as well as the payment of a capital called "Death Allowance resulting from Work Accidents" to 321 Crédito, S.A. employees. Both benefits are attributed under the banking sector ACT published in BTE nº 38 of 2017 of October 15, clauses 69 and 72, respectively.

In order to obtain the estimate of the liabilities and costs to be recognized for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2020.

The main assumptions followed in the **Group** actuarial study were:

	2019	2020
Financial assumptions		
Discount rate	1.50%	1.30%
Salaries growth rate	1.25%	1.25%
Demographic assumptions		
Mortality rate due to work accident	0.0035%	0.0035%
Mortality table	Homens: TV 88/90 Mulheres : TV 88/90 (-1)	Men: TV 88/90 Women : TV 88/90 (-1)

For the year ended 31 December 2020, the movement of **Group** liabilities with the Other post-employment benefits was as follows:

Group	2019	2020
End of Career Awards		
Opening balance	-	191,986
Changes in the consolidation perimeter	171,770	-
Service cost of the year	2,592	11,898
Interest cost of the period	3,332	2,671
(Payment of benefits)	-	-
Actuarial (gains)/losses	14,293	3,296
Closing balance	**191,986**	**209,851**
Death Allowance resulting from Work Accidents		
Opening balance	-	6,603
Changes in the consolidation perimeter	6,191	-
Service cost of the year	155	333
Interest cost of the period	122	94
(Payment of benefits)	-	-
Actuarial (gains)/losses	134	(233)
Closing balance	**6,603**	**6,797**
Total	**198,589**	**216,648**

The total costs for the period were recognized as follows:

Group	2019	2020
Staff costs/employee benefits (Note 43)		
End of Career Awards	2,592	15,194
Death Allowance resulting from Work Accidents	155	100
	2,747	**15,294**
Interest expenses (Note 48)	3,454	2,765
	6,201	**18,059**

The best estimate the **Group** has at this date for costs related to the Other post-employment benefits, which it expects to recognize in the next annual period, is 16,239 Euros.

The sensitivity analysis performed in the year ended 31 December 2020 for the Other post-employment benefits leads to the conclusion that if the discount rate were reduced by 25 b.p. and keeping all the remaining variables constant, the liabilities for past services would increase by approximately by 6.3%, amounting to 230,297 Euros.

Additionally, and as mentioned in Note 2.21, in certain situations, the **Group** and the **Company** has liabilities related to the payment of salaries in situations of Suspension of contracts, redeployment and release of employment, the allocation of subsidies of Support for termination of professional activity (which was eliminated as of 1 April 2013), the payment of the Telephone subscription fee, Pensions for work accidents, and Monthly life annuity. In order to obtain the estimate of the value of these liabilities and the costs to be recognized for each period, every year, an actuarial study is made by an independent entity, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable. As at 31 December 2020, an actuarial study was requested to an independent entity to assess the liabilities at the reporting date.

The main assumptions followed in the assessment of the **Group** and the **Company** liabilities were:

	2019	2020
Financial assumptions		
Discount rate	1.50%	1.30%
Salaries growth rate (Suspension of contracts)	2.25%	2.25%
Pensions growth rate (Pension for work accidents, Monthly life annuity)	1.50%	1.50%
Inflation rate	1.50%	1.50%
Demographic assumptions		
Mortality table	Men: TV 88/90 Women : TV 88/90 (-1)	Men: TV 88/90 Women : TV 88/90 (-1)

For the years ended 31 December 2019 and 31 December 2020, the movement of **Group** and the **Company** liabilities with other long-term employee benefits was as follows:

Group and Company	2019	2020
Suspension of contracts, redeployment and release of employment		
Opening balance	1,591,506	3,135,288
Interest cost of the period	72,571	42,876
Liabilities relative to new beneficiaries	3,411,765	2,367,274
(Payment of benefits)	(2,086,590)	(3,117,671)
Actuarial (gains)/losses	146,037	326,980
Closing balance	**3,135,288**	**2,754,747**
Telephone subscription fee		
Opening balance	1,422,611	459,105
Interest cost of the period	28,235	6,504
(Payment of benefits)	(19,859)	(48,893)
Actuarial (gains)/losses	(971,882)	(2,597)
Closing balance	**459,105**	**414,119**
Pension for work accidents		
Opening balance	6,243,316	6,573,619
Interest cost of the period	126,641	95,363
(Payment of benefits)	(465,219)	(439,206)
Actuarial (gains)/losses	668,881	228,623
Closing balance	**6,573,619**	**6,458,399**
Monthly life annuity		
Opening balance	189,869	77,081
Interest cost of the period	3,579	1,010
Curtailment	(85,874)	(13,024)
(Payment of benefits)	(19,007)	(12,790)
Actuarial (gains)/losses	(11,486)	(13,586)
Closing balance	**77,081**	**38,691**
Total	**10,245,092**	**9,665,955**

During the years ended 31 December 2019 and 31 December 2020, the total costs for the year were recognized as follows:

Group and Company	2019	2020
Staff costs/employee benefits (Note 43)		
Suspension of contracts, redeployment and release of employment	3,557,801	2,694,254
Telephone subscription fee	(971,882)	(2,597)
Pension for work accidents	668,881	228,623
Monthly life annuity	(97,360)	(26,610)
	3,157,440	**2,893,671**
Interest expenses (Note 48)	231,026	145,753
	3,388,466	**3,039,423**

In the year ended 31 December 2019, following the analysis of the historical data of the monthly costs per beneficiary and the number of beneficiaries of the Telephone subscription fee performed by the independent expert, a liability reduction was recorded in the amount of 971,882 Euros, in the heading Staff costs since it related to long-term employee benefits.

The liabilities related to new beneficiaries on 31 December 2020 in the Suspension of contracts, redeployment and release of employment benefit occur under the referred human resources optimization process, following agreements of suspension of employment contracts entered into or terminated in the meantime.

The actuarial (gains)/losses regarding long-term employee benefits recognized as at 31 December 2020 mainly relates to the changes occurred in the discount rate as well as to the movements in the beneficiary population which, according to IAS 19 – Employee benefits, were recognized in the caption Staff costs in the income statement.

The best estimate that the **Company** has at this date for costs with other long-term benefits, which it expects to recognize in the next year is 98,721 Euros.

The sensitivity analysis performed on 31 December 2020 for the Other long-term benefits leads to the conclusion that, if the discount rate was reduced by 25 b.p., keeping everything else constant, this would give rise to an increase in liabilities for past services of approximately 2.2.%, increasing to 9,879 thousand Euros.

<u>Other long-term benefits for the Statutory Bodies</u>

CTT approved, with effect from 31 December 2017, the Remuneration Regulation for Members of the Statutory Bodies for the period 2017-2019, which defines the allocation of a long-term variable remuneration, to be paid in cash (note 2.21). The plan was considered as "cash settlement" which, according to IFRS 2, implies that the liability should be annually updated and any changes resulting therefrom should be recorded in the income statement.
It is in progress, the preparation of a new Remuneration Regulation for Members of the Statutory Bodies for the period 2020-2022, which, at this date, has not yet been concluded and approved. This regulation changes the long-term variable remuneration to a "stock option" mechanism, however, it will only come into force after its approval at the General Meeting. In this view, for the year 2020, the previous regulation remained in force.

The amount to be attributed to the members of the CTT Executive Committee is based on the results of the performance evaluation during the term of office (1 January 2020 to 31 December 2022), which consists of (i) a comparison of the recorded performance of the Total Shareholder Return (TSR) of CTT shares and the TSR of a weighted peer group, composed of national and international companies (ii) the sum of the overall annual qualitative AVR assessments of the executive Directors and (iii) the investment in CTT shares of a minimum of 25% of the AVR amount received by each Director. This calculation is performed by an independent entity and, if attributed, will be paid at the end of the 2020-2022 term. It should be noted, however, that the drafting of the new regulation for the 2020-2022 is under preparation, so this situation will be reassessed.

Following the study carried out by an independent entity on 31 December 2020, an amount of 201,592 Euros was recognized in the period between 1 January 2020 and 31 December 2020 and will be settled at the end of the three years if the conditions for its fulfillment are met.

32. Provisions, Guarantees provided, Contingent liabilities and commitments

Provisions

For the years ended 31 December 2019 and 31 December 2020, in order to face legal proceedings and other liabilities arising from past events, the **Group** and the **Company** recognized provisions, which showed the following movement:

Group	2019							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	PPA adjustments	Closing balance
Non-current provisions								
Litigations	3,149,620	1,975,191	(1,652,175)	(691,483)	67,824	-	-	2,848,977
Restructuring	1,842,159	100,826	(863,627)	(39,610)	-	-	-	1,039,748
Other provisions	9,021,484	210,045	(675,510)	(2,942)	(67,824)	1,499,282	397,421	10,381,956
Sub-total - caption "Provisions (increases)/reversals"	**14,013,263**	**2,286,062**	**(3,191,312)**	**(734,035)**	**-**	**1,499,282**	**397,421**	**14,270,681**
Restructuring	1,026,902	7,504,481	-	(7,852,242)	-	-	-	679,141
Other provisions	979,174	1,826,549	-	(120,167)	-	-	-	2,685,556
	16,019,339	**11,617,093**	**(3,191,312)**	**(8,706,444)**	**-**	**1,499,282**	**397,421**	**17,635,379**

Group	2020							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	PPA adjustments	Closing balance
Non-current provisions								
Litigations	2,848,977	1,059,573	(601,790)	(350,419)	47,075	-	-	3,003,416
Restructuring	1,039,748	193,000	(142,401)	(7,000)	-	-	-	1,083,347
Other provisions	10,381,956	1,318,106	(973,191)	(6,326)	(317,668)	-	-	10,402,877
Sub-total - caption "Provisions (increases)/reversals"	**14,270,681**	**2,570,679**	**(1,717,382)**	**(363,745)**	**(270,593)**	**-**	**-**	**14,489,641**
Restructuring	679,141	227,733	-	(743,074)	-	-	-	163,800
Other provisions	2,685,556	842,101	-	(764,744)	-	-	-	2,762,913
	17,635,379	**3,640,514**	**(1,717,382)**	**(1,871,563)**	**(270,593)**	**-**	**-**	**17,416,354**

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to 905,250 Euros as at 31 December 2019 and (853,298) Euros as at 31 December 2020.

Company	2019					
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current provisions						
Litigations	2,763,740	1,187,436	(1,448,738)	(368,540)	67,824	2,201,722
Restructuring	1,479,139	-	(863,627)	(39,610)	-	575,902
Other provisions	7,549,538	-	(242,817)	-	(67,824)	7,238,897
Sub-total - caption "Provisions (increases)/reversals"	**11,792,417**	**1,187,436**	**(2,555,182)**	**(408,150)**	**-**	**10,016,521**
Restructuring	914,840	7,243,452	-	(7,556,531)	-	601,761
Other provisions	550,000	1,679,067	-	-	-	2,229,067
	13,257,257	**10,109,956**	**(2,555,182)**	**(7,964,681)**	**-**	**12,847,350**

Company	2020					
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current provisions						
Litigations	2,201,723	760,533	(540,644)	(143,368)	47,075	2,325,319
Restructuring	575,902	-	(142,401)	-	-	433,501
Other provisions	7,238,897	222,853	(217,220)	-	(47,075)	7,197,456
Sub-total - caption "Provisions (increases)/reversals"	**10,016,522**	**983,386**	**(900,264)**	**(143,368)**	**-**	**9,956,276**
Restructuring	601,761	207,780	-	(685,869)	-	123,672
Other provisions	2,229,067	786,920	-	(726,863)	-	2,289,124
	12,847,350	**1,978,086**	**(900,264)**	**(1,556,100)**	**-**	**12,369,072**

The net amount between increases and reversals of provisions was recorded in the individual income statement under the caption Provisions, net and amounted to 1,367,746 Euros as at 31 December 2019 and 83,122 as at 31 December 2020.

A provision should only be used for expenditures for which the provision was originally recognized, so the **Group** and the **Company** reverse the provision when it is no longer probable that an outflow of resources that incorporate future economic benefits will be necessary to settle the obligation.

Litigations

The provisions for litigations were set up to face the liabilities resulting from lawsuits brought against the **Group** and the **Company** and are estimated based on information from their lawyers as well as on the termination of the mentioned lawsuits. The final amount and the timing of the outflows regarding the provision for litigations depend on the outcome of the respective proceedings.

The reversal of the provision for litigations, in the amount of 1,652,175 Euros as at 31 December 2019 and 667,905 Euros as at 31 December 2020, essentially results from lawsuits whose decision, which was made known in the course of 2019 or 2020, respectively, proved to be favorable to the **Group**, or, not being favorable, resulted in the condemnation to pay amounts that proved to be lower than the estimated amounts (and reflected in this provision item).

Restructuring

On 19 December 2017, CTT approved an Operational Transformation Plan, which emphasizes the purposes of optimizing the retail network and reinforcing the HR optimization program. Following the maintenance, in 2019 and 2020, on the HR optimization program, the provision created for this purpose amounted to 163,800 Euros and 123,672 Euros as at 31 December 2020, in the **Group** and **Company**, respectively, and have been recorded against the caption Staff costs in the income statement. It is expected that this provision will be substantially used in 2021.

The utilizations recorded in the same period regard mainly the payment of indemnities foreseen when the provision was booked as well as the costs incurred with the closing of post offices.

The provision booked in 2018 within the Operational Transformation Plan's scope, in distribution network terms and mail handling operations, presents, after reviewing and updating underlying criteria, in the period ended on 31 December 2020, in the **Group** and in the **Company,** the amount of 1,083,347 Euros and 433,501 Euros, respectively.

Other provisions

As at 31 December 2020 the provision, in the **Group** and the **Company**, to cover any contingencies relating to labor litigation proceedings not included in the current court proceedings related to remuneration differences and attendance bonuses that can be claimed by workers, amounts to 6,627,110 Euros (6,891,248 as at 31 December de 2019). The amount of the provision corresponds to the **Group**'s best estimate for the outflow, and it is not possible to estimate the expected moment for the outflow as it depends on the moment when proceedings are initiated by the **Group**'s employees.

As at 31 December 2020, a provision is recognized in CTT Expresso branch in Spain to face the notification issued by the Spanish National Commission on Markets and Competition. This process was originated during the year 2016, based on the alleged contrary action to article 1 of the Law 15/2017 ("Law on Competition Defense") and article 101º of the Treaty on the Functioning of the European Union ("TFUE"). This notification amounts to 3,148,845 Euros and has already been subject of an appeal to the Spanish Audiencia Nacional (National High Court). Regarding this matter, Tourline (currently designated as CTT Expresso branch in Spain) submitted a formal request to the coercive measure suspension, and the request was accepted under the condition of a guarantee presentation – a procedure that was duly and timely adopted by Tourline. The amount provisioned, of 1,400,000 Euros, is the result of the evaluation carried out by its legal advisors and the **Group** is awaiting the outcome of the process and it is not possible to anticipate a deadline for resolution.

The amount provisioned in 321 Crédito, S.A. amounting to 1,615,802 Euros as at 31 December 2020 (1,709,212 Euros at 31 December 2019) mainly results from the management assessment regarding the possibility of materializing tax contingencies and other processes.

As at 31 December 2020, in addition to the previously mentioned situations, this heading also includes in the **Group** and the **Company**:

- the amount of 225,000 Euros in the **Group** and **Company** to cover costs of dismantlement of tangible fixed assets and/or removal of facilities and restoration of the site;
- the amount of 550,000 Euros in the **Group** and **Company**, which arise from the assessment made by the management regarding the possibility of tax contingencies;

- the amount of 309,007 Euros regarding the liability, recognized in the company CTT Expresso, with a labor legal proceeding;
- the amount of 1,900,039 Euros in the **Group** and 1,739,125 Euros in the **Company**, to cover costs of operational vehicles restoration.

Guarantees provided

As at 31 December 2019 and 31 December 2020, the **Group** and the **Company** had provided bank guarantees to third parties as follows:

Description	Group		Company	
	31.12.2019	**31.12.2020**	**31.12.2019**	**31.12.2020**
Contencioso Administrativo da Audiência Nacional (National Audience Administrative Litigation) and CNMC - Comission Nacional de los Mercados y la Competencia - Espanha (National Commission on Markets and Competition - Spain)	3,148,845	3,148,845	3,148,845	3,148,845
Autoridade Tributária e Aduaneira (Portuguese Tax and Customs Authority)	8,211,715	2,282,510	6,150,425	200,000
PLANINOVA - Soc. Imobiliária, S.A. (Real estate company)	2,033,582	2,033,582	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis (Real estate company)	1,792,886	1,792,886	1,792,886	1,792,886
EUROGOLD (Real estate company)	288,384	694,464	288,384	694,464
AMBIMOBILIÁRIA- INVESTIMENTOS E NEGÓCIOS, S.A. (Real estate company)	-	480,000	-	480,000
O Feliz - Imobiliaria (Real estate company)	381,553	381,553	381,553	381,553
Courts	281,830	260,610	254,610	254,610
CIVILRIA (Real estate company)	-	224,305	-	224,305
TRANSPORTES BERNARDO MARQUES , S.A.	-	223,380	-	223,380
TIP - Transportes Intermodais do Porto, ACE (Oporto intermodal transport)	150,000	150,000	-	-
Municipalities	118,658	118,658	118,658	118,658
INCM - Imprensa Nacional da Casa da Moeda (Portuguese Mint and Official Printing Office)	85,056	85,056	-	-
Solred (Repsol's fuel cards)	80,000	80,000	-	-
EPAL - Empresa Portuguesa de Águas Livres (Multi-municipal System of Water Supply and Sanitation of the Lisbon Area)	68,895	68,895	68,895	68,895
Companhia Carris de Ferro de Lisboa, EM, SA (Portuguese Railway company)	55,000	55,000	-	-
ANA - Aeroportos de Portugal (Airports of Portugal)	34,000	34,000	34,000	34,000
Águas do Norte (Water Supply of the Northern Region)	23,804	23,804	23,804	23,804
Instituto de Gestão Financeira Segurança Social (Social Security Financial Management Institute)	21,557	21,557	16,406	16,406
EMEL, S.A. (Municipal company managing parking in Lisbon)	26,984	19,384	26,984	19,384
Serviços Intermunicipalizados Loures e Odivelas (Inter-municipal Services of Water Supply and Sanitation of the Loures and Odivelas Areas)	17,000	17,000	17,000	17,000
Direção Geral do Tesouro e Finanças (Directorate General of Treasury and Finance)	16,867	16,867	16,867	16,867
Portugal Telecom, S.A. (Telecommunication Company)	16,658	16,658	16,658	16,658
Refer (Public service for the management of the national railway network infrastructure)	16,460	16,460	-	-
Other entities	16,144	16,144	-	-
SMAS de Sintra (Services of Water Supply and Sanitation of the city of Sintra)	15,889	15,889	15,889	15,889
Repsol (Oil and Gas Company)	15,000	15,000	-	-
Lagos em Forma - Gestão desportiva, E.M., S.A. (Municipal company managing sports in Lagos)	11,000	11,000	11,000	11,000
Águas do Porto, E.M (Services of Water Supply and Sanitation of the city of Porto)	10,720	10,720	-	-
ADRA - Águas da Região de Aveiro (Services of Water Supply and Sanitation of the city of Aveiro)	10,475	10,475	10,475	10,475
SMAS Torres Vedras (Services of Water Supply and Sanitation of the city of Torres Vedras)	9,910	9,910	9,910	9,910
ACT Autoridade Condições Trabalho (Authority for Working Conditions)	-	9,160	-	9,160
Consejeria Salud (Local Health Service/Spain)	4,116	4,116	-	-
Instituto do Emprego e Formação Profissional (Employment and Professional Training Institute)	3,718	3,719	3,718	3,719
EMARP - Empresa de Aguas e Resíduos de Portimão (Services of Water Supply and Sanitation of the city of Portimão)	3,100	3,100	3,100	3,100
ADAM - Águas do Alto Minho (Services of Water Supply and Sanitation of theRegion of Alto Minho)	466	466	-	-
Administração Regional de Saúde - Lisboa e Vale do Tejo (Regional Health Authority of the Lisbon Area)	13,000	-	13,000	-
Promodois (Real estate company)	6,273	-	6,273	-
IFADAP (National Support Institute for Farming and Fishing)	1,746	-	1,746	-
	16,991,290	**12,355,172**	**14,464,667**	**9,828,549**

Guarantees for lease Contracts

According to the terms of some lease contracts of the buildings occupied by the **Company**'s services, the Portuguese State ceased to hold the majority of the share capital of CTT, bank guarantees on first demand had to be provided. These guarantees amount to 3,826,468 Euros as at 31 December 2019 and 31 December 2020, in the **Group** and the **Company**.

CTT Expresso branch in Spain provided a bank guaranty to the Sixth Section of the National Audience Administrative Litigation and to the Spanish National Commission on Markets and Competition ("Comisión

Nacional de los Mercados y la Competencia") in the amount of 3,148,845 Euros, while the appeal presented by CTT Expresso branch in Spain in the National Audience in Spain proceeds.

Commitments

As at 31 December 2019 and 31 December 2020, the **Group** subscribed promissory notes amounting to approximately 43.7 thousand Euros and 75.3 thousand Euros, respectively, for various credit institutions intended to secure complete and timely compliance with the corresponding financing contracts.

The **Group** and the **Company** also assumed financial commitments (comfort letters) in the amount of 1,170,769 Euros regarding the branch of CTT Expresso in Spain which are still active as at 31 December 2020.

The **Group** and the **Company** engaged guarantee insurances in the total amount of 622,934 Euros and 410,230 Euros, respectively (2019: 313,094 Euros and 33,471 Euros respectively), with the purpose of guaranteeing the fulfillment of contractual obligations assumed by third parties.

In addition, the **Group** and the **Company** also assumed commitments relating to real estate rents under lease contracts and rents for other leases.

The **Group** and the **Company** contractual commitments related to Tangible fixed assets and Intangible assets are detailed respectively in Notes 5 and 6.

33. Accounts payable

As at 31 December 2019 and 31 December 2020, the **Group** and the **Company** heading Accounts payable showed the following composition:

	2019	2020	2019	2020
Non-current				
Other accounts payable	-	-	309,007	309,007
	-	**-**	**309,007**	**309,007**
Current				
Advances from customers	2,824,160	3,054,584	2,802,829	3,033,262
CNP money orders	87,890,044	88,916,523	87,890,044	88,916,523
Suppliers	76,261,148	87,287,994	61,198,520	65,044,013
Invoices pending confirmation	10,560,107	7,955,395	7,729,040	6,612,905
Fixed assets suppliers	14,189,288	5,808,358	10,386,919	3,702,201
Invoices pending confirmation (fixed assets)	9,543,900	5,688,925	8,927,218	4,605,929
Values collected on behalf of third parties	8,495,311	6,546,335	3,910,828	3,258,226
Postal financial services	153,139,714	154,324,605	153,139,714	154,324,605
Deposits	650,023	567,215	-	-
Charges	2,217,825	1,859,349	835,213	504,569
Compensations	462,549	581,798	73,337	47,229
Postal operators - amounts to be settled	2,222,223	1,722,118	2,222,223	1,721,979
Amounts to be settled to third parties	1,551,500	4,282,230	1,551,500	4,281,776
Amounts to be settled in stores	403,657	495,476	403,657	495,476
Other accounts payable	3,379,216	6,471,998	3,155,963	6,260,739
	373,790,665	**375,562,902**	**344,227,005**	**342,809,432**
	373,790,665	**375,562,902**	**344,536,012**	**343,118,439**

The change in the caption "Suppliers" compared with the previous year is mainly explain by the growth of the activity of "Express & Parcels" segment.

For "Fixed assets suppliers" and "invoices pending confirmation (fixed assets)", there was a decrease compared with the previous year, due to an increased investment level at the end of the year 2019, that did not occur at the year 2020.

CNP money orders

The value of CNP money orders refers to the money orders received from the National Pensions Center (CNP), whose payment date to the corresponding pensioners will occur in the month after the closing of the financial year.

Postal financial services

This heading records mainly the amounts collected related to taxes, insurance, savings certificates and other money orders, whose settlement date should occur in the month following the end of the period. The increase seen is mainly due to the increase registered in the amounts of money orders handled in stores.

Suppliers and fixed assets suppliers

As at 31 December 2019 and 31 December 2020 the **Group** and the **Company** heading Suppliers showed the following composition:

	Group		Company	
	2019	2020	2019	2020
Other suppliers	37,687,552	47,193,407	22,755,573	25,300,309
Postal operators	38,543,677	40,094,570	37,588,225	38,897,690
Group companies [1]	29,919	17	854,722	846,013
	76,261,148	**87,287,995**	**61,198,520**	**65,044,012**

[1] Includes subsidiary, associated and joint-ventures companies.

As at 31 December 2019 and 31 December 2020, the ageing of the **Group** and the **Company** balance of the headings Suppliers and Fixed assets suppliers is detailed as follows:

Suppliers	Group		Company	
	2019	2020	2019	2020
Non-overdue	27,642,651	34,998,968	17,488,764	17,462,363
Overdue [1]:				
0-30 days	8,238,539	10,670,846	4,753,459	7,911,611
31-90 days	9,017,884	8,509,795	8,338,296	7,447,371
91-180 days	3,212,476	3,566,563	3,128,468	3,145,839
181-360 days	9,466,567	8,789,301	9,334,187	8,555,405
> 360 days	18,683,031	20,752,520	18,155,347	20,521,424
	76,261,148	**87,287,994**	**61,198,520**	**65,044,013**

[1] The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

Fixed assets suppliers	Group		Company	
	2019	2020	2019	2020
Non-overdue	9,332,586	3,495,660	7,797,251	2,338,377
Overdue:				
0-30 days	3,970,902	966,213	1,886,499	546,944
31-90 days	352,883	779,933	262,638	396,870
91-180 days	95,600	141,297	67,489	67,286
181-360 days	2,100	35,500	2,100	8,470
> 360 days	435,217	389,756	370,943	344,254
	14,189,288	**5,808,358**	**10,386,919**	**3,702,201**

The current amount of accounts payable overdue over 360 days is as follows:

	Group		Company	
	2019	2020	2019	2020
Other suppliers	139,518	148,616	-	82,981
Foreign operators	18,543,513	20,603,903	18,155,347	20,438,443
Total	**18,683,031**	**20,752,520**	**18,155,347**	**20,521,424**
Foreign operators - receivable (Note 18)	**(24,406,448)**	**(22,182,980)**	**(23,578,536)**	**(21,699,134)**

The balances between Foreign Operators are cleared by netting accounts. These amounts refer to the accounts receivable balances related to these entities (Note 18).

In the actual interest rate environment, the cost recognition impact of significant financing component effect associated to the contractual performance obligations with Foreign Operators is not significant. The **Group** and the **Company** did not recognize any amount.

There are no ongoing judicial or extrajudicial proceedings to regularize the balances of suppliers that were past due on 31 December 2020.

34. Banking clients' deposits and other loans

As at 31 December 2019 and 31 December 2020, the composition of the heading Banking clients' deposits and other loans in the **Group** is as follows:

	31.12.2019	31.12.2020
Sight deposits	961,771,839	1,207,038,127
Term deposits	169,581,292	178,175,790
Savings deposits	152,214,134	303,251,244
Banking clients' deposits	**1,283,567,265**	**1,688,465,160**
Other credit institutions' deposits	37,850,777	-
Other credit institutions' deposits	**37,850,777**	**-**
	1,321,418,042	**1,688,465,160**

The above-mentioned amounts relate to Banco CTT clients' deposits. Savings deposits are deposits associated with current accounts and which allow the client to obtain a remuneration above the slight deposits, which can be mobilized at any time, with no subscription limit, and it is possible to schedule transfers from and for this account. These deposits are different from term deposits as they have a definite date of constitution and maturity, and the savings accounts are fully mobilizable without penalty on remuneration.

As at 31 December 2019 and 31 December 2020, the residual maturity of banking client deposits and other loans, is detailed as follows:

	31.12.2019					
	No defined maturity	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	Total
Sight deposits and saving accounts	1,113,985,973	-	-	-	-	1,113,985,973
Term deposits	-	53,164,869	116,416,423	-	-	169,581,292
Banking clients' deposits	**1,113,985,973**	**53,164,869**	**116,416,423**	**-**	**-**	**1,283,567,265**
Other credit institutions' deposits	-	37,850,777	-	-	-	37,850,777
Other credit institutions' deposits	**-**	**37,850,777**	**-**	**-**	**-**	**37,850,777**
	1,113,985,973	**53,164,869**	**116,416,423**	**-**	**-**	**1,321,418,042**

	31.12.2020					
	No defined maturity	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	Total
Sight deposits and saving accounts	1,510,289,371	-	-	-	-	1,510,289,371
Term deposits	-	81,534,153	96,641,636	-	-	178,175,790
Banking clients' deposits	**1,510,289,371**	**81,534,153**	**96,641,636**	**-**	**-**	**1,688,465,160**
Other credit institutions' deposits	-	-	-	-	-	-
Other credit institutions' deposits	**-**	**-**	**-**	**-**	**-**	**-**
	1,510,289,371	**81,534,153**	**96,641,636**	**-**	**-**	**1,688,465,160**

The caption Other credit institutions' deposits refer to sales transactions with a repurchase agreement by credit institutions abroad.

35. Other current liabilities

As at 31 December 2019 and 31 December 2020, the **Group** and the **Company** heading Other current liabilities showed the following composition:

	Group		Company	
	2019	2020	2019	2020
Current				
Estimated holiday pay, holiday subsidy and other remunerations	45,438,083	45,499,455	39,152,347	39,330,854
Estimated supplies and external services	40,727,670	41,401,260	21,752,223	22,046,043
State and other public entities				
Value Added Tax	3,252,871	2,022,037	2,939,364	1,470,779
Personal income tax withholdings	3,240,540	3,046,625	2,703,138	2,463,736
Social Security contributions	4,400,302	4,495,367	3,549,098	3,452,949
Caixa Geral de Aposentações	1,989,746	1,783,216	1,974,306	1,769,530
Local Authority taxes	474,854	477,886	474,060	465,263
Other taxes	713,489	767,537	-	7,274
Other	116,089	15	116,089	15
	100,353,646	**99,493,397**	**72,660,624**	**71,006,442**

36. Income taxes receivable / payable

As at 31 December 2019 and 31 December 2020 the **Group** and the **Company** heading Income taxes receivable and Income taxes payable showed the following composition:

	Group		Company	
	2019	2020	2019	2020
Current assets				
Corporate income tax	-	-	-	-
	-	**-**	**-**	**-**
Current liabilities				
Corporate income tax	5,958,753	1,340,420	1,948,562	2,439,808
	5,958,753	**1,340,420**	**1,948,562**	**2,439,808**

The **Company**'s current assets and current liabilities relative to corporate income tax were calculated as follows:

Company	2019	2020
Estimated income tax	(13,670,858)	(7,341,342)
Estimated Group companies' income tax	7,043,476	2,207,060
Payments on account	4,291,045	2,821,694
Withholding taxes	387,775	306,169
Tax contingencies and opportunities	-	(433,389)
	(1,948,562)	**(2,439,808)**

37. Financial assets and liabilities

As at 31 December 2019 and 31 December 2020, the categories of financial assets and liabilities regarding the **Group** were broken down as follows:

Group	2019 Amortised cost	Fair value through Other comprehensive income	Fair value through Profit and Loss	Other financial liabilities	Non-financial assets/liabilities	Total
Assets						
Other investments (Note 13)	-	1,379,137	-	-	-	1,379,137
Non-current debt securities (Note 14)	424,322,759	528,420	-	-	-	424,851,179
Other non-current assets (Note 23)	1,543,308	-	-	-	-	1,543,308
Non-current credit to bank clients (Note 19)	792,469,611	-	-	-	-	792,469,611
Other non-current banking financial assets (Note 15)	18,762,167	-	1,882	-	-	18,762,167
Current accounts receivable (Note 18)	146,471,712	-	-	-	-	146,471,712
Current credit to bank clients (Note 19)	93,350,959	-	-	-	-	93,350,959
Current debt securities (Note 14)	31,546,424	13,727	-	-	-	31,560,152
Other current assets (Note 23)	8,731,765	-	-	-	27,034,463	35,766,227
Other current banking financial assets (Note 15)	13,182,971	-	-	-	1,477,315	14,660,286
Cash and cash equivalents (Note 22)	442,995,724	-	-	-	-	442,995,724
Total Financial assets	**1,973,377,400**	**1,921,285**	**1,882**	**-**	**28,511,778**	**2,003,810,463**
Liabilities						
Non-current debt (Note 30)	-	-	-	148,597,934	-	148,597,934
Other non-current banking financial liabilities (Note 15)	-	-	-	76,060,295	-	76,060,295
Current accounts payable (Note 33)	-	-	-	360,079,510	13,711,155	373,790,665
Banking client deposits and other loans (Note 34)	-	-	-	1,321,418,042	-	1,321,418,042
Current debt (Note 30)	-	-	-	26,813,567	-	26,813,567
Other current liabilities (Note 35)	-	-	-	40,843,760	59,509,886	100,353,646
Other current banking financial liabilities (Note 15)	-	-	-	17,073	17,970,646	17,987,719
Total Financial liabilities	**-**	**-**	**-**	**1,973,830,181**	**91,191,686**	**2,065,021,868**

Group	2020 Amortised cost	Fair value through Other comprehensive income	Fair value through Profit and Loss	Other financial liabilities	Non-financial assets/liabilities	Total
Assets						
Other investments (Note 13)	-	-	-	-	6,394	6,394
Non-current debt securities (Note 14)	453,090,517	12,273,557	-	-	-	465,364,074
Other non-current assets (Note 23)	1,063,789	-	-	-	-	1,063,789
Non-current credit to bank clients (Note 19)	985,355,687	-	-	-	-	985,355,687
Other non-current banking financial assets (Note 15)	11,420,776	-	2,107	-	-	11,422,884
Current accounts receivable (Note 18)	153,616,009	-	-	-	-	153,616,009
Current credit to bank clients (Note 19)	107,925,845	-	-	-	-	107,925,845
Current debt securities (Note 14)	45,160,057	7,281,273	-	-	-	52,441,330
Other current assets (Note 23)	7,817,139	-	-	-	25,911,446	33,728,585
Other current banking financial assets (Note 15)	27,504,441	-	-	-	1,952,072	29,456,513
Cash and cash equivalents (Note 22)	518,180,171	-	-	-	-	518,180,171
Total Financial assets	**2,311,134,430**	**19,554,830**	**2,107**	**-**	**27,869,913**	**2,358,561,280**
Liabilities						
Non-current debt (Note 30)	-	-	-	164,034,127	-	164,034,127
Other non-current banking financial liabilities (Note 15)	-	-	-	44,506,988	-	44,506,988
Current accounts payable (Note 33)	-	-	-	356,528,136	19,034,767	375,562,902
Banking client deposits and other loans (Note 34)	-	-	-	1,688,465,160	-	1,688,465,160
Current debt (Note 30)	-	-	-	42,832,626	-	42,832,626
Other current liabilities (Note 35)	-	-	-	41,401,275	58,092,122	99,493,397
Other current banking financial liabilities (Note 15)	-	-	-	10,936	21,475,716	21,486,652
Total Financial liabilities	**-**	**-**	**-**	**2,337,779,247**	**98,602,605**	**2,436,381,852**

The assets and liabilities fair value, for the captions that differ from the book value, as at 31 December 2019 and 31 December 2020, is analyzed as follows:

	2019		2020	
	Book value	Fair value	Book value	Fair value
Financial assets				
Credit to bank clients	885,820,570	892,174,737	1,093,281,532	1,098,651,757
Debt securities - Financial assets at amortised cost	455,869,183	490,960,823	498,250,574	543,316,403
Financial liabilities				
Other banking financial liabilities - Debt securities issued	76,077,368	76,992,755	44,517,924	44,517,924

The amounts booked as "Debt securities – Financial assets at amortized cost" are fully classified as stage 1.

Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through internal models based on discounted cash flow methods. The generation of cash flow of the different instruments is based on their financial characteristics, and the discount rates used incorporate both the market interest rate curve and the current risk levels of the respective issuer.

Therefore, the fair value obtained is influenced by the parameters used in the evaluation model, which necessarily incorporate some degree of subjectivity, and exclusively reflects the value attributed to the different financial instruments.

The **Group** uses the following fair value hierarchy, with three levels in the valuation of financial instruments (assets or liabilities), which reflect the level of judgement, the observability of the data, and the importance of the parameters applied in the determination of the assessment of the fair value of the financial instrument, pursuant to IFRS 13:

Level 1: Fair value is determined based on unadjusted listed prices, captured in transactions in active markets involving financial instruments similar to the instruments to be assessed. Where there is more than one active market for the same financial instrument, the relevant price is that prevailing in the main market of the instrument, or the most advantageous market to which there is access;

Level 2: Fair value is calculated through valuation techniques based on observable data in active markets, whether direct data (prices, rates, spreads, etc.) or indirect data (derivatives), and valuation assumptions similar to those that a non-related party would use to estimate the fair value of the same financial instrument. This also includes instruments whose valuation is obtained through listed prices disclosed by independent entities, but whose markets show less liquidity; and,

Level 3: Fair value is determined based on data not observable in active markets, using techniques and assumptions that the market participants would use to assess the same instruments, including hypotheses about the inherent risks, the assessment method and inputs used, entailing process of review of the accuracy of the values obtained in this manner.

The **Group** considers a market active for a particular financial instrument, on the measurement date, according to the turnover and liquidity of the operations carried out, the relative volatility of the listed prices, and the promptness and availability of the information, where the following minimum conditions must be met:

- Existence of frequent daily prices of trading in the last year;
- The prices mentioned above change regularly;
- Existence of enforceable prices of more than one entity.

A parameter used in the valuation method is considered to be observable market data if the following conditions are met:

- If its value is determined in an active market;
- If there is an OTC (over-the-counter) market and it is reasonable to assume that active market conditions are met, except for the condition of trading volumes; and,
- The value of the parameter can be obtained by the inverse calculation of the prices of the financial instruments and/or derivatives where all the other parameters required for the initial assessment are observable in a liquid market or OTC market that complies with the previous paragraphs.

The fair value of the financial assets and liabilities, as at 31 December 2019, is analyzed as follows:

	31.12.2019			
	Valuation methods			
Caption	Level 1	Level 2	Level 3	Total
Other Investments	-	-	1,379,137	1,379,137
Debt Securities	476,778,436	14,724,533	-	491,502,970
Other non-curren assets	-	-	1,543,308	1,543,308
Credit to bank clients	-	-	892,174,737	892,174,737
Other banking financial assets	1,882	-	33,420,571	33,422,453
Accounts receivables	-	-	146,471,712	146,471,712
Other current assets	-	-	35,766,227	35,766,227
Cash and cash equivalents	442,995,724	-	-	442,995,724
Total Financial Assets Fair Value	**919,776,042**	**14,724,533**	**1,110,755,692**	**2,045,256,268**
Debt	-	-	175,411,501	175,411,501
Other banking financial liabilities	-	76,992,755	17,970,646	94,963,401
Accounts payable	-	-	373,790,665	373,790,665
Banking clients' deposits and other loans	-	-	1,321,418,042	1,321,418,042
Other current liabilities	-	-	24,276,278	100,353,646
Total Financial Liabilities Fair Value	**-**	**76,992,755**	**1,912,867,132**	**2,065,937,255**

The fair value of the financial assets and liabilities, as at 31 December 2020, is analyzed as follows:

	31.12.2020			
	Valuation methods			
Caption	Level 1	Level 2	Level 3	Total
Other Investments	-	-	6,394	6,394
Debt Securities	543,587,033	15,484,200	3,800,000	562,871,233
Other non-curren assets	-	-	1,063,789	1,063,789
Credit to bank clients	-	-	1,098,651,757	1,098,651,757
Other banking financial assets	-	-	40,879,397	40,879,397
Accounts receivables	-	-	153,616,009	153,616,009
Other current assets	-	-	33,728,584	33,728,584
Cash and cash equivalents	518,180,171	-	-	518,180,171
Total Financial Assets Fair Value	**1,061,767,204**	**15,484,200**	**1,331,745,930**	**2,408,997,335**
Debt	-	-	206,866,753	206,866,753
Other banking financial liabilities	-	44,517,924	21,475,716	65,993,640
Accounts payable	-	-	375,562,902	375,562,902
Banking clients' deposits and other loans	-	-	1,688,465,160	1,688,465,160
Other current liabilities	-	-	99,493,397	99,493,397
Total Financial Liabilities Fair Value	**-**	**44,517,924**	**2,391,863,928**	**2,436,381,852**

The main methods and assumptions used to estimate the fair value of the financial assets and liabilities recorded in the balanced sheet at amortized cost are analyzed as follows:

Cash and Cash Equivalents

These assets are very short-term; hence, their book value is a reasonable estimate of their fair value.

Financial Assets at Amortized Cost

The fair value of these financial instruments is based on market prices, when available. If market prices do not exist, their fair value is estimated based on the expected future principal and interest cash flows for these instruments.

Loans and Advances to Customers

The fair value determination, by credit type, is detailed as follows:

Mortgage Loans

Fair value is calculated by discounting, at the average rates of the production of December, the expected cash flows throughout the life of the contracts considering the historical pre-payment rates.

Auto Loans

Fair value is calculated by discounting, at the average rates of the production of December, the expected cash flows throughout the life of the contracts considering the historical pre-payment rates.

Other

This type of credit is very short-term; hence, its book value is a reasonable estimate of its fair value.

Other banking financial liabilities

These assets are very short-term; hence, their book value is a reasonable estimate of their fair value.

Banking clients' deposits and other loans

The fair value of these financial instruments is estimated based on the discounted expected principal and interest cash flows. The discount rate used is that which reflects the rates applied for deposits with similar features on the reporting date. Considering that the applicable interest rates are renewed for periods less than one year, there are no materially relevant differences in their fair value.

Regarding the **Company**, as at 31 December 2019 and 31 December 2020, the categories of financial assets and liabilities were broken down as follows:

	2019					
Company	**Amortised cost**	**Fair value through Other comprehensive income**	**Fair value through Profit and Loss**	**Other financial liabilities**	**Non-financial assets/liabilities**	**Total**
Assets						
Other investments (Note 13)	-	1,379,137	-	-	-	1,379,137
Non-current shareholders (Note 50)	15,058,000	-	-	-	-	15,058,000
Non-current accounts receivable (Note 18)	661,287	-	-	-	-	661,287
Other non-current assets (Note 23)	1,237,070	-	-	-	-	1,237,070
Current accounts receivable (Note 18)	112,842,210	-	-	-	-	112,842,210
Current shareholders (Note 50)	1,350,000	-	-	-	339,268	1,689,268
Other current assets (Note 23)	8,881,347	-	-	-	18,058,027	26,939,374
Cash and cash equivalents (Note 22)	261,591,807	-	-	-	-	261,591,807
Total Financial assets	**401,621,721**	**1,379,137**	**-**	**-**	**18,397,295**	**421,398,153**
Liabilities						
Non-curent accounts payable (Note 33)	-	-	-	309,007	-	309,007
Non-current debt (Note 30)	-	-	-	127,316,593	-	127,316,593
Current accounts payable (Note 33)	-	-	-	333,182,282	11,044,722	344,227,004
Shareholders (Note 50)	-	-	-	-	22,109,176	22,109,176
Current debt (Note 30)	-	-	-	12,898,704	-	12,898,704
Other current liabilities (Note 35)	-	-	-	21,868,312	50,792,312	72,660,624
Total Financial liabilities	**-**	**-**	**-**	**495,574,898**	**83,946,209**	**579,212,100**

Company	2020					
	Amortised cost	Fair value through Other comprehensive income	Fair value through Profit and Loss	Other financial liabilities	Non-financial assets/liabilities	Total
Assets						
Other investments (Note 13)	-	-	-	-	6,394	6,394
Non-current shareholders (Note 50)	31,930,000	-	-	-	-	31,930,000
Non-current accounts receivable (Note 18)	495,932	-	-	-	-	495,932
Other non-current assets (Note 23)	635,508	-	-	-	-	635,508
Current accounts receivable (Note 18)	111,665,473	-	-	-	-	111,665,473
Current shareholders (Note 50)	2,700,000	-	-	-	114,464	2,814,465
Other current assets (Note 23)	12,234,425	-	-	-	17,496,646	29,731,071
Cash and cash equivalents (Note 22)	268,113,910	-	-	-	-	268,113,910
Total Financial assets	**427,775,249**	**-**	**-**		**17,617,505**	**445,392,754**
Liabilities						
Non-curent accounts payable (Note 33)	-	-	-	309,007	-	309,007
Non-current debt (Note 30)	-	-	-	135,302,537	-	135,302,537
Current accounts payable (Note 33)	-	-	-	326,464,402	16,345,030	342,809,432
Shareholders (Note 50)	-	-	-	-	25,403,386	25,403,386
Current debt (Note 30)	-	-	-	27,245,348	-	27,245,348
Other current liabilities (Note 35)	-	-	-	22,046,058	48,960,384	71,006,442
Total Financial liabilities	**-**	**-**	**-**	**511,367,352**	**90,708,800**	**602,076,152**

The **Company** believes that, due to the nature of its financial assets and liabilities, the fair value of financial assets and liabilities is similar to its book value.

38. Subsidies obtained

As at 31 December 2019 and 31 December 2020, the information regarding subsidies or grants obtained (Note 2.24) to the **Group** and the **Company** was as follows:

	2019									
	Group					Company				
	Attributed value	Value received	Value to be received	Accumulated income	Value to be used	Attributed value	Value received	Value not received	Accumulated revenues	Value to be used
Investment subsidy	9,886,315	9,732,999	153,316	9,580,624	305,691	9,868,022	9,714,706	153,316	9,562,331	305,691
Operating subsidy	200,667	200,667	-	200,667	-	177,045	177,045	-	177,045	-
	10,086,982	**9,933,666**	**153,316**	**9,781,291**	**305,691**	**10,045,067**	**9,891,751**	**153,316**	**9,739,376**	**305,691**

	2020									
	Group					Company				
	Attributed value	Value received	Value to be received	Accumulated income	Value to be used	Attributed value	Value received	Value not received	Accumulated revenues	Value to be used
Investment subsidy	9,886,315	9,732,999	153,316	9,591,825	294,490	9,868,022	9,714,706	153,316	9,573,532	294,490
Operating subsidy	200,667	200,667	-	200,667	-	177,045	177,045	-	177,045	-
	10,086,982	**9,933,666**	**153,316**	**9,792,492**	**294,490**	**10,045,067**	**9,891,751**	**153,316**	**9,750,578**	**294,490**

The amounts received as investment subsidy – FEDER - are recognized in the income statement, under the heading Other operating income, as the corresponding assets are amortized.

The financial contribution of the Instituto do Emprego e da Formação Profissional, I.P. ("Institute of Employment and Professional Training") ("IEFP"), received under the Employment Internships Program configures the typology of Grants related to income or operational expenses and is recognized as revenue in the same period of the related expense.

The amounts received were initially deferred (Note 20) and transferred to the income statement to the caption Other operating income, to the extent that the expenses were recognized.

39. Sales and services rendered

For the years ended 31 December 2019 and 31 December 2020, the significant categories of the **Company** revenue were as follows:

Company	2019	2020
Sales	18,224,386	23,920,393
Mail services rendered	441,949,622	389,784,042
Postal financial services	41,673,750	37,453,338
Electronic vehicle identification devices	5,792,169	3,965,952
Telecommunication services	7,469	1,369
Other services	14,650,162	13,708,239
	522,297,559	**468,833,332**

The main changes in the caption "Sales and services rendered" compared to the previous year, are explained in note 4 – Segment Reporting.

Other services fundamentally concern:

	2019	2020
Photocopies Certification	237,390	206,603
Reg. Aut. Madeira and Azores transport allowance	1,144,577	479,335
Others Philately	108,319	94,067
Costums presentation tax	1,787,448	1,698,229
Corfax	46,746	21,259
Non-adressed mail	218,319	257,317
Portugal Telecom services	60,388	64,471
Digital mailRoom	516,786	529,466
Other services	10,530,189	10,357,493
	14,650,162	**13,708,239**

In the periods ended 31 December 2019 and December 2020, there are no variable components associated with contracts with customers with associated uncertainty.

40. Financial margin

As at 31 December 2019 and 31 December 2020, the composition of the **Group** heading Financial margin was as follows:

Group	2019	2020
Interest and similar income calculated using the effective interest method	**30,958,390**	**45,961,935**
Interest on loans and advances to credit institutions repayable on demand	-	-
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	566,743	416,173
Loans and advances to customers	23,272,204	37,852,913
Debt securities	7,110,170	7,519,827
Interest on financial assets at fair value through other comprehensive income		
Debt securities	10,706	175,412
Other interest	(1,432)	(2,390)
Interest expense and similar charges	**1,642,534**	**1,325,028**
Interest on financial liabilities at amortised cost		
Resources from credit institutions	(101,875)	2,367
Resources from customers	974,110	863,022
Debt securities issued	766,137	459,639
Other interest	4,162	-
	29,315,856	**44,636,907**

The caption Interest and similar income for the year ended 31 December 2020 includes the amount of 1,365 thousand Euros related to impaired financial assets - Stage 3 (2019: 103 thousand Euros).

The hedging Interest on loans and advances to customers includes the amount of -7,394 thousand Euros (2019: (102) thousand Euros) related to commissions and other costs and income recorded in accordance with the effective interest rate method, as referred to in the accounting policy described in note 2.23.

The caption Interest on resources from other credit institutions in 2019, in the amount of (102) thousand Euros essentially includes sales operations with repurchase agreement, contracted at market rates.

41. Other operating income

For the years ended 31 December 2019 and 31 December 2020, the composition of the **Group** and the **Company** heading Other operating income was as follows:

	Group		Company	
	2019	2020	2019	2020
Supplementary revenues	3,256,790	2,837,027	34,651,067	40,664,394
Early settlement discounts received	51,172	64,386	4,664	1,957
Gains inventories	32,930	-	32,930	0
Favourable exchange rate differences of assets and liabilities other than financing	709,792	605,134	694,618	455,612
Income from financial investments	292,824	325,746	237,979	291,969
Income from non-financial investments	8,116	3,159	8,116	-
Results from other assets' sale	-	33,716	-	-
Income from fees and commissions	10,705,112	16,500,995	-	-
Interest income and expenses - financial services	42,232	20,823	42,232	20,823
VAT adjustments	1,366,411	2,103,291	1,366,411	2,103,291
Other	6,483,025	5,255,127	3,503,228	1,172,743
	22,948,405	**27,749,403**	**40,541,244**	**44,710,790**

The amount related to VAT adjustments mainly results from the improvements made in the procedures of the VAT deduction methodology in the **Company**.

In the **Group** and **Company**, the "Others" item essentially reflects amounts related to the reimbursement of expenses and the recovery of credits classified as bad debt and settlement of accounts payable outstanding balances whose payment is no longer probable.

In the **Group** the caption "Income from fees and commissions" is detailed as follows:

Group	2019	2020
Income from fees and commissions		
From banking services	6,466,858	10,450,367
From credit intermediation services	2,309,704	1,747,771
From insurance mediation services	1,902,130	4,304,496
From other commissions	26,420	(1,639)
	10,705,112	**16,500,995**

The increase in banking services revenue is mainly explained by the increase in customer transactionality, mortgage loans, as well as accounts and debit cards, boosted by the introduction of debit card commissions from the beginning of April 2020. Regarding the insurance mediation service, the change is explained by: i) increase in savings products placement (life insurance), ii) increase in insurance brokerage related to CH (life insurance and multi-risk house insurance) and iii) additional 4-month contribution from 321 Crédito, which integrated the consolidation perimeter in May 2019.

Regarding the **Company**, the caption Supplementary revenues fundamentally relates to:

Company	2019	2020
Royalties	500,000	500,000
Services rendered to Group companies (1)	30,941,482	37,246,775
Rental of spaces in urban buildings	1,814,565	1,697,428
Other	1,395,019	1,220,191
	34,651,067	**40,664,394**

(1) Includes subsidiary, associated and joint-ventures companies.

42. External supplies and services

For the years ended 31 December 2019 and 31 December 2020, the composition of the **Group** and the **Company** heading External supplies and services was as follows:

	Group 2019	Group 2020	Company 2019	Company 2020
Subcontracts	15,121,435	14,829,636	74,432	222,435
Specialised services	65,514,522	63,377,290	32,601,744	27,018,701
Specialized services rendered by Group companies [(1)]	91,075	51,867	3,095,207	2,128,748
Materials	2,309,113	2,853,106	1,357,027	2,132,104
Energy and fuel	15,551,778	14,416,914	13,535,387	12,323,181
Staff transportation	161,870	143,251	158,451	140,206
Transportation of goods	75,007,059	92,769,127	11,643,465	12,374,505
Rents				
Vehicle operational lease	3,050,726	2,772,287	2,586,907	2,318,683
Other rental charge	4,549,422	4,072,694	3,321,965	3,058,115
Communication	1,141,523	1,342,407	257,823	160,425
Insurance	1,618,170	1,792,058	582,243	729,684
Litigation and notary	266,326	114,237	125,084	(9,287)
Cleaning, hygiene and confort	3,773,371	4,420,685	3,324,839	3,821,759
Postal Agencies	6,649,249	7,090,149	6,667,136	7,103,106
Postal operators	25,253,612	21,594,499	24,172,506	20,378,767
Delivery subcontracting	5,901,760	5,865,959	5,901,760	5,865,959
Other services	16,815,509	18,638,586	8,343,015	7,595,067
Other services rendered by Group companies [(1)]	-	38	3,349,653	3,833,170
	242,776,520	**256,144,789**	**121,098,644**	**111,195,328**

[(1)] Includes subsidiary, associated and joint-ventures companies.

(i) Specialized services refer to the outsourcing contracts for the provision of IT services, the maintenance of IT equipment and external consultants;

(ii) Energy and fuel refer mainly to diesel for vehicles used in the operating process;

(iii) Transportation of goods refers to costs with the transportation of mail and express in several ways (sea, air, surface). The increase in this caption is mainly explained by the growth of "Express and Parcels" segment;

(iv) "Other Rental changes" essentially refer to the rental of software and other equipment whose contracts did not comply with the requirements of IFRS 16. Regarding "Vehicle operational lease" the amount recognized refers to the part that exceeds the minimum guaranteed rent which, as provided for in IFRS 16, should not be considered in the right of use;

(v) Postal operators refer to costs with peer postal operators.

43. Staff costs

During the years ended 31 December 2019 and 31 December 2020, the composition of the **Group** and the **Company** heading Staff Costs was as follows:

	Group 2019	Group 2020	Company 2019	Company 2020
Remuneration	268,429,904	266,770,200	232,823,494	227,803,433
Employee benefits	7,099,788	7,307,244	7,028,821	7,160,129
Indemnities	9,380,970	1,079,873	8,660,030	623,288
Social Security charges	58,766,637	57,290,969	50,867,435	48,664,862
Occupational accident and health insurance	4,671,145	4,445,359	4,388,609	4,168,839
Social welfare costs	7,609,370	5,449,279	7,115,486	4,910,537
Other staff costs	46,551	145,183	-	-
	356,004,365	**342,488,107**	**310,883,876**	**293,331,088**

Remuneration of the statutory bodies of CTT, S.A.

As at 31 December 2019 and 31 December 2020, the fixed and variable remunerations attributed to the members of the statutory bodies of CTT, SA, were as follows:

Company	2019 Board of Directors	Audit Comitee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	2,523,191	204,857	55,800	14,000	2,797,848
Annual variable remuneration	801,968	-	-	-	801,968
	3,325,159	**204,857**	**55,800**	**14,000**	**3,599,816**
Long-term remuneration					
Defined contribution plan RSP	203,442	-	-	-	203,442
Long-term variable remuneration	-	-	-	-	-
	203,442	**-**	**-**	**-**	**203,442**
	3,528,601	**204,857**	**55,800**	**14,000**	**3,803,258**

Company	2020				
	Board of Directors	Audit Comittee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	2,550,344	153,779	31,910	14,000	2,750,033
Annual variable remuneration	-	-	-	-	-
	2,550,344	**153,779**	**31,910**	**14,000**	**2,750,033**
Long-term remuneration					
Defined contribution plan RSP	229,483	-	-	-	229,483
Long-term variable remuneration	201,592	-	-	-	201,592
	431,075	**-**	**-**	**-**	**431,075**
	2,981,419	**153,779**	**31,910**	**14,000**	**3,181,108**

CTT approved, with effect from 31 December 2017, the Remuneration Regulation for Members of the Statutory Bodies for the period 2017-2019, which defines the allocation of a long-term variable remuneration, to be paid in cash (note 2.21). The plan was considered as "cash settlement" which, according to IFRS 2, implies that the liability should be annually updated and any changes resulting therefrom should be recorded in the income statement.

It is in progress, the preparation of a new Remuneration Regulation for Members of the Statutory Bodies for the period 2020-2022, which, at this date, has not yet been concluded and approved. This regulation changes the long-term variable remuneration to a "stock option" mechanism, however, it will only come into force after its approval at the General Meeting. In this view, for the year 2020, the previous regulation remained in force.

The amount to be attributed to the members of the CTT Executive Committee is based on the results of the performance evaluation during the term of office (1 January 2020 to 31 December 2022), which consists of (i) a comparison of the recorded performance of the Total Shareholder Return (TSR) of CTT shares and the TSR of a weighted peer group, composed of national and international companies (ii) the sum of the overall annual qualitative AVR assessments of the executive Directors and (iii) the investment in CTT shares of a minimum of 25% of the AVR amount received by each Director. This calculation is performed by an independent entity and, if attributed, will be paid at the end of the 2020-2022 term. It should be noted, however, that the drafting of the new regulation for the 2020-2022 is under preparation, so this situation will be reassessed.

Following the study carried out by an independent entity on 31 December 2020, an amount of 201,592 Euros was determined and recognized in expenses for the period 2020 and will be settled at the end of the three years, if the conditions for the attribution are met.

For the year ended 31 December 2019, the amount of 801,968 Euros was recognized as Annual Variable Compensation for the members of the Statutory Bodies. Due to the COVID-19 pandemic, and by resolution of the Annual General Meeting, the non-payment of profit-sharing bonuses was approved, and the annual variable remuneration was suspended, and the 801,968 Euros not yet paid is recognized in the caption "other current liabilities" as at 31 December 2020.

In the year ended 31 December 2020, there is no place for the payment of annual variable compensation to the members of Statutory Bodies.

<u>Remuneration</u>

The change in the "Remuneration" caption arises essentially from the combined effects of the workers exits observed at the end of 2019 under the HR Optimization Program and absenteeism following COVID-19, both with an impact on the remunerations of 2020.

In 2020, compensations of 2,422,749 Euros and 2,284,679 Euros were paid to the **Group** and **Company**'s employees, respectively, regarding to the 2019 performance and an extraordinary compensation of 526,111 Euros to employees who during the confinement period were at the front line, exposed to the contagion risk.

Indemnities

During the period ended 31 December 2020, this caption includes the amount of 234,583 Euros (2019: 8,378,074 Euros) related to compensation paid to employees for termination of employment contracts by mutual agreement. In 2019, the amount also includes the amounts paid to the executive members of the Board of Directors who resigned their mandate.

Social welfare cost

Social welfare costs relate almost entirely to health costs incurred by the **Group** and the **Company** with the active workers, as well as expenses related to Health and Safety at work. The decrease in social welfare cost is due to a lower use of healthcare services, due to the COVID-19 impact on the Health system.

As at 31 December 2019 and 31 December 2020, the **Group** and the **Company** heading Staff costs includes the amounts of 771,157 Euros and 539,178 Euros, respectively, related to expenses with workers' representative bodies.

For the year ended 31 December 2020, the average number of staff of the **Group** and the **Company** was 12,218 and 10,600 employees, respectively, (12,369 employees and 10,852 employees in the year ended 31 December 2019).

44. Impairment of accounts receivable and Impairment of other financial banking assets

For the years ended 31 December 2019 and 31 December 2020, the detail of Impairment of accounts receivable, net and Impairment of other financial banking assets, net of the **Group** and the **Company** was as follows:

	Group		Company	
	2019	2020	2019	2020
Impairment of accounts receivable				
Impariment losses				
Accounts receivable	7,204,092	5,390,793	585,751	943,189
Other current and non-current assets	1,464,196	1,886,462	1,400,753	1,865,313
Slight and term deposits	5,352	551	4,868	329
	8,673,640	7,277,806	1,991,373	2,808,831
Reversals of impairment losses				
Accounts receivable	766,236	2,014,668	-	-
Other current and non-current assets	100,275	85,730	85,981	58,236
Slight and term deposits	6,723	2,965	-	358
	873,234	2,103,363	85,981	58,594
Bad debts	-	438,656	-	44,360
Net movement of the period	**(7,800,406)**	**(5,613,099)**	**(1,905,392)**	**(2,794,597)**
Impairment of other financial banking assets				
Impariment losses				
Debt securities	34,209	34,128	-	-
Other current and non-current assets	121,598	-	-	-
Other banking financial assets	341,194	55,800	-	-
Credit to banking clients	7,708,015	13,328,302	-	-
	8,205,016	13,418,231	-	-
Reversals of impairment losses				
Debt securities	84,191	16,286	-	-
Other banking financial assets	371,191	1,185,147	-	-
Credit to banking clients	4,653,998	3,299,828	-	-
	5,109,380	4,501,262	-	-
Net movement of the period	**(3,095,636)**	**8,916,969**	**-**	**-**
	(10,896,042)	**(14,530,068)**	**(1,905,392)**	**(2,794,597)**

45. Depreciation/amortization (losses/reversals)

For the years ended 31 December 2019 and 31 December 2020, the detail of Depreciation/ amortization and impairment losses, net, regarding the **Group** and the **Company** was as follows:

	Group		Company	
	2019	2020	2019	2020
Tangible fixed assets				
Depreciation (Note 5)	40,921,520	44,218,514	33,528,670	35,713,613
Impairment losses (Note 5)	(83)	(4,712)	(83)	(4,712)
Intangible assets				
Amortisation (Note 6)	13,538,108	17,887,283	7,781,968	10,952,356
Impairment losses (Note 6)	-	-	-	-
Investment properties				
Depreciation (Note 7)	261,092	235,404	261,092	235,404
Impairment losses (Note 7)	(494,358)	(298,836)	(494,358)	(298,836)
Non-current assets held for sale				
Impairment losses (Note 21)	(3,050)	98,169	-	-
	54,223,229	**62,135,823**	**41,077,288**	**46,597,825**

46. Other operating costs

For the years ended 31 December 2019 and 31 December 2020, the breakdown of the **Group** and the **Company** heading Other operating costs was as follows:

	Group		Company	
	2019	2020	2019	2020
Taxes and other fees	2,668,371	2,721,475	2,361,379	1,999,246
Other contributions	176,087	-	-	-
Bad debts	143,612	-	74,384	-
Losses in inventories	89,672	267,760	89,705	267,694
Unfavourable exhange rate differences of assets	662,942	1,453,507	508,032	1,258,145
Donations	1,018,272	882,540	1,018,272	877,938
Bankingservices	3,101,828	3,184,090	2,898,942	2,983,026
Interest on arrears	72,736	6,314	53,642	2,800
Contractual penalties	8,137	30,622	8,137	30,622
Subscriptions	851,938	720,270	739,243	633,249
Expenses of fees and commissions	3,483,868	3,546,641	-	-
Deposits Guarantee Fund/Resolution unified Fund	-	212,410	-	-
Indemnities	1,769,026	286,475	569,168	132,834
Other costs	2,186,652	2,882,423	502,522	566,864
	16,233,140	**16,194,526**	**8,823,425**	**8,752,418**

The caption "Taxes and other fees" in the **Group** includes the amounts of 1,315,953 Euros and 1,388,485 Euros, for the years ended 31 December 2019 and 31 December 2020, respectively, relating to ANACOM fees.

The caption "Deposits Guarantee Fund/ Resolution unified Fund", previously designated by "Other contributions" essentially includes:

a) The amounts of 76,816 Euros and 82,360 Euros as at 31 de December 2019 and 31 December 2020, respectively, related to the Contribution for the single resolution fund under the Unique Resolution Mechanism and in accordance with paragraph 2 of Article 70 of Regulation (EU) no. 806/2014 of the European Parliament and of the Council of 15 July 2014;

b) The amounts of 19,004 Euros and 127,511 Euros as at 31 de December 2019 and 31 December 2020, respectively, of periodic contributions that must be paid to the Resolution Fund, as set forth in Decree-Law no. 24/2013.

The periodic contributions for the Resolution Fund are calculated according to a basic rate applicable every year, determined by Banco de Portugal, by instruction, which can be adjusted according to the institution's risk profile, on the objective basis of assessment of these contributions. The periodic contributions are incident on the liabilities of the institutions participating in the Fund, defined under the terms of article 10 of the aforesaid Decree-Law, minus the liability items that are part of the of the core own funds (Tier 1 Capital), supplementary own funds (Tier 2 Capital) and deposits covered by the Deposit Guarantee Fund.

The Single Supervisory Mechanism (SSM) is one of the three pillars of the Banking Union (the Single Supervisory Mechanism, the Single Resolution Mechanism and a Common System for Deposit Protection). The SSM model distinguishes between significant credit institutions (under direct supervision of the ECB) and less significant credit institutions (under indirect supervision of the ECB and direct supervision of the competent national authorities, with articulation and reporting to the ECB), based on quantitative and qualitative criteria. Banco CTT is classified as a Less Significant Entity (LSE).

The "Contribution of the banking sector" is calculated in accordance with the provisions in Law 55-A/2010, with the amount determined based on: (i) the annual average liability stated on the balance sheet, minus core own funds (Tier 1 Capital) and supplementary own funds (Tier 2 Capital) and the deposits covered by the Deposit Guarantee Fund; and (ii) the notional value of the derivative financial instruments. For the year ended at 31 December 2019 and 31 December 2020, these amounts were, respectively, 78,514 Euros and 304,284 Euros and are booked under the caption "Taxes and other fees".

The caption "Expenses of fees and commissions" is detailed as follows:

Group	2019	2020
Expenses of fees and commissions		
From banking services	3,391,747	3,391,067
From securities operations	64,606	108,109
From other services	27,515	47,466
	3,483,868	**3,546,641**

47. Gains/losses on disposals of assets

For the years ended 31 December 2019 and 31 December 2020, the heading Gains/losses on disposals of assets of the **Group** and the **Company** had the following detail:

	Group		Company	
	2019	2020	2019	2020
Losses on disposal of assets	(143,213)	(244,025)	(116,525)	(281)
Gains on disposal of assets	632,124	695,494	569,301	678,783
	488,912	**451,469**	**452,776**	**678,502**

In the year ended 31 December 2020, this caption includes, in the **Group** and **Company**, mainly the accounting gain obtained on the sale of properties and goods, previously recognized as Tangible Assets and Investment Properties, standing out the gain of 590 thousand euros associated with the sale contract of the building held by the company in Sintra.

48. Interest expenses and Interest income

For the years ended 31 December 2019 and 31 December 2020, the heading Interest Expenses of the **Group** and the **Company** had the following detail:

	Group		Company	
	2019	2020	2019	2020
Interest expenses				
Bank loans	1,109,248	1,678,800	1,066,903	1,627,967
Lease liabilities	3,663,261	3,270,933	2,424,680	2,075,214
Other interest	67	150,938	-	150,936
Interest costs from employee benefits (Note 31)	5,436,839	4,467,065	5,405,026	4,439,253
Other interest costs	211,755	92,450	198,055	72,643
	10,421,170	**9,660,185**	**9,094,665**	**8,366,012**

During the years ended 31 December 2019 and 31 December 2020, the **Group** and the **Company** heading Interest income was detailed as follows:

	Group		Company	
	2019	**2020**	**2019**	**2020**
Interest income				
Deposits in credit institutions	39,298	20,091	22,723	3,393
Loans to Group companies [1]	-	-	304,145	521,845
Other supplementary income	24,311	-	24,311	-
	63,609	**20,091**	**351,179**	**525,238**

[1] Includes subsidiary, associated and joint-ventures companies.

49. Income tax for the period

Companies with head office in Portugal are subject to tax on their profit through Corporate Income Tax ("IRC") at the normal tax rate of 21%, whilst the municipal tax is established at a maximum rate of 1.5% of taxable profit, and State surcharge is 3% of taxable profit between 1,500,000 Euros and 7,500,00 Euros, 5% of taxable profit between 7,500,000 and to 35,000,000 Euros and 9% of the taxable profit above 35,000,000 Euros. CTT – Expresso, S.A., Spain branch is subject to income taxes in Spain, through income tax (Impuesto sobre Sociedades - "IS") at a rate of 25%, and the subsidiary CORRE is subject to corporate income tax in Mozambique ("IRPC") at a rate of 32%.

Corporate income tax is levied on CTT and its subsidiaries CTT – Expresso, S.A., Payshop Portugal, S.A, CTT Contacto, S.A. and Banco CTT, S.A., as a result of the option for the Special Regime for the Taxation of Groups of Companies ("RETGS") application. The remaining companies are taxed individually.

Reconciliation of the income tax rate

For the years ended 31 December 2019 and 31 December 2020, the reconciliation between the nominal rate and the effective income tax rate of the **Group** and the **Company** was as follows:

	Group		Company	
	31.12.2019	**31.12.2020**	**31.12.2019**	**31.12.2020**
Earnings before taxes (a)	35,527,163	23,125,508	45,742,896	24,061,113
Nominal tax rate	21.0%	21.0%	21.0%	21.0%
	7,460,704	**4,856,357**	**9,606,008**	**5,052,834**
Tax Benefits	(431,942)	(414,000)	(340,274)	(291,026)
Accounting capital gains/(losses)	(91,900)	(142,485)	(86,387)	(142,485)
Tax capital gains/(losses)	381	79,823	(2,357)	79,823
Equity method	294,130	365,721	2,687,127	365,721
Provisions not considered in the calculation of deferred taxes	(48,029)	67,912	(909)	8,174
Impairment losses and reversals	664,438	543,524	318,102	397,220
Compensation for insurable events	216,833	56,265	161,447	23,946
Depreciation and car rental charges	56,617	50,916	23,042	21,841
Credits uncollectible	25,390	12,804	10,852	8,709
Difference between current and deferred tax rates	(1,648)	(12,451)	(1,648)	(12,451)
Fines, interest, compensatory interest and other charges	34,672	42,318	8,411	15,594
Other situations, net	982,156	(330,516)	598,501	(1,219,862)
Adjustments related with - autonomous taxation	567,037	753,513	454,508	654,732
Adjustments related with - undistributed variable remuneration	255,677	894,342	253,145	888,942
SIFIDE tax credit	-	(3,300,000)	-	(825,000)
Insuficiency / (Excess) estimated income tax	(7,685,038)	943,767	(401,340)	1,091,958
Subtotal (b)	2,299,478	4,467,808	13,288,228	6,118,669
(b)/(a)	6.47%	19.32%	29.05%	25.43%
Adjustments related with - Municipal Surcharge	913,448	561,129	693,247	326,873
Adjustments related with - State Surcharge	3,029,537	1,330,036	2,564,487	894,576
Income taxes for the period	**6,242,463**	**6,358,973**	**16,545,962**	**7,340,119**
Effective tax rate	17.57%	27.50%	36.17%	30.51%
Income taxes for the period				
Current tax	9,126,335	8,354,687	13,670,858	7,341,342
Deferred tax	4,801,166	360,519	3,276,444	(268,181)
SIFIDE tax credit	-	(3,300,000)	-	(825,000)
Insuficiency / (Excess) estimated income tax	(7,685,038)	943,767	(401,339)	1,091,958
	6,242,463	**6,358,973**	**16,545,962**	**7,340,119**

In the year ended 31 December 2019, the heading "Insufficiency / (Excess) estimated income tax" refers essentially to the tax credit related to SIFIDE for the year 2017 in the amount of 650,383 Euros, as well as to the excess / insufficiency of the IRC estimate for the years 2016, 2017 and 2018, in the net amount of 7,034,655 Euros. The excess of the IRC estimate for the year 2016 relates to an IRC refund in the amount of €6.8m following Tax Authority's favorable decision regarding the deduction of the tax loss on CTT Expresso's sale of Tourline in the 2016 financial year. EC1

In the year ended 31 December 2020, the heading "Insufficiency / (Excess) estimated income tax" refers essentially to the recognition of an IRC estimate insufficiency related to previous tax periods.

Regarding the financial year 2020, it is possible to anticipate a tax credit estimated in the total amount of 3,300,000 Euros for the **Group** and 825,000 Euros for the **Company**, as a result of the contributions to the TechTree FCR Fund. Due to the specificities and estimate of the effective probability of attribution, this credit was recognized under IFRIC 23. This amount is booked in the caption "SIFIDE tax credit". EC1

Deferred taxes

As at 31 December 2019 and 31 December 2020, the balance of the **Group** and the **Company** deferred tax assets and liabilities was composed as follows:

	Group		Company	
	31.12.2019	**31.12.2020**	**31.12.2019**	**31.12.2020**
Deferred tax assets				
Employee benefits - healthcare	76,839,990	75,924,327	76,839,990	75,924,327
Employee benefits - pension plan	84,668	73,758	-	-
Employee benefits - other long-term benefits	2,868,626	3,182,468	2,868,626	3,182,468
Impairment losses and provisions	5,032,656	3,573,262	3,124,282	3,229,146
Tax losses carried forward	1,289,985	786,994	-	-
Impairment losses in tangible fixed assets	385,810	408,756	385,810	408,756
Long-term variable remuneration (Board of diretors)	-	53,978	-	53,978
Land and buildings	356,809	355,770	356,809	355,770
Tangible assets' tax revaluation regime	1,924,292	1,603,577	1,924,292	1,603,577
Other	546,970	1,928,978	39,732	22,622
	89,329,806	**87,891,868**	**85,539,541**	**84,780,644**
Deferred tax liabilities				
Revaluation of tangible fixed assets before IFRS	2,137,282	1,955,171	2,137,282	1,955,171
Suspended capital gains	718,036	684,191	718,036	684,191
Non-current assets held for sale	83,010	83,010	-	-
Other	19,787	71,326	-	-
	2,958,115	**2,793,698**	**2,855,318**	**2,639,362**

The deferred tax asset related to Tangible assets tax revaluation regime was recognized following the Companies' accession to the regime established in Decree-Law no. 66/2016, of 3 November. In the year ended 31 December 2020 the deferred tax asset amounts to 1,603,577 Euros.

As at 31 December 2020, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 3.4 million Euros and 0.2 million Euros, respectively, regarding the **Group** and the **Company**.

During the years ended 31 December 2019 and 31 December 2020, the movements which occurred under the deferred tax headings of the **Group** and the **Company** were as follows:

	Group		Company	
	31.12.2019	**31.12.2020**	**31.12.2019**	**31.12.2020**
Deferred tax assets				
Opening balances	81,734,114	89,329,806	79,559,985	85,539,541
Changes in the consolidation perimeter	1,679,394	-	-	-
Effect on net profit				
Employee benefits - healthcare	(664,362)	(104,541)	(664,362)	(104,541)
Employee benefits - pension plan	(10,581)	-	-	-
Employee benefits - other long-term benefits	223,382	317,812	223,382	313,844
Impairment losses and provisions	(287,039)	(90,940)	(280,898)	104,862
Tax losses carried forward	(2,904)	(502,991)	-	-
Impairment losses in tangible fixed assets	102,337	22,946	102,336	22,946
Long-term variable remuneration (Board of diretors)	-	53,978	-	53,978
Land and buildings	(95,203)	(1,039)	(95,203)	(1,039)
Tangible assets' tax revaluation regime	(320,715)	(320,715)	(320,715)	(320,715)
Other	(47,157)	52,981	14,246	(17,110)
Effect on equity				
Employee benefits - healthcare	7,000,770	(766,465)	7,000,770	(811,122)
Employee benefits - pension plan	17,769	(10,910)	-	-
Other	-	(88,054)	-	-
Closing balance	**89,329,806**	**87,891,869**	**85,539,541**	**84,780,644**

	Group		Company	
	31.12.2019	31.12.2020	31.12.2019	31.12.2020
Deferred tax liabilities				
Opening balances	3,108,662	2,958,115	3,083,265	2,855,318
Changes in the consolidation perimeter	83,010	-	-	-
Effect on net profit				
Revaluation of tangible fixed assets before IFRS adoption	(200,606)	(182,111)	(200,606)	(182,111)
Suspended capital gains	(27,341)	(33,845)	(27,341)	(33,845)
Non-current assets held for sale	-	-	-	-
Other	(5,610)	-	-	-
Effect on equity				
Fair Value Reserve	-	19,645	-	-
Other	-	31,895	-	-
Closing balance	**2,958,115**	**2,793,698**	**2,855,318**	**2,639,362**

The tax losses carried forward are related to the losses of the subsidiaries Tourline and Transporta which were merged by incorporation into CTT Expresso, S.A., in 2019, and are detailed as follows:

	31.12.2019		31.12.2020	
Group	Tax losses	Deferred tax assets	Tax losses	Deferred tax assets
CTT – Expresso, S.A., branch in Spain	47,586,401	-	72,471,042	-
CTT Expresso/Transporta	6,142,786	1,289,985	6,142,786	783,366
Total	**53,729,187**	**1,289,985**	**78,613,828**	**783,366**

Regarding CTT – Expresso, S.A., branch in Spain (prior Tourline), the tax losses of the years 2008, 2009 and 2011 may be reported in the next 15 years, the tax losses related to 2012, 2013 and 2014 may be carried forward in the next 18 years and the tax losses of the years 2015, 2016, 2017,2018 and 2019 have no time limit for deduction. No deferred tax assets associated with CTT Expresso branch in Spain's tax losses were recognized, given its losses history. The **Group** will continue to monitor in 2021 the compliance with the new approved business plan, which foresees an increase in revenues and profitability of the Express operation in Spain, reassessing whether the compliance degree with the defined purposes allows to ensure of those amounts' recoverability and the possibility of deferred tax assets recognition.

Regarding CTT Expresso/Transporta the tax losses refer to the years 2017 and 2018 of the company Transporta, which was merged in CTT Expresso during the year 2019 and may be carried forward in the next 7 years (previously 5 years but extended to 7 years due to the exceptional measures approved to deal with adverse consequences caused by the pandemic COVID-19). The recognition of deferred tax assets related to Transporta's tax losses carried forward was supported by the estimate of CTT Expresso's future taxable profits, based on the company's five-year business plan (until 2025).

It should be noted that, following the acquisition of Transporta, a request was made to maintain the tax losses that had been determined with reference to the periods of 2014 and 2015 (in the amounts of 4,536,810 Euros and 3,068,088 Euros, available for reporting until 2028 and 2029, respectively), which are still awaiting an answer from the Tax Authority. Upon a favorable answer to the request submitted, an asset may be recognized in the future for deferred taxes on those tax losses.

The sensitivity analysis performed allows us to conclude that a 1% reduction in the underlying rate of deferred tax would imply an increase in the income tax for the period of about 2.3 million Euros in the **Group** and in the **Company**.

<u>SIFIDE</u>

Taking into consideration the historical data associated with this reality, the **Group** and the **Company** policy for recognition of fiscal credits regarding SIFIDE tend to be the recognition of the credit at the moment of the effective receipt from the commission certification statement, certifying the eligibility of expenses presented in the applications for tax benefits. EC1

Regarding the expenses incurred with R&D by the **Group** and the **Company** in the financial year of 2018, a tax credit of 230,238 Euros and 216,176 Euros, respectively, was attributed by the Certification Committee, during 2020.

For the year ended 31 December 2019, with the delivery of the application, the expenses incurred with R&D, of 1,422,552 Euros and 1,224,748 Euros, respectively, the **Group** and the **Company** will have the possibility of benefiting from a tax deduction in corporate income tax estimated at 753,235 Euros and 594,336 Euros, respectively.

Regarding the economic period of 2020, the **Group** and the **Company** are still identifying and quantifying the expenses incurred with R&D that will integrate the applications that will be submitted during the year 2021.

The gains related with I&D expenses incurred in 2019 and 2020 are not yet been recognized, since the **Group** and the **Company** only recognize the tax credit with the effective receipt from the commission certification statement, certifying the eligibility of expenses presented in the applications.

Other information

Pursuant to the legislation in force in Portugal, income tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except when there have been tax losses, tax benefits have been received, or when inspections, claims or challenges are in progress, in which cases, depending on the circumstances, these years are extended or suspended. Therefore, CTT's income tax returns from 2017 and onwards may still be reviewed and corrected.

The Board of Directors of the **Company** believes that any corrections arising from reviews/inspections by the tax authorities of these income tax returns will not have a significant effect on the consolidated financial statements as at 31 December 2020.

50. Related parties

The Regulation on Assessment and Control of transactions with CTT related parties defines related party as: qualified shareholder, manager, subsidiaries companies' managers or third party with any of these related through relevant commercial or personal interest (under the terms of IAS 24) and also subsidiaries, associates and joint ventures of CTT. It is considered that there is a "relevant commercial or personal interest" in relation to (i) close family members of the managers, subsidiaries companies' managers and qualified shareholders who, at each moment, have significant influence on CTT, as well as (ii) controlled entities (individually or jointly), either by management, subsidiaries companies' managers qualified shareholders or by the persons referred to in (i). For this purpose, "control" is considered to exist when the party has, directly or indirectly, the power to guide the financial and operational policies of an entity in order to obtain benefits from its activities. Additionally, "close family members" are: (i) the spouse or domestic partner and (ii) the children and dependents of the person and persons referred to in (i).

According to the Regulation, the significant transactions with related parties, as well as transactions that members of the Board of Directors of CTT and/or its subsidiaries conduct with CTT and/or its subsidiaries, must be previously approved by resolution of Board of Directors, preceded by a prior favorable opinion of Audit Committee , except when included in the normal company´s business and no special advantage is granted to the director directly or by an intermediary. Significant transaction is any transaction with a related party whose amount exceeds one million euros, and / or carried out outside current activity scope of CTT and / or subsidiaries and / or outside market conditions.

The other related parties' transactions are approved by Executive Committee, to the extent of the related delegation of powers, and subject to subsequent examination by the Audit Committee.

During the years ended 31 December 2019 and 31 December 2020, the following transactions took place and the following balances existed with related parties, regarding the **Group**:

Group	2019				
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders	-	-	-	-	15,000,000
Group companies					
Associated companies	5,370	29,919	12,799	95,703	-
Jointly controlled	370,468	-	529,039	-	-
Members of the (Note 43)					
Board of Directors	-	-	-	3,325,159	-
Audit Committee	-	-	-	204,857	-
Remuneration Committee	-	-	-	55,800	-
General Meeting	-	-	-	14,000	-
	375,838	**29,919**	**541,838**	**3,695,519**	**15,000,000**

Group	2020				
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders	-	-	-	25,850	-
Group companies					
Associated companies	-	-	6,675	63,788	-
Jointly controlled	504,980	-	1,109,947	-	-
Members of the (Note 43)					
Board of Directors	-	-	-	2,550,344	-
Audit Committee	-	-	-	153,779	-
Remuneration Committee	-	-	-	31,910	-
General Meeting	-	-	-	14,000	-
	504,980	**-**	**1,116,622**	**2,839,671**	**-**

During the years ended 31 December 2019 and 31 December 2020, the following transactions took place and the following balances existed with related parties, regarding the **Company**:

Comapny	2019							
	Accounts receivable	Shareholders and Group companies (DB)	Accounts payable	Shareholders and Group companies (CB)	Revenues	Costs	Interest income	Dividends
Shareholders	-	-	-	-	-	-	-	15,000,000
Group companies								
Subsidiaries	13,270,695	16,465,675	2,780,599	22,109,174	32,401,276	2,790,807	304,145	-
Associated companies	5,370	-	29,919	-	12,799	93,726	-	-
Joint Ventures	137,388	-	-	-	335,559	-	-	-
Other related parties	263,190	281,592	355,937	-	1,106,542	3,616,366	-	-
Members of the (Note 43)								
Board of Directors	-	-	-	-	-	3,325,159	-	-
Audit Committee	-	-	-	-	-	204,857	-	-
Remuneration Committee	-	-	-	-	-	55,800	-	-
General Meeting	-	-	-	-	-	14,000	-	-
	13,676,643	**16,747,267**	**3,166,455**	**22,109,174**	**33,856,177**	**10,100,714**	**304,145**	**15,000,000**

DB - Debit balance; CB - Credit balance

Company	2020							
	Accounts receivable	Shareholders and Group companies (DB)	Accounts payable	Shareholders and Group companies (CB)	Revenues	Costs	Interest income	Dividends
Shareholders	-	-	-	-	-	25,850	-	-
Group companies								
Subsidiaries	16,014,307	34,670,773	3,584,532	25,403,385	38,665,470	3,276,842	521,845	-
Associated companies	-	-	-	-	-	-	-	-
Joint Ventures	332,450	-	-	-	-	-	-	-
Other related parties	123,370	73,691	255,574	-	918,404	2,693,601	-	-
Members of the (Note 43)								
Board of Directors	-	-	-	-	-	2,550,344	-	-
Audit Committee	-	-	-	-	-	153,779	-	-
Remuneration Committee	-	-	-	-	-	31,910	-	-
General Meeting	-	-	-	-	-	14,000	-	-
	16,470,126	**34,744,464**	**3,840,106**	**25,403,385**	**39,583,874**	**8,746,326**	**521,845**	**-**

DB - Debit balance; CB - Credit balance

Regarding the **Company**, as at 31 December 2019 and 31 December 2020, the nature and detail, by company of the **Group**, of the main debit and credit balances was as follows:

Company	2019					
	Accounts receivable	Shareholders and Group companies (DB)	Total accounts receivable	Accounts payable	Shareholders and Group companies (CB)	Total accounts payable
Subsidiaries						
Banco CTT, S.A.	1,681,656	-	1,681,656	564	10,620,797	10,621,362
CTT Expresso,S.A.	10,520,992	16,408,000	26,928,992	2,586,550	11,488,377	14,074,927
CTT Contacto, S.A.	268,920	57,674	326,594	193,484	-	193,484
CORRE - Correio Expresso Moçambique, S.A.	799,127	-	799,127	-	-	-
Associated companies						
Multicert - Serviços de Certificação Electrónica, S.A.	5,370	-	5,370	29,919	-	29,919
Joint Ventures						
NewPost, ACE	137,388	-	137,388	-	-	-
Mktplace - Comércio Eletrónico, S.A	-	-	-	-	-	-
Other related parties						
Payshop Portugal, S.A.	250,954	281,592	532,547	355,937	-	355,937
321 Crédito – Instituição Financeira de Crédito, S.A.	12,236	-	12,236	-	-	-
	13,676,643	**16,747,267**	**30,423,910**	**3,166,455**	**22,109,174**	**25,275,630**

DB - Debit balance; CB - Credit balance

Company	2020					
	Accounts receivable	Shareholders and Group companies (DB)	Total accounts receivable	Accounts payable	Shareholders and Group companies (CB)	Total accounts payable
Subsidiaries						
Banco CTT, S.A.	842,112	-	842,112	724	13,650,982	13,651,705
CTT Expresso,S.A.	14,236,012	33,630,000	47,866,012	3,401,415	11,752,403	15,153,817
CTT Contacto, S.A.	285,617	40,773	326,390	182,394	-	182,394
CORRE - Correio Expresso Moçambique, S.A.	650,565	-	650,565	-	-	-
CORRE - Correio Expresso Moçambique, S.A.	-	1,000,000	1,000,000	-	-	-
Associated companies						
Multicert - Serviços de Certificação Electrónica, S.A.	-	-	-	-	-	-
Joint Ventures						
NewPost, ACE	332,450	-	332,450	-	-	-
Mktplace - Comércio Eletrónico, S.A	-	-	-	-	-	-
Other related parties						
Payshop Portugal, S.A.	106,741	73,691	180,432	255,574	-	255,574
321 Crédito – Instituição Financeira de Crédito, S.A.	16,629	-	16,629	-	-	-
	16,470,126	**34,744,464**	**51,214,590**	**3,840,106**	**25,403,385**	**29,243,491**

DB - Debit balance; CB - Credit balance

As far as the **Company** is concerned, during the years ended 31 December 2019 and 31 December 2020, the nature and detail, by company of the **Group**, of the main transactions was as follows:

Company	2019								
	Assets acquired	Services to be reinvoiced	Assets sold	Sales and services rendered	Other operating revenues	Supplies and external services	Other operating costs	Depreciation of rights of use / Interest on lease liabilities	Interest Income
Subsidiaries									
Banco CTT, S.A.	-	-	-	1,156,250	2,208,740	-	-	-	-
CTT Expresso,S.A.	124,600	283,572	155,677	345,563	25,704,036	2,169,296	122	32,534	304,145
CTT Contacto, S.A.	-	96,446	2,487	4,729	2,753,325	588,825	30	-	-
CORRE - Correio Expresso Moçambique, S.A.	-	-	-	-	228,634	-	-	-	-
Tourline Express Mensajeria, S.A.	-	-	-	-	-	-	-	-	-
Transporta - Transportes Porta a Porta, S.A.	-	-	-	-	-	-	-	-	-
Associated companies									
Multicert - Serviços de Certificação Electrónica, S.A.	-	-	-	12,799	-	93,693	33	-	-
Joint Ventures									
NewPost, ACE	-	-	-	-	317,492	-	-	-	-
Mktplace - Comércio Eletrónico, S.A	-	-	-	18,067	-	-	-	-	-
Other related parties									
Payshop Portugal, S.A.	-	-	36,638	187,683	814,038	3,616,366	-	-	-
321 Crédito – Instituição Financeira de Crédito, S.A.	-	-	-	104,820	-	-	-	-	-
	124,600	**380,018**	**194,801**	**1,829,911**	**32,026,266**	**6,468,180**	**184**	**32,534**	**304,145**

Company	2020								
	Assets acquired	Services to be reinvoiced	Assets sold	Sales and services rendered	Other operating revenues	Supplies and external services	Other operating costs	Depreciation of rights of use / Interest on lease liabilities	Interest Income
Subsidiaries									
Banco CTT, S.A.	-	-	-	1,213,785	3,104,527	-	-	-	-
CTT Expresso,S.A.	168,150	93,590	272,758	356,025	31,928,782	2,161,114	-	44,820	521,845
CTT Contacto, S.A.	-	119,488	20,506	1,790	2,060,561	1,070,908	-	-	-
CORRE - Correio Expresso Moçambique, S.A.	-	-	-	-	219,261	-	-	-	-
Associated companies									
Multicert - Serviços de Certificação Electrónica, S.A.	-	-	-	13,349	-	33	48,550	-	-
Joint Ventures									
NewPost, ACE	-	-	-	-	-	-	-	-	-
Mktplace - Comércio Eletrónico, S.A	-	-	-	617,809	-	-	-	-	-
Other related parties									
Payshop Portugal, S.A.	-	-	179,439	188,944	729,460	2,693,601	-	-	-
321 Crédito – Instituição Financeira de Crédito, S.A.	-	-	-	150,962	-	-	-	-	-
	168,150	**213,078**	**472,703**	**2,542,663**	**38,042,592**	**5,925,655**	**48,550**	**44,820**	**521,845**

In the context of transactions with related parties, no commitments were made, nor were any guarantees given or received in addition to the comfort letters assumed regarding CTT Expresso, branch in Spain, mentioned in Note 32.

No provision was recognized for doubtful debts or expenses recognized during the period in respect of bad or doubtful debts owed by related parties.

The remunerations attributed to the members of the statutory bodies of CTT, S.A. are disclosed in note 43 – Staff Costs.

51. Fees and services of the external auditors

The audit and legal review fees recorded in 2020 related to all companies' annual accounts that integrate the **Group**, amounted to 780,167 Euros. In addition, other assurance services fees, which include the half-yearly review, and other non-review or audit services amounted to 381,581 Euros.

The information concerning the fees and services provided by the external auditors is detailed in chapter 5.2.5 section 47 of the Integrated Report.

52. Information on environmental matters

The environmental responsibility is one of the relevant topics identified in the course of CTT stakeholders' materiality exercise and mapping and integrates the Sustainability strategy of the **Group**, from a perspective of risk and opportunity management, as presented in more detail in sections 2.3, 2.4 and 4.5 of the Integrated Report.

To the extent of our knowledge, there are no current environmental liabilities or obligations, whether legal or constructive, related to environmental matters that should lead to the constitution of provisions.

53. Provision of insurance mediation service

In accordance with the Regulatory Standard of the Instituto de Seguros de Portugal (Portuguese Insurance Institute) no. 15/2009-R of 30 December 2009, the **Group** and the **Company** disclose the relevant information regarding the activity of insurance mediation according to article 4 of the above-mentioned Regulatory Standard.

a) Description of the accounting policies adopted for the recognition of revenue

The accounting policies adopted for the recognition of revenue regarding the provision of insurance mediation services is detailed in Note 2.29.

b) Indication of total revenue received detailed by nature c)

By nature	Group 2019	Group 2020	Company 2019	Company 2020
Cash	3,548,515	5,354,859	1,646,385	1,050,363
Kind	-	-	-	-
	3,548,515	**5,354,859**	**1,646,385**	**1,050,363**

By type	Group 2019	Group 2020	Company 2019	Company 2020
Commissions	3,548,515	5,354,859	1,646,385	1,050,363
Fees	-	-	-	-
Other remuneration	-	-	-	-
	3,548,515	**5,354,859**	**1,646,385**	**1,050,363**

d) Indication of total revenues relating to insurance contracts intermediated by the **Company** detailed by Branch Life and Non-Life

e)

	Group		Company	
	2020		2020	
By entity	Branch Life	Branch Non-Life	Branch Life	Branch Non-Life
Insurance Companies	4,831,460	523,399	1,009,109	41,254
Other mediators	-	-	-	-
Customers (other)	-	-	-	-
	4,831,460	**523,399**	**1,009,109**	**41,254**

f) Indication of the existence of concentration levels at the level of insurance companies, other mediators, which are equal or greater than 25% of the total remuneration earned by the portfolio

By entity	Group 2019	Group 2020	Company 2019	Company 2020
Insurance Companies	-	-	-	-
FIDELIDADE	36.49%	19.42%	92.63%	95.86%
ZURICH	31.87%	42.66%	-	-
Other mediators	-	-	-	-
Customers (other)	-	-	-	-

e) Values of customers' accounts, at the beginning at the end of the year, as well as the volume handled over the year applicable to insurance intermediaries that handle funds related to insurance contracts

Accounts 'Customers'	Group 2019	Group 2020	Company 2019	Company 2020
Open Balance	-	-	-	-
Closing Balance	-	-	-	-
Volume handled				
Debt	75,341,676	32,285,639	75,341,676	23,248,050
Credit	1,845,412	9,918,148	1,037,418	111,671

g) Accounts receivable and payable broken down by source

h)

	Group			
	Accounts receivable		Accounts payable	
By entity	2019	2020	2019	2020
Policyholders, insureds or beneficiaries	-	-	-	-
Insurance companies	2,321,018	9,233,482	680,974	1,044,407
Reinsurance undertakings	-	-	-	-
Other mediators	-	-	-	-
Customers (other)	-	-	-	-
	2,321,018	**9,233,482**	**680,974**	**1,044,407**

	Company			
	Accounts receivable		Accounts payable	
By entity	2019	2020	2019	2020
Policyholders, insureds or beneficiaries	-	-	-	-
Insurance companies	1,040,691	8,405,693	42,555	145,035
Reinsurance undertakings	-	-	-	-
Other mediators	-	-	-	-
Customers (other)	-	-	-	-
	1,040,691	**8,405,693**	**42,555**	**145,035**

g) Indication of the aggregate amounts included in accounts receivable and payable

By entity	Group			
	Accounts receivable		Accounts payable	
	2019	2020	2019	2020
Funds received in order to be transferred to insurance companies for payment of insurance premiums	1,845,412	1,624,005	1,737,226	1,256,699
Collecting funds in order to be transferred to insurance companies for payment of insurance premiums	-	-	-	-
Funds entrusted to it by insurance companies in order to be transferred to policyholders, insureds or beneficiaries (or insurance companies in case the activity of reinsurance mediation)	74,922,325	16,279,443	75,341,676	23,248,050
Remuneration in respect of insurance premiums already collected and to be collected	3,548,515	5,354,859	-	-
Other mediators	-	-	-	-
Total	**80,316,253**	**23,258,307**	**77,078,902**	**24,504,749**

By entity	Company			
	Accounts receivable		Accounts payable	
	2019	2020	2019	2020
Funds received in order to be transferred to insurance companies for payment of insurance premiums	1,037,418	111,671	927,945	9,254
Collecting funds in order to be transferred to insurance companies for payment of insurance premiums	-	-	-	-
Funds entrusted to it by insurance companies in order to be transferred to policyholders, insureds or beneficiaries (or insurance companies in case the activity of reinsurance mediation)	74,922,325	16,279,443	75,341,676	23,248,050
Remuneration in respect of insurance premiums already collected and to be collected	1,646,385	1,050,363	-	-
Other mediators	-	-	-	-
Total	**77,606,128**	**17,441,477**	**76,269,621**	**23,257,304**

Note: The remaining paragraphs of the standard do not apply.

The amounts presented above are amounts moved during the year 2019 and 2020.

54. Other information

The universal postal service concession contract, which scope also covers the service provision of postal vouchers on an exclusive basis, whose term was planned for 31.12.2020 was extended until 31.12.2021 by Decree-Law n.º 106-A/2020, of 30 de December.

Under the Universal Postal Service Concession Contract, on 13 March 2020, CTT invoked force majeure before the Grantor, following the public health emergency of international scope declared by the World Health Organization. Since then, the need for CTT to comply with the public health standards issued by the competent authorities has been maintained, as well as the necessary and appropriate measures to protect workers and customers, while continuing to ensure the functioning and continuity of postal services. CTT also continues to periodically submit an update on the situation to the Government, as a counterparty in the contract, and to ANACOM, the regulatory authority responsible for overseeing the provision of the universal postal service.

The legal proceedings relating to ANACOM's Decision regarding the parameters of quality of service and performance objectives applicable to the provision of the universal postal service, issued in July 2018, are still pending. The stage of producing evidence continues in the arbitration proceeding brought against the Portuguese State, as the grantor in the Concession Agreement. In the administrative proceedings brought against ANACOM, the first regarding the same decision and the second concerning the December 2018 resolution regarding the new measurement procedures to be applied to the quality of service indicators, there were no relevant developments.

On 02.10.2020, ANACOM defined the compensating mechanism to the users for non-compliance, in 2019, with the IQS performance objectives, i.e. a) deduction of 1 percentage point from the weighted average variation in the basket prices of mail services , parcels and editorial mail, allowed for the year 2020, a change that would thus be 0.41%, the mentioned deduction should benefit the universality of the users of those services; and b) the deduction of 0.31% to the prevailing prices of ordinary mail in quantities subject to special prices, in the national service, to be implemented in the period from 01.11.2020 to 31.12.2020. On 23.10.2020, they submitted to ANACOM the proposal for consumer compensation measures to be adopted to comply with this deliberation, requiring the application of a different type of compensation to be used in favor of users, combining the determined price reduction of the mail basket, parcels and editorial mail with another measure, in the proportion of 50% for each action (alternative measure). Thus, on 06.11.2020, ANACOM approved the application of the compensation mechanism according to an alternative proposal submitted by CTT, namely:

a) Prices reduction, between 01.11.2020 and 30.11.2020, for national mail services (non-priority mail, priority mail, simple registered mail and registered mail), the international economic mail service - special regime and the subsidized service tariff editorial mail;

b) Reduction, between 01.11.2020 and 31.12.2020, in the price of shipments in the 20 and 50g weight scale, within the scope of regular mail and quantity subject to special prices, in the national service.

c) Massive distribution of a prepaid postcard to all households in Portugal during the first half of December, so that it could be used on the date that the customer understood it.

The process related to the proposal of the imposition of 11 contractual fines, initiated in 2018 by ANACOM, within the scope of the Universal Postal Service Concession Agreement, based on alleged breaches of contract obligations during 2015, 2016 and 2017 and the administrative proceedings had no significant developments. CTT are convicted that they have produced evidence to the effect that they are not responsible for the facts that are being imputed to them. The decision to apply contractual fines is from the Portuguese State, which has not yet notified CTT of any contractual fine.
On 14 September, ANACOM announced that it considered the results of the cost accounting system of CTT for the financial years of 2016 and 2017 were produced in accordance with ANACOM's decision on the reformulation of those results and imposing new criteria for the separation of costs between the postal activity and the banking activity of the **Company**.

On 30.09.2020, CTT were notified that the density purposes and minimum service offers set by decision of ANACOM as of 15.09.2017, complemented by a decision of the same entity as of 21.08.2019 – that would remain in force until that date - until approval of new purposes, under the terms of the concession contract. Subsequently, as at 18.12.2010, ANACOM approved CTT's proposal to maintain such purposes in force until 31.12.2020.

On 26.11.2020, was granted by ANACOM to CTT – Correios de Portugal, S.A. the license to provide postal services under the number SP-2021-001.

The results of the public consultation that took place between 26 June and 18 August regarding the provision of the universal postal service after the expiration of the current concession are awaited. CTT timely presented its contribution, hence ANACOM's public consultation report and its final decision are awaited.

COVID-19 Impact

On 11 March 2020, the World Health Organization declared the public health emergency caused by the COVID19 disease as a pandemic. This situation has evolved very rapidly, and measures have been taken internationally, in the first semester, to severely restrict the rights of free movement and economic freedom, thus seeking to prevent the transmission of the virus. Several governments, authorities and economic agents are implementing a series of initiatives with a very relevant impact on the populations and on the global and national economic activity. In the 3rd quarter of 2020, a gradual opening up from lockdown took place in Portugal as well as in most international markets, which allowed for some economic recovery. However, in the last trimester, there was a further increase in the measures imposed by the authorities, due to the increase in virus transmission, with new restrictions on populations rights of free movement and economic freedom. These measures implemented with the purpose of stopping a new contagious wave, should bring a new negative impact on the national and global economy.

The COVID-19 pandemic affected consumers and companies, however the **Group** maintained its activity and has been associating itself from the outset with the "stay at home" movement in the various geographies where it operates and carried out various initiatives aimed at facilitating access for all to the services provided.

The CTT **Group** has been implementing the measures taken in the meantime to strengthen its financial position and liquidity and ensure its operational response, while preserving the value of traditional services and focusing on and boosting new ones, more linked to digital platforms and ecommerce. As an example, the following services were created:

- **CTT Comércio Local** (CTT Local Trade) is a digital platform that ensures the entire process of selling and buying to traders and end customers. Vendors can join the service at the respective City Hall and have thus a new means of selling their products, while consumers can make their purchases safely without leaving home.

- **Lojas Online** (Online Shops), an offer that allows SMEs to create online shops and facilitates the sale of their products. There are currently 1550 online stores registered, with 520 stores operational by the end of December 2020, covering various sectors of activity, with emphasis on food products, clothing and footwear.

- **Home delivery of medical supplies** in partnership with the National Association of Pharmacies, which allows the users to order medicines by e-mail or telephone directly to the participating pharmacies, while CTT ensures the next-day delivery.

- **Expresso para Hoje** (Express for Today), a comprehensive online service for urgent delivery of parcels, goods or documents within 2 hours in a partnership CTT entered into with Uber.

The pandemic accelerated the downward trend in mail volumes as a result of the acceleration of digitization and e-substitution. The decrease in 2020 is mainly due to the decline in the revenues of transactional mail and advertising mail, mitigated by the revenue growth in business solutions.

The E&E business performance, even though was also affected by COVID-19 pandemic effect, was in 2020 strongly affected by the growth of CEP. The restrictions imposed on most sectors of the economy due to the COVID-19 pandemic substantially impacted the items' profile, with a reduction in B2B volumes in 1H20 and a strong growth in e commerce activity (B2C). This, together with great commercial focus and the repositioning of CTT, resulted in solid volume growth. In 2H20, a recovery in the B2B segment was observed as well as continued growth of e-commerce activity. Contributing to the CEP's record-level activity was, as mentioned above, the strong boost of e-commerce, with very relevant growth in the sectors of food, sports and leisure, education and culture, and consumer electronics. Also, in Spain, there was a significant impact due to the effect of e-commerce growth.

The Financial Services & Retail business unit was equally affected by the pandemic. This business unit's 2Q20 performance was strongly influenced by the restrictive measures of the state of emergency, namely the effect it generated on the preference for liquidity and consequently on medium/long-term financial investments, as well as by the limited customer access to the CTT Retail Network and the changes in post office opening hours.

Despite the general increase in CTT Bank's business line revenues, the pandemic impacts were especially visible in terms of mortgage loans and auto loans. The volume of auto loans production was strongly affected by the temporary closure of auto dealerships in 2Q20, because of the lockdown measures, affecting the capture of new proposals. The payments area also decreased, which peak of the decline occurred in April, especially in the payment of tolls and invoices, with a gradual recovery in the two last quarters of the year.

At the end of 2020, moratorium requests reached a total exposure of €40.4m (€30.8m regarding mortgage loans, €6.1m auto loans, and €2.9m other loans), representing 3.6% of the total gross credit portfolio.

The private auto loans moratoria ended on 30 September. As of that date, they amounted to €27.6m and represented 40.1% of the total moratorium requests. At the end of 2020, circa 86.3% of these loans were in compliance status.

Due to the context of uncertainty, at the Annual General Meeting of 29 April, CTT decided to suspend the payment of the 2019 dividend and allocate the 2019 net profit to Retained Earnings.

Following the pandemic context, the **Group** carried out the following assessments:

- Review of expected credit losses ("ECL") to be applied to amounts receivable and credit to banking clients as at 31 December 2020, with reformulation of the risk parameters in order to reflect in the forward-looking component the economic deterioration resulting from the situation of COVID-19, considering for this purpose the combination of the projected changes in unemployment rate and GDP. This revision of the parameters had an impact of around €3.2m in the consolidated accounts of the **Group**;

  Within the scope of public moratoria (Decree-Law 10-J/2020 and Decree-Law 26/2020), the Banco CTT **Group** has, as at 31 December 2020, 724 active moratoria corresponding to €40.4m and representing 3.6% of the credit to client's portfolio. The private auto loans moratoria ended on 30 September. As of that date, they amounted to €27.6m and represented 40.1% of the total moratorium requests. At the end of 2020, circa 86.3% of these loans were in compliance status.
- Analysis of whether there are additional signs of impairment arising from the impacts of COVID-19 on the results of the various businesses of the **Group**, according to the current forecasts, which could indicate the existence of impairment of goodwill and other non-current assets, namely tangible and intangible assets, with no additional impairments to be recognized;

- Review of the existence of onerous contracts due to the current situation. No contracts were identified that should be considered as onerous contracts;

- Monitoring of the evolution of compliance with the financing covenants. No situations of default were identified;

- In order to strengthen its financial position and manage liquidity risk, the **Group** contracted a new financing in the amount of €25m, of which no amount had yet been used as at 31 December 2020;

- Recognition of incremental costs associated with COVID-19, namely related to personal protection equipment and additional security and hygiene measures amounting to around €1.1 million.

Although the high uncertainty regarding the evolution of the pandemic and its effects on the **Group**'s businesses continues, it is the understanding of the Board of Directors that in view of its financial and liquidity situation, the **Group** will overcome the negative impacts of this crisis, without jeopardizing the continuity of the business.

Management will continue to monitor the threat evolution and its implications in the business and provide all necessary information to its stakeholders.

55. Subsequent events

Share Capital Increase in Banco CTT,S.A.

On 25 January 2021, CTT - Correios de Portugal, S.A. subscribed a share capital increase in the subsidiary Banco CTT, S.A., with a cash contribution in the amount of 10,000,000 euros (ten million euros) and with the issue of 10,000,000 new shares with no par value, ordinary, nominative and with an issue value of 1 euro each. Banco CTT, S.A.'s share capital amounting to 286,400,000 euros (two hundred and eighty-six million and four hundred thousand euros) increased to 296,400,000 euros (two hundred and ninety-six million and four hundred thousand euros).

With the exception of the mentioned above, after 31 December 2020 and up to the present date, no relevant or material facts have occurred in the **Group**'s and **Company**'s activities that have not been disclosed in the notes to the financial statements.

08

Declaration of conformity

8. DECLARATION OF CONFORMITY

For the purposes of article 245(1)(c) of the Portuguese Securities Code, the members of the Board of Directors and of the Audit Committee of CTT - Correios de Portugal, S.A. ("CTT") identified below hereby declare that, to the best of their knowledge, the management report, the annual individual and consolidated accounts, the statutory auditors' report and auditors' report, and other accounting documents (i) were prepared in compliance with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial position and the results of CTT and the companies included in its consolidation perimeter, (ii) faithfully describe the business evolution, the performance and position of CTT and the companies included in the consolidation perimeter, and (iii) contain a description of the major risks faced by CTT in its activity.

Lisbon, 16 March 2021

The Board of Directors

The (non-executive) Chairman of the Board of Directors
Raul Catarino Galamba de Oliveira

The Chief Executive Officer (CEO)
João Afonso Ramalho Sopas Pereira Bento

The Member of the Board of Directors and of the Executive Committee
António Pedro Ferreira Vaz da Silva

The Member of the Board of Directors and of the Executive Committee (CFO)
Guy Patrick Guimarães de Goyri Pacheco

The Member of the Board of Directors and of the Executive Committee
João Carlos Ventura Sousa

The Member of the Board of Directors and of the Executive Committee
João Miguel Gaspar da Silva

The (non-executive) Member of the Board of Directors and Chairwoman of the Audit Committee
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia

The (non-executive) Member of the Board of Directors and of the Audit Committee
Steven Duncan Wood

The (non-executive) Member of the Board of Directors
Duarte Palma Leal Champalimaud

The (non-executive) Member of the Board of Directors
Isabel Maria Pereira Aníbal Vaz

The (non-executive) Member of the Board of Directors
Jürgen Schröder

The (non-executive) Member of the Board of Directors
Margarida Maria Correia de Barros Couto

The (non-executive) Member of the Board of Directors and of the Audit Committee
María del Carmen Gil Marín

The (non-executive) Member of the Board of Directors
Susanne Ruoff

(SIGNED ON THE ORIGINAL)

09

Reports

Audit report, report and opinion of the audit committee and independent limited assurance report

Committed to Deliver

KPMG

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
Edifício FPM41 - Avenida Fontes Pereira de Melo, 41 – 15º
1069-006 Lisboa - Portugal
+351 210 110 000 | www.kpmg.pt

STATUTORY AUDITORS' REPORT

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail.)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of **CTT – Correios de Portugal, S.A.** (the Group), which comprise the consolidated statement of financial position as at 31 December 2020 (showing a total of 2,894,902,626 euros and shareholders' equity of 150,275,094 euros, including a profit of 16,669,309 euros), and the consolidated income statement by nature, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of **CTT – Correios de Portugal, S.A.** as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section below. We are independent of the entities that comprise the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas' code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Employee benefits - health care responsibilities (271,158,314 euros)	
Risk	**Our response to identified risk**
The responsibilities with post-employment health benefits involve a significant degree of judgment in the definition of long term assumptions, namely the discount rate, the health costs growth rate and the mortality and disability tables, which might result in significant variances of the amounts booked in the financial statements as referred to in notes 2.21, 2.30 and 31. Additionally, the significant impact of COVID-19 on the access to healthcare in 2020, implied a greater degree of judgment in defining the health costs growth rate.	Our audit procedures included, among others, the following: ▪ Evaluation of the design and implementation of key controls implemented by the Group related to the assumptions and estimates applied; ▪ Evaluation of the reasonableness of assumptions and estimates used in the actuarial computation, namely the impact of the pandemic situation on the health costs growth rate and the methodology for the computation of the responsibility, with the involvement of our actuarial specialists; ▪ Tests of detail over the information provided by management to the independent actuary for the computation of the responsibility; ▪ Tests of detail over the beneficiaries withdrawn from the population in 2020; and ▪ We assessed the adequacy of the respective disclosures in the financial statements, in accordance with the applicable accounting framework.

321 Crédito's Goodwill recoverability (60,678,648 euros)

Risk	Our response to identified risk
As of December 31, 2020, as referred in note 9, the Goodwill caption amounts to 70,201,828 euros, of which 60,678,648 euros is related with the acquisition of the subsidiary 321 Crédito – Instituição Financeira de Crédito, S.A. in May 2019. As referred in note 8 the Group acquired the 321 Crédito – Instituição Financeira de Crédito, S.A. in May 2019. The monitoring of the budget and business plan approved by the shareholder is relevant, particularly the impact of current market conditions resulting from the COVID-19 pandemic, particularly with regard to the production of new contracts and the credit portfolio decreased ratio, and any adjustments to the plan in the shareholder capital requirements and in the dividend distribution capacity. Considering the goodwill generated by the acquisition of 321 Crédito, the monitoring of its business plan and underlying assumptions is relevant in the audit process. The evolution of the economic environment, as well as the control and monitoring of the spread of COVID-19 and the respective effects may create greater pressure on the results of 321 Crédito - Instituição Financeira de Crédito, S.A.	Our audit procedures included, among others, the following: ▪ Evaluation of the design and implementation of key controls performed by the Entity related to the Business Plan approval and related assumptions; ▪ Analysis of the valuation methodology used, *Dividend Discount Model* (DDM), with the involvement of our valuation specialists; ▪ Analysis of the computation of the recoverable amount and of the main assumptions of the impairment model, namely: i) the discount rate; ii) the perpetuity growth rate; iii) the Core Tier 1 requirements considered for the computation of profits available for distribution; iv) dividends distributed and capital increases, with the involvement of our valuation specialists; ▪ Comparison of the financial projections with the budget plan approved; ▪ Discuss with management the future expectations, namely in relation to credit concession, forms of financing and expected profitability; ▪ Performance of sensitivity to the main assumptions applied; and ▪ We assessed the adequacy of the respective disclosures in the financial statements, in accordance with the applicable accounting framework.

KPMG

Impairment for loans to customers – auto loans and leasing (14,939,283 euros)

Risk	Our response to identified risk
In 31 December 2020, according to note 19 of the Financial Statements, the caption Credit to banking clients – auto loans and leasing total 482,319,310 euros, with an related impairment amount of 14,939,283 euros. For the purpose of impairment calculation, the financial assets measured at amortized cost are classified into three categories (Stage 1, 2 or 3) taking into account the identification or not of a significant deterioration in credit risk, since their initial recognition or if these are assets with impairment. For the Group, determining this effect is a relevant process since it influences the associated Expected Credit Loss ('ECL') levels. The impairment is calculated based on the expected loss estimated by the Group, as disclosed in note 2.17 of the Financial Statements. In response to the economic crisis resulting from the COVID-19 pandemic situation, the Portuguese State and some sector associations (including ASFAC), implemented a credit moratoriums mechanism, which allowed customers (under certain conditions) to stop paying total or partial installments. According to Banco de Portugal and the European Banking Authority, the clients' adhesion to the moratoriums does not qualify as a restructuring, for the purpose of classifying the contract into the three categories mentioned above. With the access to the moratorium, there is a possibility that the credit risk of those customers increases and that is not timely identified by the Group. The collective analysis is based on estimates and assumptions for determining the ECL taking into account (i) the historical information of losses in credit portfolios with similar risk	Our audit procedures included, among others, the following: ▪ Inquiries to Management about the process of identifying and determining impairment losses; ▪ Evaluation of the design and implementation of controls and testing of controls operating effectiveness related to the impairment model; ▪ Analysis of the alignment of accounting policies with IFRS 9; ▪ Analysis of the classification process of financial assets based on their credit risk (Stage 1, 2 and 3); ▪ Evaluation of the impairment model developed by the management, including the review of its main assumptions and forward-looking information considered in the estimation of the ECL, with the involvement of our valuation specialists; ▪ For credits whose impairment losses are determined on a collective basis, test, with the support of our experts in this area, the underlying models. Additionally, testing the adequacy and accuracy of the significant assumptions used in the model; ▪ For credits whose impairment losses are determined on an individual basis, analysis, for a sample of operations, of the information used by the Group to carry out the economic analysis of the client and assess the reasonableness of the defined impairment rate; ▪ We assessed the adequacy of the respective disclosures in the financial statements, in accordance with the applicable accounting framework.

determined taking into account the category to which they are allocated; and (ii) the knowledge of the economic and credit environment and its influence on the level of historical and future losses ('forward looking'), the latter especially relevant considering the uncertain economic environment arising from COVID-19.

In the most relevant exposures of each credit segment and in contracts that meet certain qualitative characteristics, the amount of the impairment is determined using an individual analysis, which implies a value judgment in determining the best estimate of the cash flows of these operations.

The impairment assessment process is highly complex in its design and implementation and includes several estimates and judgments by the Group. This process considers factors such as the probability of default, risk ratings, the value of collateral associated with each transaction, recovery rates and estimates of both future cash flows and the time of receipt.

The use of alternative methodologies and other assumptions and estimates could result in different levels of recognized impairment losses, with the consequent impact on the Group's results.

The evolution of the economic environment, as well as the control and monitoring of the spread of COVID-19 and its effects may create greater pressure on the liquidity of economic agents with an impact on the future calculation of the impairment losses for the customer loan portfolio.

On this basis, in view of the uncertainty, complexity and judgment involved in calculating the estimate, credit to customers impairment was considered a relevant audit matter.

Housing loans Banco CTT (525,082,831 euros)

Risk	Our response to identified risk
The Group started conceding housing loans in March 2017. This process was newly created by the Group, based on an IT workflow developed with an external partner. Due to the objectives defined by the management, the weight of this area in the Group's operational activity and the context of economic uncertainty associated with COVID-19, we classify this area as a relevant audit matter.	Our audit procedures included, among others, the following: ▪ Understanding the credit concession process, since the proposals reception until the final booking and associated disclosure, identifying the risks and related controls; ▪ Analysis of the minutes of the Credit Committee, where the proposals with higher risk are discussed and the key guidelines for the credit concession process are defined; ▪ Analysis of the integration of processes between the Group and the other partners, as well as between the operational and accounting systems; ▪ Evaluation of the design and implementation of controls and testing of controls operating effectiveness related to the credit concession process; ▪ Testing for a sample of the documentation that supports the initial credit analysis and the accounting record of the operations, including the respective deeds; ▪ Testing of interest of the period and accrued interest; ▪ We assessed the adequacy of the respective disclosures in the financial statements, in accordance with the applicable accounting framework.

Revenue recognition (672,854,025 euros)	
Risk	**Our response to identified risk**
The Group operates in several business areas (Post, Express & Parcels, Financial services and retail) and the revenue recognition accounting policies are different for each business area, as mentioned in notes 2.23, 4 and 39. The presumption present in the International Standards on Auditing of increased risk of fraud associated with revenue recognition was magnified by the impact of COVID-19, which significantly and differentially affected the revenue of the different business areas.	Our audit procedures included, among others, the following: ▪ Evaluation of the design and implementation and test the operating effectiveness of key controls performed by the Group related to revenue recognition; ▪ Tests of details to a selection of transactions with deferred revenue related to philately, prepaid and express mail; ▪ Test of detail to a selection of credit notes issued in 2021; ▪ Substantive analytical procedures and tests of details to a selection of transactions of postal services, parcels and financial postal services revenue and tests of a selection of journal entries in order to identify and test the risk of fraud and possible override of the implemented controls; and ▪ We assessed the adequacy of the respective disclosures in the financial statements, in accordance with the applicable accounting framework.

KPMG

Responsibilities of Management and the Supervisory Body for the Consolidated Financial Statements

Management is responsible for:

- the preparation of consolidated financial statements that give a true and fair view of the Group's financial position, financial performance and the cash flows, in accordance with the International Financial Reporting Standards as adopted by the European Union;
- the preparation of the management report, the corporate governance report and the non-financial statement in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and,
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Group's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

Auditor´s Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and the events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit, and significant audit findings including any significant deficiencies in internal control that we identify during our audit;

- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes their public disclosure; and,

- provide the supervisory body with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes the verification that the information contained in the consolidated management report is consistent with the financial statements, and the verification of the requirements as provided in numbers 4 and 5 of article 451 of the Portuguese Companies' Code regarding the corporate governance report, as well as the verification that the non-financial information was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Consolidated Management Report

Pursuant to article 451, nr. 3, al. (e) of the Portuguese Companies' Code, it is our opinion that the consolidated management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment of the Group, we have not identified any material misstatements.

On the Corporate Governance Report

Pursuant to article 451, nr. 4, of the Portuguese Companies' Code, it is our opinion that the corporate governance report includes the information required to the Group to provide under article 245-A of the Securities Code, and we have not identified any material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of nr. 1 of that article.

On the non-financial information

Pursuant to article 451, nr. 6, of the Portuguese Companies' Code, we inform that the Group has prepared a separate report where includes the non-financial information defined in article 508-B of the Portuguese Companies' Code, having that report being published with the management report.

On the additional matters provided in article nr. 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were first appointed as auditors of the Group in the shareholders general assembly held on 5 May 2014 to complete the last year of the term of the three year period from 2012 to 2014. We were appointed at the shareholders' meeting on 18 April 2018 for the current term from 2018 to 2020;
- Management as confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism, and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the consolidated financial statements due to fraud;
- We confirm that the audit opinion we issue is consistent with the additional report that we prepared and delivered to the supervisory body of the Group on 15 March 2021;
- We declare that we have not provided any prohibited services as described in article 77, nr. 8 of the Ordem dos Revisores Oficiais de Contas statutes, and we have remained independent of the Group in conducting the audit; and
- We inform that, in addition to the audit, we provided the Entity with the following services permitted by applicable law and regulations:
  - Independent limited assurance report on the sustainability information included in the Integrated Report;
  - Report on the impairment of the loan portfolio under the terms of Instruction No. 5/2013 of Banco de Portugal;
  - Issuance of the opinion defined under the terms of paragraph b) of no. 5 of article 25 of Notice no. 5/2008 of Banco de Portugal, concerning the internal control system of the Group and its Subsidiaries;

- Technical support in the provision of services on the entity's internal control system in order to support the Opinion that the Audit Committee of Banco CTT and the Fiscal Councils of the subsidiaries must issue in the scope of the annual report on the internal control system, within the scope of paragraph a) of no. 5 of Article 25 of Banco de Portugal Notice no. 5/2008; and
- Technical support to the Fiscal Council of Payshop, in order to support its Opinion on the Internal Control System associated with BC/FT (Notice no. 2/2018).

16 March 2021

SIGNED ON THE ORIGINAL

KPMG & Associados -
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
represented by
Paulo Alexandre Martins Quintas Paixão (ROC nr. 1427)

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
Edifício FPM41 - Avenida Fontes Pereira de Melo, 41 – 15º
1069-006 Lisboa - Portugal
+351 210 110 000 | www.kpmg.pt

STATUTORY AUDITORS' REPORT

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail.)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of **CTT – Correios de Portugal, S.A.** (the Entity or CTT), which comprise the individual statement of financial position as at 31 December 2020 (showing a total of 1,053,283,402 euros and shareholders' equity of 150,003,105 euros, including a profit of 16,720,995 euros), the individual income statement, individual statement of comprehensive income, individual statement of changes in equity and individual cash flows statement for the year then ended, and the accompanying notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of **CTT – Correios de Portugal, S.A.** as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas' code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Investment in Banco CTT (211,728,793 euros)	
Risk	**Our response to identified risk**
As referred in note 1.2 the Banco CTT ("Bank") started its activity at the end of 2015, and in 2019 continued the strategy for investment with the acquisition of 321 Crédito – Instituição Financeira de Crédito, S.A. in May 2019, of increase of the number of branches and launch of new products. The monitoring of the budget and business plan approved by the shareholder is relevant to the audit strategy, particularly the impact of market conditions and the consequent adjustments to the plan in the shareholder capital requirements and in the dividend distribution capacity, and and, consequently, in the recoverability of Entity's investment in Banco CTT, as referred in notes 2.30 and 10. The evolution of the economic environment, as well as the control and monitoring of the spread of COVID-19 and the respective effects may create greater pressure on the results of Banco CTT and its investment in 321 Crédito - Instituição Financeira de Crédito, S.A.	Our audit procedures included, among others, the following: ▪ Evaluation of the design and implementation of key controls implemented by the Entity related to the Business Plan approval and related assumptions; ▪ Analysis of the valuation methodology used, *Dividend Discount Model* (DDM), with the involvement of our valuation specialists; ▪ Analysis of the computation of the recoverable amount of Banco CTT and its investment in 321 Crédito – Instituição Financeira de Crédito, S.A and of the main assumptions of the impairment model, namely the discount rate (cost of equity), the perpetuity growth rate, the Core Tier 1 requirements considered for the computation of profits available for distribution, dividends distributed and capital increases, with the involvement of our valuation specialists; ▪ Test the mathematical accuracy of the impairment model; ▪ Comparison of the financial projections with the budget and plan approved and presented to the Banco de Portugal; ▪ Discuss with management the future expectations, namely in relation to credit concession, forms of financing and expected profitability; ▪ Performance of sensitivity analyses to the main assumptions; and ▪ We assessed the adequacy of the respective disclosures in the financial statements, in accordance with the applicable accounting framework.

KPMG

Employee benefits - health care responsibilities (271,158,313 euros)

Risk	Our response to identified risk
The responsibilities with post-employment health benefits involve a significant degree of judgment in the definition of long term assumptions, namely the discount rate, the health costs growth rate and the mortality and disability tables, which might result in significant variances of the amounts booked in the financial statements as referred to in notes 2.21, 2.30 and 31. Additionally, the significant impact of COVID-19 on the access to healthcare in 2020, implied a greater degree of judgment in defining the health costs growth rate.	Our audit procedures included, among others, the following: ▪ Evaluation of the design and implementation of key controls performed by the Entity related to the assumptions and estimates applied; ▪ Evaluation of the reasonableness of assumptions and estimates used in the actuarial computation, namely the impact of the pandemic situation on the health costs growth rate and the methodology for the computation of the responsibility, with the involvement of our actuarial specialists; ▪ Tests of detail over the information provided by management to the independent actuary for the computation of the responsibility; ▪ Tests of detail over the beneficiaries withdrawn from the population in 2020; and ▪ We assessed the adequacy of the respective disclosures in the financial statements, in accordance with the applicable accounting framework.

Revenue recognition (468,833,332 euros)	
Risk	**Our response to identified risk**
The Entity operates in several business areas (Post, Financial services and retail) and the revenue recognition accounting policies are different for each business area, as mentioned in notes 2.23, 4 and 39. The presumption present in the International Standards on Auditing of increased risk of fraud associated with revenue recognition was magnified by the impact of COVID-19, which significantly and differentially affected the revenue of the different business areas.	Our audit procedures included, among others, the following: ▪ Evaluation of the design and implementation and test the operating effectiveness of key controls performed by the Entity related to revenue recognition; ▪ Tests of details to a selection of transactions with deferred revenue related to philately and prepaid; ▪ Test of detail to a selection of credit notes issued in 2021; ▪ Substantive analytical procedures and tests of details to a selection of transactions of postal services and financial postal services revenue and tests of a selection of journal entries in order to identify and test the risk of fraud and possible override of the implemented controls; and ▪ We assessed the adequacy of the respective disclosures in the financial statements, in accordance with the applicable accounting framework.

Responsibilities of Management and the Supervisory Body for the Financial Statements

Management is responsible for:

- the preparation of financial statements that give a true and fair view of the Entity's financial position, financial performance and the cash flows, in accordance with the International Financial Reporting Standards as adopted by the European Union;
- the preparation of the management report, the corporate governance report and the non-financial statement in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and,

- assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Entity's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Entity's financial reporting process.

Auditor´s Responsibilities for the Audit of the Financial Statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and the events in a manner that achieves fair presentation;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit, and significant audit findings including any significant deficiencies in internal control that we identify during our audit;

- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes their public disclosure; and,
- provide the supervisory body with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements, and the verification of the requirements as provided in numbers 4 and 5 of article 451 of the Portuguese Companies' Code, regarding the corporate governance report, as well as the verification that the non-financial information was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, al. (e) of the Portuguese Companies' Code, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment of the Entity, we have not identified any material misstatements.

On the Corporate Governance Report

Pursuant to article 451, nr. 4, of the Portuguese Companies' Code, it is our opinion that the corporate governance report includes the information required to the Entity to provide under article 245-A of the Securities Code, and we have not identified any material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of that article.

On the non-financial information

Pursuant to article 451, nr. 6, of the Portuguese Companies' Code, we inform that the Entity has prepared a separate report where includes the non-financial information defined in article 66-B of the Portuguese Companies' Code, having that report being published with the management report.

On the additional matters provided in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were first appointed as auditors of the Entity in the shareholders general assembly held on 5 May 2014 to complete the last year of the term of the three year period from 2012 to 2014. We were appointed at the shareholders' meeting on 18 April 2018 for the current term from 2018 to 2020;

- Management as confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism, and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the financial statements due to fraud;
- We confirm that the audit opinion we issue is consistent with the additional report that we prepared and delivered to the supervisory body of the Entity on 15 March 2021;
- We declare that we have not provided any prohibited services as described in article 77, nr. 8 of the Ordem dos Revisores Oficiais de Contas statutes, and we have remained independent of the Entity in conducting the audit;
- We inform that, in addition to the audit, we provided the Entity with the following services permitted by applicable law and regulations:
  - Independent limited assurance report on the sustainability information included in the Integrated Report.

16 March 2021

<u>SIGNED ON THE ORIGINAL</u>

KPMG & Associados -
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
represented by
Paulo Alexandre Martins Quintas Paixão (ROC nr. 1427)

Report and Opinion of the Audit Committee

– 2020 Financial Year –

Pursuant to the provisions of article 423-F(1)(g) of the Portuguese Companies Code ("PCC") and article 7(5) of the Internal Regulation of the Audit Committee ("CAUD" or "Committee") of CTT–Correios de Portugal, S.A. ("CTT" or "Company"), CAUD is hereby:

i. Submitting its report of the supervisory and oversight activities carried out during the 2020 financial year;

ii. Giving its opinion on the management report, the corporate governance report, the non-financial information, the CTT consolidated and individual accounts and the proposal for the appropriation of results, presented by the Board of Directors ("BoD") and included in the Integrated Report for the financial year ended on 31 December 2020; and

iii. Disclose the declaration of conformity regarding the Integrated Report in accordance with article 245(1)(c) of the Portuguese Securities Code ("CVM").

Annual Activity Report of the Audit Committee

1. Introduction

CTT adopts an Anglo-Saxon type of governance model, which includes the BoD, as the management body of the Company, CAUD and the Statutory Auditor as responsible for its supervision and oversight.

The Audit Committee elected at the Annual General Meeting ("AGM") of 29 April 2020 for the 2020/2022 term of office is composed of the following non-executive Directors:

- Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia (Chair);
- Steven Duncan Wood (Member); and
- María del Carmen Gil Marín (Member).

Until 29 April 2020, CAUD was composed of the following non-executive Directors, elected for the 2017/2019 term of office:

- Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia (Chair);

- Nuno de Carvalho Fernandes Thomaz (Member); and
- Maria Belén Amatriain Corbi (Member).

According to the criteria set forth in Article 414(5) of the PCC, in section 18.1 of Annex I to CMVM Regulation no. 4/2013 on Corporate Governance, in recommendation III.4 of the 2018 Corporate Governance Code of the Portuguese Institute of Corporate Governance amended in 2020 ("2018 IPCG Code amended in 2020") and in the Institutional Shareholder Services (ISS) Guidelines, the majority of CAUD members elected at the AGM held on 29 April 2020 is independent. In the previous term of office - 2017/2019 - all of the members of CAUD were independent.

In the current term of office and in the previous one, all three Directors who are/were members of CAUD meet/met the compatibility criteria for the performance of their duties, assessed in accordance with the definition provided in article 414-A by reference to article 423-B(3) of the PCC, as well as the composition requirements stipulated in article 3(2) of Law 148/2015 of 9 September ("Legal Framework for Audit Supervision").

2. Activities Carried Out

During the 2020 financial year, CAUD held twenty-one meetings (14 held by the Committee elected at the General Meeting of 29 April 2020) at which 100% of its members were present.

The meetings were attended, at the invitation of CAUD and when appropriate, by members of the Executive Committee, specifically the Chief Financial Officer, the Statutory Auditor, the Heads of Accounting & Taxes, Planning & Control, Audit & Quality, Legal Services & General Secretariat, People & Culture, Information Systems and Investor Relations, and the manager of the Compliance division, as well as the Chief Financial Officer of Banco CTT.

In order to ensure full compliance with the powers legally and statutorily attributed to it and contained in its regulations, the Committee carried out various activities and initiatives, with emphasis on those listed below in each of its main areas of intervention:

- **Monitor the functioning of the Company and ensure compliance with the law, the regulations and the articles of association**

The regular monitoring of the of the activity and business evolution of the Company and its subsidiaries, particularly the decisions of fundamental importance for CTT, namely regarding the definition of strategic lines, the future universal postal service concession agreement and the impact of the COVID-19 pandemic on the Company, as well as monitoring the legal, statutory and regulatory framework applicable to it. This was carried out by this Committee specifically through: ***(i)*** The participation of its members in the Board of Directors' meetings; ***(ii)*** The contacts with the Executive Committee or its members; ***(iii)*** Contacts and meetings with Company Heads of Department and managers of the Company; ***(iv)*** Meetings with the Statutory Auditor of CTT, KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A. ("KPMG"); ***(v)*** Analysis of the documents distributed to support its work, and information on and clarifications to the questions raised by this analysis; and ***(vi)*** Assessment of the compliance of the Regulation of the Audit Committee, the Regulation on the Provision of Services by the Statutory Auditor, the Whistleblowing Procedures Regulation and the Regulation on the Appraisal and Control of Transactions with Related Parties and the Prevention of Situations of Conflict of Interests with the legislation force and the purposes they are meant for.

In the performance of its duties the Committee did not come across any constraints or limitations to its action.

- **Supervising the quality and integrity of the financial information in the statements of accounts**

Within the competences laid down in article 423-F(1)(c) to (f) of the PCC and in article 3(a) and (b) of the Legal Framework for Audit Supervision, particularly for the purpose of supervising the compliance with accounting policies, criteria and practices, and reliability of the financial information, the following main actions were carried out: ***(i)*** Regular monitoring of the preparation and disclosure of the financial information, as well as assessment of the accounting principles and standards and respective amendments, including the supervision of their compliance, of the estimates and judgements, the proceedings and the valuation criteria used, in order to ensure their consistent enforcement throughout each financial year; ***(ii)*** Assessment of compliance with the annual budget; ***(iii)*** Analysis of CTT's individual and consolidated quarterly and half-yearly financial statements; ***(iv)*** Analysis of the Annual Reports of CTT subsidiary companies; and ***(v)*** Assessment of the half-yearly and annual Integrated Reports of CTT and opinion on same as well as on the proposal for the appropriation of results.

- **Overseeing the internal control system, including internal audit, compliance and risk management of the activity**

In the scope of the oversight of the effectiveness of the internal control system in their components of risk management, compliance and internal audit, as well as within the assessment of their functioning and corresponding procedures, the following aspects should be noted: ***(i)*** Follow-up of the work of the Audit & Quality Department related to internal audit and compliance issues, and of the compliance with its Activity Plan; ***(ii)*** Monitoring of the risk policy and governance model; ***(iii)*** Appraisal of the CTT internal control systems for the prevention and combat of money laundering and terrorist financing, and cybersecurity in financial information systems; ***(iv)*** Follow-up of the main litigation underway related to workers and third parties; ***(v)*** Prior assessment of a transaction with a related party, which deserved the favourable opinion of this Committee given the adequate reasoning presented, and subsequent assessment of other transactions with related parties submitted to it in accordance with the provisions of the corresponding regulation; and ***(vi)*** Appraisal claims received, none of which was considered as an irregularity covered by the Whistleblowing Procedures Regulation.

- **Supervising the performance of the duties of the Statutory Auditor**

Regarding the relationship with the Statutory Auditor of the companies within the CTT Group – KPMG – and the supervision of its compliance with independence rules, as required by the applicable laws and regulations, as well as of its audit work, the following activities carried out by this Committee, as its main liaison, stand out: ***(i)*** Appraisal of the proposals for the hiring of statutory audit services and prior authorisation/approval for the provision of non-audit services, in order to ensure that these are neither legally forbidden services nor raise conflict of interests, and that their fees comply with the limits set forth in Law 140/2015 of 7 September ("Statutory Auditors' Statute"); ***(ii)*** Monitoring, analysis and discussion with the Statutory Auditor on its annual work plan, the conclusions of the interim and half-yearly limited review work, the main audit issues, namely impairment tests and models and liabilities related to long-term employee benefits, and the evaluation of the general internal control environment, and the preliminary and final conclusions of the review of the annual accounts, as well as on the recommendations regarding accounting and internal control aspects; ***(iii)*** Analysis of the Limited Review Report regarding the Interim Consolidated Financial Statements, of the Statutory Audit Report, and the annual Statutory Auditor's Additional Report; ***(iv)*** Appraisal of the services provided by the Statutory Auditor and of the complementary information received therefrom under the terms of article 63 of the Statutory Auditors' Statute, in order to assess that they do not jeopardize the respective independence or condition its opinion; and ***(v)*** Annual assessment of KPMG's work in the last year of its term of office, having concluded that it performed its functions in an appropriate manner, and demonstrated in its work appropriate experience and knowledge to the size of the Company and the sectors in which it operates, as well as independence and strict professional relationship with this Committee.

In addition, and given the need for rotation of the Statutory Auditor provided for in article 54 of the Statutory Auditors' Statute, the selection procedure initiated in 2019 to choose the new Statutory Auditor for the companies of the CTT Group was concluded, culminating in the appointment, at CTT's AGM of 29 April 2020, of Ernst & Young Audit & Associados - SROC, S. A. as CTT's Statutory Auditor for the 2021/2023 term of office, represented by Luís Pedro Magalhães Varela Mendes (Statutory Auditor registered with the Statutory Auditors' Association under no. 1841 and registered with CMVM under no. 20170024), or by Rui Abel Serra Martins (Statutory Auditor registered with the OROC under no. 1119 and registered with CMVM under no. 20160731), as well as the appointment of João Carlos Miguel Alves (Statutory Auditor registered with the Statutory Auditors' Association under no. 896 and registered with CMVM under no. 20160515) as Alternate Statutory Auditor. The appointments of the Statutory Auditor and the Alternate Statutory Auditor took effect as of 1 January 2021.

Declaration of Conformity

Under the provisions of article 245(1)(c) of the Portuguese Securities Code, the members of the Audit Committee of CTT identified below, in the framework of the duties they are assigned with, hereby state that, to the best of their knowledge, the information in the Integrated Report regarding the management report, the annual consolidated and individual financial statements, the Statutory Auditor's Report of consolidated accounts, and the Statutory Auditor's Report of individual accounts, and other consolidated and individual accounting documents required by law or regulation, regarding the financial year ended on 31 December 2020:

i. Was prepared in accordance with the applicable accounting standards, giving a true and fair view of the assets and liabilities, the financial situation and the results of CTT and the companies included in its consolidation perimeter; and

ii. The management report, in particular, faithfully describes the business evolution, the performance and position of CTT and the companies included in its consolidation perimeter and contains a description of the major risks and uncertainties they are faced with.

Opinion on the Integrated Report

CAUD has reviewed, as parts of the Integrated Report, the management report and the consolidated and individual financial statements for the financial year ended on 31 December 2020, including the statement of financial position, the income statements, the statement of comprehensive income, the statement of changes in equity and the cash flow statement, as well as the notes attached thereto.

The consolidated and individual financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, in force as of 31 December 2020.

CAUD also analysed, as components of the Integrated Report, the Corporate Governance Report, taking into account the provisions of article 420(5) of the PCC and article 245-A of the Portuguese Securities Code, and the non-financial information, pursuant to articles 66-B and 508-G of the PCC.

CAUD appraised with special attention the Statutory Auditor's Report issued by KPMG on 16 March 2021 related to: ***(i)*** the auditing of the consolidated and individual financial statements approved by the Board of Directors, which express a favourable opinion on said financial statements, with no limitations or qualifications; and ***(ii)*** the compliance with other legal and regulatory requirements applicable to the management report, the corporate governance report and the non-financial information, which express compliance with the requirements in force. CAUD also noted that the Statutory Auditor's Report includes the additional information required in Article 10 of Regulation (EU) No 537/2014 of 16 April, particularly the so-called "Audit-Relevant Matters".

Given the above-mentioned data and the action carried out, as well as in compliance with the provisions of article 423-F(1)(g), article 420(5) and (6), applicable by reference to the provisions of article 423-F (2), and article 452, all of the PCC, the Audit Committee hereby states that, to the best of its knowledge, the information within the Integrated Report of CTT – Correios de Portugal, S.A. as of 31 December 2020 regarding:

- The management report, the corporate governance report, and the non-financial information,
- The consolidated and individual financial statements,
- The Statutory Auditor's Report on the consolidated and individual accounts dated 16 March 2021, and
- The proposal for the appropriation of results

comply with the applicable legal and accounting rules and the Articles of Association. Accordingly, the Committee agrees with same and recommends that the General Meeting of CTT approves them.

Lisbon, 16 March 2021

The Audit Committee of CTT – Correios de Portugal, S.A.,

Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia (Chair)

Steven Duncan Wood (Member)

María del Carmen Gil Marín (Member)

KPMG

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
Edifício FPM41 - Avenida Fontes Pereira de Melo, 41 – 15º
1069-006 Lisboa - Portugal
+351 210 110 000 | www.kpmg.pt

Independent Limited Assurance Report

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail)

To the Board of Directors of
CTT - Correios de Portugal, S.A.

Introduction

We were engaged by the Board of Directors of **CTT - Correios de Portugal, S.A.** ("CTT") to provide limited assurance as to whether nothing has come to our attention that causes us to believe that the sustainability information included in the Integrated Report ("the Report") of CTT for the year ended 31 December 2020, identified in the Annex IV "GRI index and indicators", is not prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI) for the level Comprehensive.

Board of Directors' Responsibilities

The Board of Directors of CTT is responsible for:

— The preparation and presentation of the sustainability information included in the Report in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI), for the level Comprehensive, and the information and assertions contained therein; and,

— Establishing and maintaining appropriate performance management and internal control systems from which the information is derived.

Our Responsibilities

Our responsibility is to carry out a limited assurance engagement described in "Scope" section and to express a conclusion based on the work performed.

Scope

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board and comply with further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors), which require that we plan and perform our procedures to obtain a meaningful level of assurance about whether the sustainability information included in the Integrated Report ("the Report") of CTT for the year ended 31 December 2020, identified in the Annex IV "GRI index and indicators" is not prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI) for the level Comprehensive, as the basis for our limited assurance conclusion.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of CTT in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas' code of ethics.

A limited assurance engagement on sustainability information consists of making inquiries, primarily of persons responsible for the preparation of the sustainability information presented in the Report, applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Interviews with the responsible persons to understand the processes implemented in CTT to identify material issues for the relevant stakeholders of CTT;
- Interviews with relevant staff, at corporate and business units, responsible for providing the sustainability information in the Report;
- Comparing the transactions identified to corresponding information in the relevant underlying sources to assess the accuracy of the information and determine whether all the relevant information contained in such underlying sources has been included in the Report; and
- Reading the information presented in the Report to conclude if it is in line with our overall knowledge of, and experience with, the sustainability performance of CTT.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

KPMG

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the sustainability information included in the Integrated Report ("the Report") of CTT for the year ended 31 December 2020, identified in the Annex IV "GRI index and indicators" is not prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI) for the level Comprehensive.

Restriction of use of our report

Our report is issued exclusively for the information and use of the Board of Directors of CTT, in the scope of the disclosure of the sustainability information included in the Integrated Report of CTT and is not intended to be used for any other purpose.. We accept or assume no responsibility and deny any liability to any party other than CTT for our work, for this independent limited assurance report, or for the conclusions we have reached.

16 March 2021

SIGNED ON THE ORIGINAL

KPMG & Associados -
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
represented by
Paulo Alexandre Martins Quintas Paixão (ROC n.º 1427)

10

Investor Support

Committed to Deliver

10. INVESTOR SUPPORT

G26
G27
G50

The mission of the **Investor Relations** department of CTT is to ensure a solid and long-term relationship between, on the one hand, shareholders, investors and research analysts, the Portuguese Securities Market Commission (CMVM), Euronext Lisbon, and the capital markets in general and, on the other hand, the Company and its corporate bodies, providing timely, clear and transparent information on the current evolution of CTT in economic, financial and corporate governance terms. Additionally, the department ensures that the Company's strategy is proactively articulated with investors and research analysts and that the Company has a complete understanding of the perception that the markets have of it.

The Investor Relations team consists of 4 people, is managed by Peter Tsvetkov, and its contacts are as follows:

Address: Avenida D. João II, nº 13, 12th floor
1999-001 Lisboa-Portugal
investors@ctt.pt
Telephone: +351 210 471 087
Fax: +351 210 471 996
Website: www.ctt.pt

The **Market Relations Representative** of CTT is the Executive Director and CFO, Guy Patrick Guimarães de Goyri Pacheco.

In 2020, within the above-mentioned mission, the IR team carried out the following initiatives:

- In addition to the regular publication of financial accounts (2019 Integrated Report and Interim Integrated Report of the 1st half of 2020), 17 press releases with material information (including press releases and presentations of quarterly results) were issued, as well as 33 press releases regarding qualifying holdings in CTT and 28 concerning management transactions of CTT shares. In total, 78 communications to the market were produced in the 2020 financial year.

- 326 e-mails were received and processed from institutional investors, 1,135 from *research* analysts, 245 from organizers of investor events and conferences and 1,075 from other investors and the general public. As some of these e-mails did not call for an answer (e.g., research reports on CTT and peers which the Investor Relations department receives from brokers) or were responded directly by phone, the number of responses given by e-mail and respective response times are indicated in the table below. At the end of 2020, no e-mail or other query was left unanswered.

2019-2020 comparative table of the responses given by e-mail

	within 1h*		from 1h to 24h*		more than 24h*		Total	
	2019	2020	2019	2020	2019	2020	2019	2020
To institutional investors	170	199	55	38	2	1	227	238
To analysts	72	143	20	17	6	5	98	165
To other (retail investors, general public, etc.)	180	169	88	49	6	14	274	232
Total	**422**	**511**	**163**	**104**	**14**	**20**	**599**	**635**
Percentage	70.5%	80.5%	27.3%	16.4%	2.3%	3.1%	100%	100%

* counted from the time of receipt of the inquiry.

- During the year, CTT met with 74 investors in 121 meetings held mostly online due to the COVID-19 pandemic outbreak. These meetings were organized by 9 different brokers and gathered institutional and retail investors from Portugal and other European countries such as Spain, the UK, Germany, Switzerland, France and Italy, among others. Also, 17 meetings were carried out with non-European investors from the USA, Canada or even China and Thailand.

As of 31 December 2020, the coverage of CTT shares was provided by 7 research analysts. As at that date, the average target price of the 6 analysts who provided regular coverage of the share (i.e., who issued research and recommendations in the last 12 months) was €2.44; Santander research was under review. One of the analysts issued a negative recommendation on the share, while 2 held neutral recommendations and 3 held a positive recommendation.

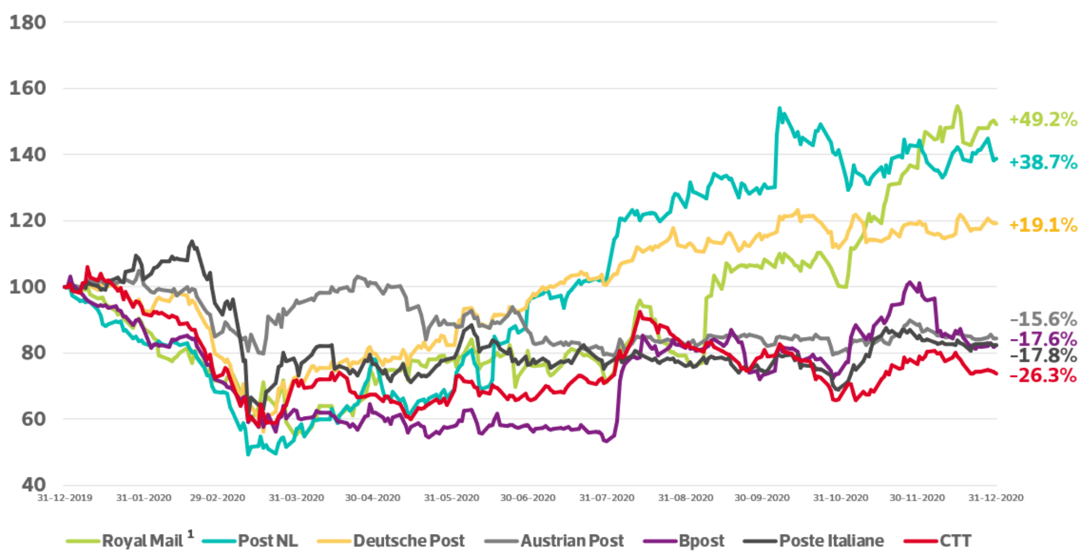
Throughout the year 2020, circa 165 million CTT shares were traded, corresponding to a daily average of 641 thousand shares, which translates into an annualized turnover ratio of around 110% of the share capital, which is a clear measure of the liquidity level of the stock. As of 31 December 2020, in the last trading session of the year, the closing price of the CTT share was €2.35.

In 2020, due to the economic uncertainty caused by the COVID-19 pandemic, CTT Board of Directors proposed to its shareholders at the Annual General Meeting of 29 April that the Net Profit of the Company be allocated to Retained Earnings and therefore no dividend was distributed. Hence, the total shareholder return or TSR (capital gain + dividend, calculated on the basis of the share price as of 31 December 2019) was -26.3%. During this period, the PSI 20 declined by -6.1% and recorded a total shareholder return of -2.7%.

In terms of share price appreciation, the best performer of the European postal sector in 2020 was Royal Mail, whose shares appreciated by 49.2%, while the remaining peers recorded share price evolutions ranging from 38.7% to -17.8%, as shown in the graph below.

CTT vs. postal peers

Share price evolution (rebased at 100 as of 31 Dec 2019)



[1]. Royal Mail share price in GBP

Source: Bloomberg as of 31 Dec 2020.

ctt

11

Website

Committed to Deliver

11. WEBSITE

Address
CTT's website address is as follows: www.ctt.pt

G5

Place where information on the firm, public company status, headquarters and other details of the Company are available
This information can be consulted at "Group CTT", "About Us", "Corporate Governance", "Corporate identification" on CTT's website (www.ctt.pt).

Place where the articles of association and the regulations on the functioning of the boards and/or committees are available
This information can be consulted at "Group CTT", "About Us", "Corporate Governance", "Rules and Regulations" on CTT's website (www.ctt.pt).

Place where information is available on the names of the corporate boards' members, the Market Liaison Officer, the Investor Assistance Office, respective functions and contact details G7
This information can be consulted at "Group CTT", "Investors", "Contacts" on CTT's website (www.ctt.pt).

Place where the documents are available that relate to financial accounts reporting, and the half-yearly calendar on company events
This information can be consulted at "Group CTT", "Investors", "Financial Information" on CTT's website (www.ctt.pt).

CTT's financial calendar for 2021 includes the following corporate events:

Event	Date
2020 Annual Results and Integrated Report	16 March 2021*
2021 Annual Shareholders' Meeting	21 April 2021
1st Quarter 2021 Results	6 May 2021*
Ex-dividend date	18 May 2021
Dividend payment	20 May 2021
1st Half 2021 Results and Interim Report	5 August 2021*
9 months 2021 Results	4 November 2021*

* After market close

Place where the notice convening the general meeting and all the preparatory and subsequent information related thereto is disclosed
This information may be found at "Group CTT", "Investors", "Events", "General Meetings" on CTT's website (www.ctt.pt).

Place where the historical archive on the resolutions passed at the company's General Meetings, share capital and voting results
This information can be consulted at "Group CTT", "Investors", "Events", "General Meetings", on CTT's website (www.ctt.pt).

Place where the sustainability report and the sustainability principles and initiatives of the Company are available
This information can be consulted at "Group CTT", "Investors", "Financial Information", "Consolidated Accounts" and additional information at "Group CTT", "Sustainability", on CTT's website (www.ctt.pt). We are interested in receiving comments or suggestions, which can be sent to the following address: sustentabilidade@ctt.pt, or to the physical address, CTT- Correios de Portugal, c/o Comunicação e Sustentabilidade/ Sustentabilidade e Ambiente. G31

Annex I

Curricula

Committed to Deliver

ANNEX I – *CURRICULA*

CURRICULA OF THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES AND REMUNERATION COMMITTEE

G40

I. Members of the management and supervisory bodies

Raul Catarino Galamba de Oliveira

Chairman of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT) (Non-Executive and Independent)

Date of birth and nationality	21 November 1964, born in Portugal
Date of 1st appointment at CTT	29 April 2020
Term of office	2020-2022

Academic qualifications

- ✓ **1990:** MBA, Universidade Nova de Lisboa
- ✓ **1989:** MSc in Systems Engineering (Expert Systems), Instituto Superior Técnico (IST), Universidade de Lisboa
- ✓ **1987:** Degree in Mechanical Engineering, Instituto Superior Técnico (IST), Universidade de Lisboa

Management and supervisory positions held internally

- ✓ **2020-...:** Chairman (non-executive) of the Board of Directors of CTT

Other internal positions held

- ✓ **2020-...:** Chairman of the Selection and Remuneration Committee of Banco CTT, S.A.
- ✓ **2020-...:** Chairman of the Selection Committee of Payshop (Portugal), S.A.
- ✓ **2020-...:** Chairman of the Selection Committee of 321 Crédito - Instituição Financeira de Crédito, S.A.
- ✓ **2020-...:** Member of the Ethics Committee of CTT
- ✓ **2020-...:** Chairman of the Corporate Governance, Evaluation and Nominating Committee of CTT

Professional experience

- ✓ Started his professional career as Assistant Professor and Researcher in Control Systems and Informatics at Instituto Superior Técnico and at Universidade Católica Portuguesa.
- ✓ Between 1990 and 2017, held positions at McKinsey & Company, namely as Senior Partner for the Financial Institutions area, Managing Partner for Spain and Portugal, Managing Partner for Global Risk Management, and Member of the Global Board of Directors, of the Global Remunerations Committee and of the Partner Election and Evaluation Committees. Since September 2017, has been Director *Emeritus* of McKinsey & Company.
- ✓ Currently, holds positions on the Boards of Directors of several companies in Portugal and Spain, including BBVA, José de Mello Capital and CUF (formerly José de Mello Saúde).

Management and supervisory positions held in other companies (last 5 years)

- ✓ **2020-...:** Non-executive Member of the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A.
- ✓ **2019-...:** Non-executive Member of the Board of Directors of José de Mello Capital, S.A.
- ✓ **2017-...:** Non-executive Member of the Board of Directors of CUF, S.A. (formerly José de Mello Saúde, S.A.)

Other external positions held (last 5 years)

- ✓ **2003-...:** Chairman of the Board of Directors of Fundação Manuel Violante

João Afonso Ramalho Sopas Pereira Bento

Member of the Board of Directors and Chief Executive Officer (CEO) of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	12 November 1960, born in Portugal
Date of 1st appointment at CTT	20 April 2017
Term of office	2020-22

Academic qualifications

- ✓ **2018:** IDP-C, International Directors Programme - Certificate, INSEAD
- ✓ **1999:** Habilitation in Intelligent Systems at Instituto Superior Técnico (IST), Universidade de Lisboa
- ✓ **1992:** PhD in Civil Engineering, Imperial College, London and Doctoral equivalence awarded by Universidade de Lisboa
- ✓ **1987:** Master of Science in Structural Engineering, Instituto Superior Técnico (IST), Universidade de Lisboa
- ✓ **1983:** Degree in Civil Engineering, Instituto Superior Técnico (IST), Universidade de Lisboa

Management and supervisory positions held internally

- ✓ **2020-...:** Chairman of the Board of Directors of CTT Soluções Empresariais, S.A.
- ✓ **2019-...:** Chairman of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. (appointed to the position of Chairman on June 27, 2019)
- ✓ **2017-...:** Member of the Board of Directors of CTT and Chief Executive Officer ("CEO") (appointed to the position of CEO on May 13, 2019 effective May 22, 2019. Until that date and since 2017 held the position of non-executive member of the Board of Directors of CTT)

Other internal positions held

- ✓ **2019-...:** Member of the Selection and Remuneration Committee of Banco CTT, S.A.
- ✓ **2019-...:** Member of the Selection Committee of Payshop (Portugal), S.A.
- ✓ **2019-...:** Member of the Selection Committee of 321 Crédito - Instituição Financeira de Crédito, S.A.
- ✓ **2019-...:** Chairman of the Board of the General Meeting of Correio Expresso de Moçambique, S.A. (CORRE)
- ✓ **2019-19:** Chairman of the Remuneration Committee of Banco CTT, S.A.
- ✓ **2019-19:** Member of the Selection Committee of Banco CTT, S.A.
- ✓ **2017-19:** Member of the Committee for the Monitoring of the Implementation of the Operational Transformation Plan of CTT
- ✓ **2017-19:** Member of the Corporate Governance, Evaluation and Nominating Committee of CTT

Professional experience

- ✓ Vice-Chairman of the Board and CEO at Gestmin SGPS, S.A. (now Manuel Champalimaud SGPS, S.A.) between 2015 and 2019, having been appointed in 2017 as non-executive member of the Board of Directors of CTT. In 2019 was appointed CEO of CTT having ceased, from that date on, all his functions at the Manuel Champalimaud Group.
- ✓ In CTT, as CEO, he is responsible for the areas of Institutional Relations, Strategy & Business Development, Audit & Quality, Communication & Sustainability (shared responsibility), Digital & Innovation, Legal Office & General Secretariat, People and Culture (shared responsibility), Regulation & Competition, holding also the position of Chairman of the Board of Directors of the subsidiaries CTT Expresso - Serviços Postais e Logística, S.A. and CTT Soluções Empresariais, S.A.
- ✓ Has a vast professional experience in executive and non-executive positions in large, listed companies in Portugal and Brazil, particularly in the infrastructure and energy sectors. Between 2011 and 2015 was CEO of Efacec, an industrial company recognised for its innovation in equipment and automation in the power sector, at that time present in 22 countries, being responsible for areas such as risk management, human resources, communication, innovation and international business development.

- In the same period, became a member of the Board and of the Executive Committee of the José de Mello Group and was President of COTEC Portugal, the association of corporates for innovation.
- Was an executive member of the Board of Directors of Brisa for 11 years (at the time operating in 5 countries), being responsible, among others, for the areas of operations, innovation, business development and international development, chairing several infrastructure concessionaires and other Brisa participated companies.
- From 2000 to 2003, he was a non-executive member of the Board of Directors of EDP, then the largest listed company in Portugal.
- Started his professional career as an academic, being a tenured Professor at Instituto Superior Técnico (IST) since 2000. Started a long-term leave of absence in 2002 in order to carry out full-time functions in business management positions.

Management and supervisory positions held in other companies (last 5 years)

- **2020-...:** Member of the Board of Directors of International Post Corporation (IPC)
- **2015-...:** Managing Partner of QPDM Consulting, Lda. (previously S.A.; between 2019 and 2020 held the position of Chairman of the Board of Directors and in 2020 became managing partner)
- **2019-19:** Chairman of the Board of Directors of I.-Charging, Mobilidade Eléctrica, S.A.
- **2016-19:** Chairman of the Board of Directors of OZ Energia, S.A.
- **2016-19:** Manager of Manuel Champalimaud Serviços, Unipessoal, Lda.
- **2015-19:** Vice-Chairman of the Board of Directors and Chief Executive Officer of Manuel Champalimaud, SGPS, S.A.
- **2016-16:** Member of the Board of Directors of Sogestão, S.A.
- **2014-16:** Member of the Board of Directors of CCB - Fundação Centro Cultural de Belém
- **2012-15:** Member of the Board of Directors and of the Executive Committee of Grupo José de Mello, SGPS, S.A.
- **2011-15:** Member of the Board of Directors and Chief Executive Officer of Efacec Capital, SGPS, S.A.
- **2011-15:** Chairman of several subsidiaries of Efacec: Efacec-Sistemas de Gestão (PT), Efacec Energia - Máquinas e Equipamentos Eléctricos (PT), Efacec Engenharia e Sistemas (PT), Efacec-Serviços de Manutenção e Assistência (PT), Efacec Marketing Internacional (PT), Gemp - Empreendimentos Imobiliários (PT), Empovar (PT), Efacec USA, Inc. (US), Efacec India Private Limited (IN), Efacec Handling Solutions (PT), Efacec Moçambique (MZ), Efasa (ZA).

Other external positions held (last 5 years, *pro bono*)

- **2019-...:** Member of the Board of Trustees of Fundação Alfredo de Sousa
- **2019-...:** Member of the Advisory Council of APAC Portugal – Associação de Apoio ao Preso
- **2018-...:** Member of the Board of ICF – Inclusive Community Forum – Nova SBE
- **2017-...:** Member of the Strategic Innovation Council of VdA - Vieira de Almeida & Associados, Sociedade de Advogados, RL
- **2016-...:** Member of the General Council of IPCG (Portuguese Institute of Corporate Governance) in an individual capacity
- **2013-...:** Permanent member of the Advisory Council of AICEP (Agency for Investment and External Trade of Portugal)
- **2011-...:** Vice-Chairman of Academia de Engenharia (acting President)
- **2015-20:** President of Quinta do Perú Golf Club
- **2014-20:** Member of the Advisory Council of ANI (National Innovation Agency)
- **2014-19:** Member of the General Council of Universidade de Lisboa
- **2012-18:** President of COTEC Portugal, the Business Association for Corporate Innovation (2012-15) and Member of the Board (2015-18)
- **2014-15:** Chairman of the General Meeting of APGEI (Portuguese Association of Industrial Management and Engineering)

- **2012-15:** Member and coordinator of CNEI (National Council for Entrepreneurship and Innovation)

Distinctions

- Honorary President of ASECAP (European Association of Operators of Toll Road Infrastructures), since 2007
- Was awarded the *Grã Cruz da Ordem do Infante D. Henrique* (Great Cross of Henry the Navigator), by the President of the Portuguese Republic in 2016

António Pedro Ferreira Vaz da Silva

Member of the Board of Directors and of the Executive Committee of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	13 November 1966, born in Portugal
Date of 1st appointment at CTT	20 April 2017
Term of office	2020-2022

Academic qualifications

- ✓ **2020:** Qualification course for Insurance Agent, Insurance Broker or Reinsurance Mediator - Non-Life and Life Branches, APS – Associação Portuguesa de Seguradores
- ✓ **2016:** Banco CTT, S.A. Top Management Training Programme, Instituto Superior de Gestão Bancária and Associação Portuguesa de Bancos
- ✓ **2014:** Corporate Management Programme, AESE Business School
- ✓ **1984:** High School degree, Escola Secundária da Amadora

Management and supervisory positions held internally

- ✓ **2020-...:** Member of the Board of Directors of CTT Soluções Empresariais, S.A.
- ✓ **2018-...:** Member of the Board of Directors of Payshop (Portugal), S.A.
- ✓ **2017-...:** Member of the Board of Directors and of the Executive Committee of CTT
- ✓ **2017-...:** Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A.
- ✓ **2017-...:** Non-executive Member of the Board of Directors of Banco CTT, S.A.

Other internal positions held

- ✓ ---

Professional experience

- ✓ As executive member of the Board of Directors of CTT he is responsible for the areas of Philately, Management of B2C External Channels, Retail Network Management, Management of B2C Products, Management of B2C Segment, Physical Assets and People & Culture (shared responsibility).
- ✓ With a 20-year professional career in commercial and retail banking at Millennium BCP, he held several roles within the group in Portugal. He joined the Private and Business team of Millennium BCP in 2000.
- ✓ In 2004, he joined CTT as Senior Sales Manager, being responsible for the operational and sales on the south area at Retail Network. He successfully developed his career at CTT, becoming the Head of the Retail Network in 2013, acquiring a vast experience in managing and motivating teams and Human Resources, and in sales and marketing of the various products placed through the Retail Network (from Mail and Express & Parcels to Financial Services, as well as services of general interest). Throughout this 16-year period at CTT he has been engaged in several key initiatives and projects related to the optimisation and rationalisation of the Retail Network and its portfolio, as well as in the promotion of the proximity and capillarity associated with this network.
- ✓ His background at CTT contributed to make the Retail Network an increasingly important sales and services channel in CTT's revenue growth in all business units and a national wide platform of convenience and multi-services, having played an active role in the launching in 2016 of Banco CTT which is supported by the CTT's Retail Network.

Management and supervisory positions held in other companies (last 5 years)

- ✓ ---

Other external positions held (last 5 years)

- ✓ ---

Guy Patrick Guimarães de Goyri Pacheco

Member of the Board of Directors and Chief Financial Officer (CFO) of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	25 May 1977, born in Portugal
Date of 1st appointment at CTT	19 December 2017
Term of office	2020-2022

Academic qualifications

- ✓ **2011:** Leaders who transform - The Lisbon MBA Católica |Nova
- ✓ **2010:** Leadership Executive Program, Universidade Católica Portuguesa
- ✓ **2000:** Degree in Economics, Faculdade de Economia, Universidade do Porto

Management and supervisory positions held internally

- ✓ **2020-...**: Member of the Board of Directors of CTT Soluções Empresariais, S.A.
- ✓ **2018-...:** Non-executive Member of the Board of Directors of Banco CTT, S.A.
- ✓ **2017-...:** Member of the Board of Directors and Chief Financial Officer (CFO) of CTT
- ✓ **2017-...:** Member of the Board of Directors of CTT Expresso - Serviços Postais e Logística, S.A.
- ✓ **2018-2019:** Member of the Board of Directors of Tourline Express Mensajería, S.L.U.

Other internal positions held

- ✓ ---

Professional experience

- ✓ As Executive Director, he is currently responsible at CTT for the areas of Investor Relations, Procurement & Logistics, Accounting & Taxes, Planning & Control and Information Systems.
- ✓ Between 2015 and 2017 he had as main occupation the functions of CFO of PT Portugal, SGPS, S.A. and between 2011 and 2015 the functions of Head of Planning and Control of Portugal Telecom, SGPS, S.A. (listed company).
- ✓ Financial, planning and control and financial and operational reporting are his core expertise areas, having performed top management functions in these domains over 17 years in PT Group.
- ✓ With an extensive experience and transformational profile in functions related to strategic transformation of the telecommunications and digital business sector both nationally and internationally (having worked between 2001 and 2017 in markets marked by a challenging regulatory, technological and competitive context, having been, between 2007 and 2011, specially involved in transformation and continuous improvement projects), he led, as CFO, plans for the optimisation and cost reduction in the same sector.

Management and supervisory positions held in other companies (last 5 years)

- ✓ **2017-...:** Member of the Board of Directors of New Finerge, S.A.
- ✓ **2017-2019:** Member of the Board of Directors of Âncora Wind – Energia Eólica, S.A.
- ✓ **2017-2018:** Member of the Board of Directors of First State Wind Energy Investments, S.A.
- ✓ **2017-2017:** Non-executive Member of the Board of Directors of Sport TV Portugal, S.A.
- ✓ **2016-2017:** Chairman of the Board of Directors of Janela Digital – Informática e Telecomunicações, S.A.
- ✓ **2016-2017:** Non-executive Member of the Board of Directors of Capital Criativo, SCR, S.A.
- ✓ **2015–2017:** Member of the Executive Committee (Chief Financial Officer) of PT Portugal, SGPS, S.A.
- ✓ **2015-2017:** Chairman of the Fiscal Board of Hungaro Digitel Plc.
- ✓ **2015-2017:** Member of the Board of Directors of PT Pay, S.A.
- ✓ **2015-2016:** Chairman of the Fiscal Board of Fibroglobal – Comunicações Electrónicas, S.A.
- ✓ **2013-2015:** Member of the Board of Directors of PT Centro Corporativo, S.A.

- ✓ **2013-2015:** Member of the Fiscal Board of Fundação Portugal Telecom
- ✓ **2011-2014:** Non-executive Member of the Board of Directors of PT PRO – Serviços Administrativos e de Gestão Partilhados, S.A.

Other external positions held (last 5 years)

- ✓ **2018 -…:** Member of the Board of AEM (Portuguese Issuers Association)

João Carlos Ventura Sousa

Member of the Board of Directors and of the Executive Committee of CTT – Correios de Portugal, S.A. (CTT)

Date of birth and nationality	26 March 1975, born in Portugal
Date of 1st appointment at CTT	18 September 2019
Term of office	2020-2022

Academic qualifications

- ✓ **2011:** Leadership and Innovation Programme, Católica School of Business & Economics
- ✓ **1999:** Master of Business Administration, INDEG/ISCTE
- ✓ **1998:** Degree in Management and Marketing, Instituto Superior de Línguas e Administração

Management and supervisory positions held internally

- ✓ **2020-…:** Member of the Board of Directors of CTT Soluções Empresariais, S.A.
- ✓ **2020-…:** Chairman of the Board of Directors of CTT Contacto, S.A.
- ✓ **2019-…:** Member of the Board of Directors of Correio Expresso de Moçambique, S.A. (CORRE)
- ✓ **2019-…:** Member of the Board of Directors and of the Executive Committee of CTT
- ✓ **2019-…:** Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A.
- ✓ **2019-2019:** Chairman of the Board of Directors of Tourline Express Mensajería, S.L.U.

Other internal positions held

- ✓ ---

Professional experience

- ✓ Since 2015, he has been performing management functions, in particular as executive member of the Board of Directors (Chief Sales and Marketing Officer) of Altice Portugal (formerly Portugal Telecom), member of the Board of Directors and Chief Executive Officer (CEO) of PT Cloud and Data Centers and Portugal Telecom Data Center, having been appointed, as from September 2019, as executive member of the Board of Directors of CTT, holding also the positions of member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A., CTT Soluções Empresariais, S.A., Correio Expresso de Moçambique, S.A. (CORRE) and Chairman of the Board of Directors of CTT Contacto, S.A.

- ✓ As executive member of the Board of Directors of CTT he is responsible for the areas of e-commerce, Commercial Departments (Public Administration, Medium Companies, Large Companies (South & North) and Small Companies), Management of B2B Products, Express, Cargo & Logistics Product Management, Management of B2B Segment, Communication & Sustainability (shared responsibility), and for the businesses of the participated companies operating abroad: CORRE in Mozambique and CTT Expresso (branch in Spain).

- ✓ He started his professional career at Marconi as a Product and Market Manager responsible for the management of international products and tariffs and business development, having joined, two years later, Teleweb as New Businesses and Tariffs Manager being one of the members of the original team that launched this operator.

- ✓ He joined Portugal Telecom Group (currently Altice Portugal) from 2001 on, as a SME manager at TMN, in charge of product development, sales channels and business development. During this period, he achieved market leadership in the B2B segment and launched the first convergent solution (Officebox). In 2004 he was the corporate market manager for TMN and in 2007 he was the director of the B2B segment of Portugal Telecom where he was responsible, among others, for the implementation of the sales strategy and for the management and operational development of several sales channels, namely for the management of the marketing plan and pricing strategy of the B2B offer (Wireline, Wireless and ICT) in all variables and for the Up & Cross Sell, having then played a fundamental role in the automation of the commercial processes.

- ✓ Throughout his professional career at the Portugal Telecom Group (currently Altice Portugal), he was also responsible for the development and implementation of several organic restructuring programmes and, in this context, for mergers and acquisitions initiatives, having actively participated in the launch of new technological services and in the outsourcing of business processes in which he was responsible for the definition, communication and implementation of a medium and long-term strategy for customers, partners and employees.

Management and supervisory positions held in other companies (last 5 years)

- ✓ **2017-2019:** Member of the Board of Directors and Chief Executive Officer (CEO) of PT Cloud and Data Centers, S.A.
- ✓ **2017-2019:** Member of the Board of Directors and Chief Executive Officer (CEO) of Portugal Telecom Data Center, S.A.
- ✓ **2015-2019:** Member of the Board of Directors and of the Executive Committee (CMO) of Altice Portugal, S.A.

Other external positions held (last 5 years)

- ✓ ---

João Miguel Gaspar da Silva

Member of the Board of Directors and of the Executive Committee of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	1 June 1976, born in Portugal
Date of 1st appointment at CTT	6 January 2020
Term of office	2020-2022

Academic qualifications

- ✓ **2004**: MBA, Kellogg School of Management, Northwestern University (Evanston-IL, USA)
- ✓ **2000**: Degree in Electrical Engineering, Instituto Superior Técnico, Lisboa

Management and supervisory positions held internally

- ✓ **2020-...**: Member of the Board of Directors of CTT Soluções Empresariais, S.A.
- ✓ **2020-...**: Member of the Board of Directors of CTT Expresso - Serviços Postais e Logística, S.A.
- ✓ **2020-...**: Member of the Board of Directors and of the Executive Committee of CTT
- ✓ **2018-...**: Member of the Board of Directors of CTT Contacto, S.A.
- ✓ **2018-2019**: Member of the Board of Directors of Transporta – Transportes Porta a Porta, S.A.
- ✓ **2018-2018**: Member of the Board of Directors of Mailtec Comunicação, S.A.

Other internal positions held

- ✓ ---

Professional experience

- ✓ His professional activity has been focused on areas of operations in different sectors, namely Strategic Consulting, Logistics and Transport of Valuables, as well as Courier and Express and Parcels. He joined CTT in 2018 as Head of Operations having been appointed, still in 2018, as member of the Board of Directors of CTT Contacto, S.A., Mailtec Comunicação, S.A. and Transporta – Transportes Porta a Porta, S.A., all companies of the CTT Group. As CTT's Head of Operations, he managed all operations of collection, printing and finishing, handling and distribution of mail, parcels and express and cargo, with direct responsibilities in the definition and execution of CTT's Modernisation and Investment Plan.
- ✓ Currently, as executive member of the Board of Directors of CTT (COO), he is responsible for the areas of Mail Production Operations, Transport & Delivery Operations, International & Autonomous Regions Operations, Business Solutions Operations and Express, Cargo & Logistics Operations, as well for the areas of Operations Planning & Development, Operations Control, Customer Support & Quality of Operations and Lean Operations Projects, in addition to the positions of member of the Board of Directors of the subsidiaries CTT Expresso - Serviços Postais e Logística, S.A. , CTT Contacto, S.A. and of CTT Soluções Empresariais, S.A.
- ✓ Having started his professional career as a Junior Teaching Assistant (1998-1999) at the mathematics department of Instituto Superior Técnico, he joined Motorola in 1999 as a Junior Researcher, where he took part in the UMTS radio interface development team.
- ✓ In 2000 he joined McKinsey & Company as Business Analyst (2000-2002) and later as Associate (2004-2006), during which he developed various skills as a consultant in different areas of this company's activity. From 2007 to 2009, he served as Engagement Manager, leading various operations projects in the services sector and gaining experience in implementing Lean Operations programmes in various business sectors.
- ✓ In 2009, he joined Prosegur as Managing Director of the Logistics and Values Unit and later accumulated the duties of Managing Director of the security technology unit. In 2013, he was appointed Country Manager of Prosegur in Portugal, taking under his responsibility the entire P&L of the Prosegur Group in the country. Two years later and following the separation of the businesses carried out by this multinational company in the various geographies in which it operates, he was appointed Managing Director of Prosegur Security Portugal, the company's human, and technological surveillance area.

Management and supervisory positions held in other companies (last 5 years)

- ✓ **2013-2018:** Manager of Prosegur – Companhia de Segurança, Lda.

Other external positions held (last 5 years)

- ✓ ---

Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia

Non-Executive Member of the Board of Directors and Chairwoman of the Audit Committee of CTT - Correios de Portugal, S.A. (CTT) (Independent)

Date of birth and nationality	14 December 1967, born in Portugal
Date of 1st appointment at CTT	20 April 2017
Term of office	2020-2022

Academic qualifications

- ✓ **2009:** PhD in Management, ISCTE-Instituto Universitário de Lisboa
- ✓ **2002:** Statutory Auditor, Ordem dos Revisores Oficiais de Contas (OROC)
- ✓ **1999:** Master in Economics, Universidade do Porto
- ✓ **1991:** Degree in Management, Universidade Católica Portuguesa (UCP)

Management and supervisory positions held internally

- ✓ **2017-...:** Non-executive Member of the Board of Directors of CTT
- ✓ **2017-...:** Chairwoman of the Audit Committee of CTT

Other internal positions held

- ✓ **2017-2019:** Member of the Committee for the Monitoring of the Implementation of the Operational Transformation Plan of CTT

Professional experience

- ✓ Her top-level academic activity and functions in supervisory bodies of large listed companies are her main occupation. She was elected in April 2017 as Chair of the Audit Committee of CTT, having been re-elected for the term of office 2020-2022.
- ✓ She has over 25 years of academic experience, being a Professor at the UCP (since 1993) in the areas of Accounting and Tax. Between 2010 and 2017, she was Director of Msc in Audit and Tax of the Faculdade de Economia e Gestão of the UCP and Scientific Coordinator of the Católica Porto Business School of the UCP. She was also a Deputy Director of the Presidency of Centro Regional do Porto of the UCP for management and entrepreneurship.
- ✓ Being a Statutory Auditor for more than 15 years, she became Chairwoman of the Fiscal Board of Ordem dos Revisores Oficiais de Contas (Statutory Auditors Bar (OROC)) in 2012 and became a member of the Management Board in November 2017. She was the representative of OROC in the Comissão de Normalização Contabilística (Commission of Accounting Standards). She is a member of the management and supervisory bodies of large listed and non-listed companies in Portugal (since 2008), having been elected in 2017 for a chairmanship position of the supervisory body of Centro Hospitalar Universitário de São João.

Management and supervisory positions held in other companies (last 5 years)

- ✓ **2017-...:** Chairwoman of the Fiscal Board of Centro Hospitalar Universitário de S. João, EPE
- ✓ **2016-...:** Non-executive Member of the Board of Directors of SFS – Gestão de Fundos, SGOIC, S.A. (formerly Sonaegest - Sociedade Gestora de Fundos de Investimento, S.A.)
- ✓ **2016-...:** Chairwoman of the Fiscal Board of Sogrape, SGPS, S.A.
- ✓ **2008-...:** Non-executive Member of the Board of Directors and Member of the Audit Committee of Impresa, SGPS, S.A.
- ✓ **2012-2018**: Chairwoman of the Fiscal Board of Ordem dos Revisores Oficiais de Contas (Portuguese Statutory Auditors Bar) and its representative in the Fédération des Experts-Comptables Européens

Other external positions held (last 5 years)

- ✓ **2014-...:**Managing Partner of Novais, Anacoreta & Associado, SROC**2011-...:** Member of the Scientific Council of Associação Fiscal Portuguesa
- ✓ **2011-...:** Tax Arbitrator at CAAD (Portuguese Administrative Arbitration Centre)
- ✓ **2009-...:** Assistant Professor at Católica Porto Business School

- ✓ **2017-Feb.2021:** Member of the General Council and of the Executive Committee of Comissão de Normalização Contabilística (Commission of Accounting Standards), representing Ordem dos Revisores Oficiais de Contas (Portuguese Statutory Auditors Bar)
- ✓ **2018-2020:** Member of the Management Board of Ordem dos Revisores Oficiais de Contas (Portuguese Statutory Auditors Bar) and its representative in the Accountancy Europe

Steven Duncan Wood

Non-Executive Member of the Board of Directors and Member of the Audit Committee of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	17 December 1982, born in the USA
Date of 1st appointment at CTT	23 April 2019
Term of office	2020-2022

Academic qualifications

- ✓ **2005**: BA in Economics, Political Economy and International Relations, Tulane University, USA

Management and supervisory positions held internally

- ✓ **2020-...:** Member of the Audit Committee of CTT
- ✓ **2019-...:** Non-executive Member of the Board of Directors of CTT

Other internal positions held

- ✓ **2019-2019:** Member of the Committee for the Monitoring of the Implementation of the Operational Transformation Plan of CTT

Professional experience

- ✓ He is a Chartered Financial Analyst ("CFA"), who focuses on distressed, deep value and special situations investment strategies, having founded GreenWood Investors in 2010.
- ✓ He began his career with the special situations team at Kellogg Capital Group, and later worked as an Investment Banking Analyst for RBC Capital Markets in the Syndicated and Leveraged Finance group, having deepened his knowledge of distressed, deep value, and special situations strategies as a Research Analyst at Carr Securities from 2009 to 2013. Walter Carucci from Carr Securities provided the inspiration for founding GreenWood Investors.
- ✓ Since 2016, he has also served on the Investment Advisory Board of Cortland Associates, a value-oriented St. Louis (in USA)-based investment advisor.
- ✓ In 2017, he founded the Builders Institute Inc., an educational non-profit organisation that is dedicated to the field of long-term value creation, transparency of corporate strategy, and conscious capitalist principles.
- ✓ He is currently the Managing Member of GreenWood Performance Investors, LLC and the General Partner of GreenWood Global Micro Fund, LP, a fund launched in February 2014, as well as GreenWood Builders Fund I, LP, GreenWood Offshore Builders Fund I, and GreenWood Global Fund.

Management and supervisory positions held in other companies (last 5 years)

- ✓ **2017-...:** Founder and Managing Member of the Builders Institute, Inc.
- ✓ **2014-...:** Managing Member of GreenWood Performance Investors, LLC
- ✓ **2010-...:** Founder and Managing Member of Greenwood Investors, LLC

Other external positions held (last 5 years)

- ✓ **2016-...:** Advisory Board Member of Cortland Associates, Inc.

Duarte Palma Leal Champalimaud

Non-Executive Member of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	5 December 1975, born in Brazil
Date of 1st appointment at CTT	19 June 2019
Term of office	2020-2022

Academic qualifications

- ✓ **2018:** OPM 51 Class, Harvard Business School, USA
- ✓ **2009:** Leading the Family Business Program, IMD, Switzerland
- ✓ **2008:** MBA International, Católica Porto Business School
- ✓ **2001:** Postgraduate studies in Business Management, Fundação Dom Cabral, Brazil
- ✓ **2000:** Degree in Mechanical Engineering, Kingston University, England

Management and supervisory positions held internally

- ✓ **2019-...:** Non-executive Member of the Board of Directors of CTT
- ✓ **2018-2019:** Member of the Board of Directors of Tourline Express Mensajería, S.L.U.

Other internal positions held

- ✓ **2020-...:** Member of the Corporate Governance, Evaluation and Nominating Committee of CTT
- ✓ **2019-2019:** Member of the Committee for the Monitoring of the Implementation of the Operational Transformation Plan of CTT

Professional experience

- ✓ His position as a member of the Board of Directors of Gestmin SGPS, S.A., which changed its corporate name in 2019 to Manuel Champalimaud SGPS, S.A., has been his main occupation since 2005.
- ✓ He joined the CTT Group in 2018 having then been appointed as a member of the Board of Directors of the subsidiary Tourline Express Mensajería, S.L.U., a position he held till July 2019. As of June 2019, he became a non-executive member of the Board of Directors of CTT, a position that he holds in addition to those of Vice-Chairman of the Board of Directors of Manuel Champalimaud SGPS, S.A.
- ✓ He has a vast professional background in management and senior management positions, with a large experience in the industrial and technological areas within the Manuel Champalimaud Group, having led the acquisition of some of its main assets and played an important role in the internationalisation of the Group, namely through the expansion of GLN to Mexico, an industrial company known for its technological innovation work in the sector of plastic moulds. He held within this company, from 2013 to 2016, the functions of Chief Executive Officer (CEO) having, during this period, been responsible for the development of the company IT systems and for the acquisition of Famolde, a company specialised in the design and production of high technical content moulds, particularly in micro-moulds. Throughout his professional career, he was also responsible for several operational areas including human resources and technological innovation areas and was co-founder of a digital startup directed to the healthcare area, the consultaclick.com, from which the first European online appointment booking platform was developed.

Management and supervisory positions held in other companies (last 5 years)

- ✓ **2007-...:** Manager of Sotaque – Assessoria de Comunicação e Traduções, Lda.
- ✓ **2005-...:** Member of the Board of Directors of Manuel Champalimaud SGPS, S.A. (having been appointed Vice-Chairman in 2019)
- ✓ **2016-2018:** Member of the Board of Directors of PIEP (Innovation in Polymer Engineering)
- ✓ **2014-2017:** Chairman of the Board of Directors of GLN, S.A., having also held the position of CEO between 2013 and 2016

Other external positions held (last 5 years)

- ✓ Chairman of the Strategy and Investment Committee of Manuel Champalimaud Group
- ✓ **2016-...:** Chairman of the Board of the General Meeting of APIP (Portuguese Plastics Industry Association)

Isabel Maria Pereira Aníbal Vaz

Non-Executive Member of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT) (Independent)

Date of birth and nationality	2 January 1966, born in Portugal
Date of 1st appointment at CTT	29 April 2020
Term of office	2020-2022

Academic qualifications

- ✓ **1994:** MBA with specialisation in Management, Universidade Nova de Lisboa
- ✓ **1990:** Degree in Chemical Engineering (Processes and Industry Branch), Instituto Superior Técnico de Lisboa (IST), Universidade de Lisboa

Management and supervisory positions held internally

- ✓ **2020-...:** Non-executive Member of the Board of Directors of CTT

Other internal positions held

- ✓ **2020-...:** Member of the Corporate Governance, Evaluation and Nominating Committee of CTT

Professional experience

- ✓ Began her professional career as a researcher at Instituto de Biologia Experimental e Tecnológica and worked as a factory project engineer at the pharmaceutical group Atral Cipan (between 1990 and 1992). From 1992 to 1999, she was a Senior Consultant at McKinsey & Company, in the banking and insurance area.
- ✓ Over the past 20 years, she has held management positions in several companies in Portugal, mainly in the Luz Saúde Group, among which those of Vice-Chairwoman and Chairwoman of the Executive Committee of Luz Saúde, S.A., and Chairwoman of the Boards of Directors of Hospital da Luz, S.A., Hospital da Arrábida - Gaia, S.A. and SGHL - Sociedade Gestora do Hospital de Loures, S.A. stand out.
- ✓ She was a member of the Faculty Board of the Nova School of Business and Economics of the Universidade Nova de Lisboa and is currently a member of the International Advisory Board of The Lisbon MBA, of the same Faculty.

Management and supervisory positions held in other companies (last 5 years)

- ✓ **2019-...:** Member of the Board of Directors of Sonae Capital, SGPS, S.A.
- ✓ **2018-...:** Chairwoman of the Board of Directors of Capital Criativo HealthCare Investments II
- ✓ **2018-...:** Chairwoman of the Board of Directors of Hospital da Luz - Coimbra S.A.
- ✓ **2017-...:** Chairwoman of the Board of Directors of H.M.E. – Gestão Hospitalar, S.A.
- ✓ **2017-...:** Member of the Board of Directors of S. C. H. - Sociedade de Clínica Hospitalar S.A.
- ✓ **2015-...:** Chairwoman of the Board of Directors of Hospital da Luz - Guimarães, S.A.
- ✓ **2015-...:** Chairwoman of the Board of Directors of GLSMED Learning Health, S.A.
- ✓ **2011-...:** Chairwoman of the Board of Directors of Luz Saúde – Serviços, A.C.E.
- ✓ **2009-...:** Chairwoman of the Board of Directors of Hospital da Luz – Centro Clínico da Amadora, S.A.
- ✓ **2009-...:** Chairwoman of the Board of Directors of SGHL – Sociedade Gestora do Hospital de Loures, S.A.
- ✓ **2009-...:** Chairwoman of the Board of Directors of Casas da Cidade – Residências Sénior, S.A.
- ✓ **2009-...:** Chairwoman of the Board of Directors of CRB – Clube Residencial da Boavista, S.A.
- ✓ **2006-...:** Chairwoman of the Board of Directors of Hospital da Luz - Oeiras, S.A.
- ✓ **2005-...:** Chairwoman of the Board of Directors of Hospital da Luz, S.A. (LISBOA)
- ✓ **2005-...:** Chairwoman of the Board of Directors of Surgicare – Unidades de Saúde, S.A.
- ✓ **2005-...:** Chairwoman of the Board of Directors of Vila Lusitano – Unidades de Saúde, S.A.
- ✓ **2005-...:** Chairwoman of the Board of Directors of Hospital Residencial do Mar, S.A.

- **2005-...:** Chairwoman of the Board of Directors of Hospor – Hospitais Portugueses, S.A.
- **2004-...:** Chairwoman of the Board of Directors of Casas da Cidade – Residências Sénior de Carnaxide, S.A.
- **2004-...:** Member of the Board of Directors of Genomed - Diagnósticos de Medicina Molecular, S.A.
- **2003-...:** Chairwoman of the Board of Directors of RML – Residência Medicalizada de Loures, SGPS, S.A.
- **2001-...:** Chairwoman of the Board of Directors of Hospital da Arrábida – Gaia, S.A.
- **2001-...:** Chairwoman of the Board of Directors of Luz Saúde – Unidades de Saúde e de Apoio à Terceira Idade, S.A.
- **2000-...:** Chairwoman of the Board of Directors of Hospital da Luz - Aveiro, S.A.
- **2000-...:** Vice -Chairwoman the Board of Directors and Chairwoman of the Executive Committee of Luz Saúde, S.A.

Other external positions held (last 5 years)

- **2009-...:** Member of the International Advisory Board of The Lisbon MBA of Nova School of Business and Economics of Universidade Nova de Lisboa
- **2009-2018:** Member of the Faculty Council of Nova School of Business and Economics of Universidade Nova de Lisboa

Jürgen Schröder

Non-Executive Member of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT) (Independent)

Date of birth and nationality	2 October 1963, born in Germany
Date of 1st appointment at CTT	29 April 2020
Term of office	2020-2022

Academic qualifications

- ✓ **1993:** PhD in Economics, Ruhr-Universität Bochum, Germany
- ✓ **1988:** Degree in Economics, Ruhr-Universität Bochum, Germany

Management and supervisory positions held internally

- ✓ **2020-...:** Non-executive Member of the Board of Directors of CTT

Other internal positions held

- ✓ ---

Professional experience

- ✓ He started his professional career at McKinsey & Company in 1994, and since 2007 he has been a Senior Partner at the Düsseldorf office. Throughout his career at McKinsey & Company, he has assumed management and supervisory functions as responsible for the Travel, Transport and Logistics practice in Germany, as well as Chairman of the Regional Pricing Committee Europe, of the German Finance and Infrastructure Committee and of the Orphoz Board in Germany and Member of the Boards of eFellows.net and Lumics GmbH & Co. KG. He is also a member of the German Client Committee and the German OpCo (Board).
- ✓ Currently, he is responsible for the Global Marketing and Sales practice at McKinsey & Company and the transport and logistics sector in Germany and is the founder of the Digital Marketing Factory, with extensive experience in the Postal and Logistics sectors, in the Marketing and Sales areas and Digital Marketing, as well as in transformational programs that contribute to improving the performance of companies through the use of agile methods and digital technologies to improve their commercial transformation.

Management and supervisory positions held in other companies (last 5 years)

- ✓ **2020-**...: Executive Partner of JS-Rat&Tat GmbH

Other external positions held (last 5 years)

- ✓ **2015-...:** Member of the Board of ISR (International School on the Rhine) (Germany)
- ✓ **2014-...:** Member of the Board of Marketing Club Düsseldorf (Germany)

Margarida Maria Correia de Barros Couto

Non-Executive Member of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	16 September 1964, born in Portugal
Date of 1st appointment at CTT	29 April 2020
Term of office	2020-2022

Academic qualifications

- ✓ **1988:** Postgraduate studies in European Studies, Faculdade de Direito, Universidade Católica de Lisboa
- ✓ **1987:** Degree in Law, Faculdade de Direito, Universidade Católica de Lisboa

Management and supervisory positions held internally

- ✓ **2020-...:** Non-executive Member of the Board of Directors of CTT

Other internal positions held

- ✓ **2020-...:** Chairwoman of the Ethics Committee of CTT

Professional experience

- ✓ Founding Partner at Vieira de Almeida & Associados (VdA), being part of this law firm since 1988, she has as main professional occupation the practice of law in regulated sectors and in social economy.
- ✓ She is IP & Digital Group Senior Partner and Partner of the ICT practice area (Information, Communications and Technology), having been involved, in her professional activity, in the main transactions related to communications, media and data privacy sectors, working on both economic and transactional regulation matters. She has also developed a vast activity in infrastructure projects and worked on public tenders in regulated and non-regulated sectors.
- ✓ She is the Partner responsible for the Social Economy practice area, providing legal and strategic advice to the most relevant Foundations and Associations operating in Portugal and to several projects of social impact, being also responsible for the *Pro Bono* Program of VdA, leading the *Pro Bono* Committee of the firm, and leading its Sustainability Program. Currently she is the Chairwoman of the VdA Academia, the firm's corporate academy, in which she is responsible for the executive program Women on Boards.
- ✓ As lecturer at the Universidade Católica, she has been teaching in matters related to her practice areas, namely Telecommunications Law, Economic Regulation and Social Economy.
- ✓ Author of several articles on economic regulation, telecommunications, social economy and social responsibility/sustainability published in national and international publications, she is frequently invited to speak at conferences related to her practice areas in Portugal and abroad, having been distinguished throughout her career by the main international law directories as a leading lawyer in these areas.

Management and supervisory positions held in other companies (last 5 years)

- ✓ ---

Other external positions held (last 5 years)

- ✓ **2018-...:** Chairwoman of GRACE (Responsible Business)
- ✓ **2017-...: M**ember of the Board of Directors and Chief Executive Officer (CEO) of Fundação Vasco Vieira de Almeida
- ✓ **2017**-...: Secretary of the General Assembly of Forum Oceano (Association of Maritime Economy)
- ✓ **2016**-...: Secretary of the General Assembly of BCSD Portugal – *Business Council for Sustainable Development*
- ✓ **2015-...:** Chairwoman of the Board of VdA Academia
- ✓ **2013-2017**: Vice-President of GRACE (Group for Reflection and Support for Corporate Citizenship)

María del Carmen Gil Marín

Non-Executive Member of the Board of Directors and Member of the Audit Committee of CTT - Correios de Portugal, S.A. (CTT) (Independent)

Date of birth and nationality	11 February 1973, born in Spain
Date of 1st appointment at CTT	29 April 2020
Term of office	2020-2022

Academic qualifications

- ✓ **2021-...:** Enrolled in International Directors Programme (IDP), INSEAD, France
- ✓ **2020:** Cyber Security and Executive Strategy, Stanford University, USA
- ✓ **2019:** Santander-UCLA W50, UCLA Anderson School of Management, USA
- ✓ **2019**: Corporate Governance: The leadership of the Boards, Nova School of Business & Economics Executive Education
- ✓ **2019:** The Women´s Leadership Forum, Harvard Business School, USA
- ✓ **1999:** MBA Programme, INSEAD, France (Dean´s List)
- ✓ **1999:** Academic cycle in Environment and Alternative Energies PhD, UNED, Spain
- ✓ **1996:** Degree in Electronic Engineering, Universidad Pontificia Comillas (ICAI), Spain (National Honours)

Management and supervisory positions held internally

- ✓ **2020-...:** Non-executive Member of the Board of Directors of CTT
- ✓ **2020-...:** Member of the Audit Committee of CTT

Other internal positions held

- ✓ ---

Professional experience

- ✓ She began her professional career in 1996 as a consultant at The Boston Consulting Group, office in Madrid, having participated in several strategic projects related to sectors such as electrical, telecommunications, oil & gas, and retail. Between 1999 and 2000 she was a Professor of Industrial Marketing at the Industrial Management Engineer degree at the Universidad Pontificia Comillas (ICAI) in Madrid. In 1999, she was an Associate at Lehman Brothers, Investment Banking in London and New York, where she performed functions related to acquisitions and IPO operations in different economic sectors.
- ✓ Leadership positions have been her main professional occupation since 2001, having initiated her professional career as from this date at Grupo Novabase as responsible for the launching of the Venture Capital area with a technological focus, within the scope of her functions as a member of the Board of Directors of Novabase Capital, Sociedade de Capital de Risco, S.A., with a direct participation in the innovation and M&A processes of the Group. At the same time, she has been coordinating the processes of investment and valuation, financial supervision, risk assessment and operational monitoring of the participated entities.
- ✓ She is currently a member of the Board of Directors and Executive Committee of Novabase, SGPS, S.A., where she heads as Chief Operations Officer the Value Portfolio segment, acting also as Chief Cybersecurity Officer and Chief Investors Officer. Appointed in 2018 to this position, she coordinated the work of the Executive Committee in the strategic reformulation process, which resulted in a new transformation plan with strong investment in new generation technological services and in the international markets of Europe and the Middle East.

Management and supervisory positions in other companies (last 5 years)

- ✓ **2018-...:** Executive Member of the Board of Directors of Novabase, SGPS, S.A.
- ✓ **2018-...:** Executive Member of the Board of Directors of Novabase IMS2, S.A.
- ✓ **2001-...:** Executive Member of the Board of Directors of Novabase Capital, Sociedade de Capital de Risco, S.A.
- ✓ **2014-2020:** Manager of Radical Innovation, Lda.
- ✓ **2014-2020:** Manager of Tópico Sensível, Lda.

- **2012-2020:** Manager of Bright Innovation, Lda.
- **2018-2019:** Executive Member of the Board of Directors of Novabase Serviços – Serviços de Gestão e Consultoria, S.A.
- **2008-2019:** Executive Member of the Board of Directors of COLLAB – Soluções Informáticas de Comunicação e Colaboração, S.A.

Other external positions held (last 5 years)

- **2020-...:** Member of the General Board of AEM (Portuguese Issuers Association)
- **2018-...:** Chairwoman of the Board of the General Meeting of Celfocus - Soluções Informáticas para Telecomunicações, S.A.
- **2018-...:** Chairwoman of the Board of the General Meeting of Novabase Enterprise Applications - Sistemas de Informação de Gestão Empresarial, S.A.
- **2015-...:** Chairwoman of the Board of the General Meeting of GLOBALEDA - Telecomunicações e Sistemas de Informação, S.A.
- **2014-...:** Member of the Board of Fórum de Investor Relations (FIR) (Portuguese Association of Investor Relations Officers), having previously been a member of the Supervisory Board (2011-2013)
- **2012-...:** Member of the Advisory Committee of FCR ISTART I
- **2014-2015:** Member of the Supervisory Board of AEM (Portuguese Issuers Association)

Susanne Ruoff

Non-Executive Member of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT) (Independent)

Date of birth and nationality	29 September 1958, born in Switzerland
Date of 1st appointment at CTT	29 April 2020
Term of office	2020-2022

Academic qualifications

- ✓ **2018:** Certification of the International Director Program, INSEAD, France/Singapore
- ✓ **2010:** Corporate Finance in Multinational Companies, ZfU, Switzerland
- ✓ **2007:** Corporate Governance in Executive Boards, Universität St. Gallen (HSG), Switzerland
- ✓ **2004 :** MBA, Université de Fribourg, Switzerland
- ✓ **2003:** Degree in Economics, Université de Fribourg, Switzerland

Management and supervisory positions held internally

- ✓ **2020-...:** Non-executive Member of the Board of Directors of CTT

Other internal positions held

- ✓ ---

Professional experience

- ✓ She has a long career with more than 30 years of experience in management positions at international companies, standing out the more than 12 years in CEO positions as CEO of BT Switzerland, and IBM Global Technology Services and more recently as CEO of Swiss Post. She was also a member of the Boards of Directors of companies such as Postbank, Geberit International (Sanitary Leader in Europe), and BEDAG (Software Company) and a member of the Board of the International Post Corporation.
- ✓ Throughout her career, she acquired a vast knowledge of technologies in terms of change and transformation management, (IBM and BT) and solid experience in implementing digital transformation (Swiss Post), mainly in logistics, banking, services, telecommunications, as well as in the technology industry in general.
- ✓ Founded her own company Ruoff Advisory GmbH and as CEO of the company, she dedicates herself to consultancy and support to international and national companies in the areas of Digital Transformation and Digital Business Model, especially in the Telecommunications, ICT and postal sectors (among others, she is a consultant to the Board of Directors of the Emirates Post).

Management and supervisory positions held in other companies (last 5 years)

- ✓ **2020-...**: Member of the Board and of the Organisation & Compensation Committee of Eldora AG (Switzerland)
- ✓ **2019-...**: Chief Executive Officer (CEO) of Ruoff Advisory GmbH (Switzerland)
- ✓ **2012-2018**: Chief Executive Officer (CEO) of Swiss Post, LTD (Switzerland)
- ✓ **2013-2018**: Member of the Board of Directors and Chairwoman of the Corebanking Transformation Committee of PostBank (Switzerland)

Other external positions held (last 5 years)

- ✓ **2017-...**: Member of the Strategic Advisory Board of EPFL - École Polytechnique Fédérale de Lausanne (Switzerland)
- ✓ **2017-2018**: Member of the Advisory Council for Swiss Federal Government for Digital Transformation (Switzerland)
- ✓ **2012-2016**: Member of the Board of the International Post Corporation (Belgium)

II. Members of the Remuneration Committee

Fernando Paulo de Abreu Neves de Almeida

Chairman of the Remuneration Committee of CTT - Correios de Portugal, S.A. (CTT) (Independent)

Date of birth and nationality	13 July 1961, born in Portugal
Date of 1st appointment at CTT	29 April 2020
Term of office	2020-2022

Academic qualifications

- ✓ **1994:** MBA, Faculdade de Gestão, Universidade Católica Portuguesa
- ✓ **1989:** Degree in Human Resources Management and Work Psychology, Universidade Europeia

Management and supervisory functions held internally

- ✓ ---

Other internal functions held

- ✓ **2020-...:** Chairman of the Remuneration Committee of CTT

Professional experience

- ✓ With a vast experience in management consulting specialized in Human Resources, he founded in 1993 the Neves de Almeida Consultores. Since 1998 he has been an International Partner and Managing Partner of the office in Lisbon of Boyden Global Executive Search. He is a member of the advisors' network LIORENTE E CUENTA, iberian leader in business communication, and he is a member of the University Council of Universidade Europeia and of the Editorial Boards of the Executive Digest and Human Resources magazines. Since 2014 he has also been a member of REN's Remuneration Committee.
- ✓ He is also a teacher at the University since 1990 and was, until 2014, Executive Coordinator of the PhD's, Masters' and Bachelor's programmes in Human Resources Management at Universidade Europeia. He has written more than one hundred articles for a variety of economic publications and he is the author of the books "Psicologia para Gestores" and "Avaliação de Desempenho para Gestores" both by McGraw Hill publisher and of the book "O Gestor - A Arte de Liderar" by Editorial Presença. He is the co-author of the book "A Sorte dá Muito Trabalho" by Almedina and author of the books "Comandos para Liderar" published by Multipublicações and "Retribuições, Prémios e Incentivos" published by Almedina.

Management and supervisory functions held in other companies (last 5 years)

- ✓ **1993-...:** Manager of Neves de Almeida Consultores, Unipessoal, Lda.

Other external functions held (last 5 years)

- ✓ Member of the University Council of Universidade Europeia
- ✓ **2014-...:** Member of the Remuneration Committee of REN - Redes Energéticas Nacionais, SGPS, S.A.
- ✓ **1998-...:** Managing Partner of the Lisbon office of Boyden Global Executive Search

Manuel Carlos de Melo Champalimaud

Member of the Remuneration Committee of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	14 April 1946, born in Portugal
Date of 1st appointment in CTT	28 April 2016
Term of office	2020-2022

Academic qualifications

- ✓ **2019:** Orchestrating Winning Performance, IMD, Lausanne, Switzerland
- ✓ **2010:** High Performance Boards, IMD, Lausanne, Switzerland
- ✓ **2009:** Orchestrating Winning Performance, IMD, Lausanne, Switzerland
- ✓ **1993:** General Management Programme, Escola de Gestão do Porto (currently Porto Business School), Universidade do Porto
- ✓ **1971-1973:** Attendance of the Economics degree at Instituto de Ciências Ultramarinas, Universidade Técnica de Lisboa (currently ISCSP)

Management and supervisory functions held internally

- ✓ **2016-2017:** Non-executive Member of the Board of Directors of CTT

Other internal functions held

- ✓ **2020-...:** Member of the Remuneration Committee of CTT

Professional experience

- ✓ An entrepreneur since 1972, he was a promoter, investor and director in various companies in Portugal, Spain and Brazil.
- ✓ Activities in the industrial area stand out – in particular in the cement industry, with Cimentos do Tejo – and, more recently, in the moulds and plastics industry. The latter investment was made through Gestmin, currently Manuel Champalimaud SGPS, S.A., and entailed creating the GLN Group. He also gained corporate and management experience in real estate promotion – through the companies Raso Empreendimentos Turísticos, DaPraia and Sogestão and, furthermore, in hunting and industrial agriculture with São Barão. He has also been involved in the commercial area, in particular for the construction sector, through Rolim Comercial.
- ✓ In representation of a relevant shareholding, he was a member of the Board of Directors of REN – SGPS., S.A. for 7 years until 2016 and of CTT, from 2016 to 2017.
- ✓ In 2005, he created Gestmin SGPS, S.A., a family holding company, currently Manuel Champalimaud SGPS, S.A., where he concentrated all his investments, which he has led and operated since then. The group is currently exposed to the areas of energy, port logistics and moulds and plastics, while also holding important listed assets, among which are the shareholdings in REN and CTT.

Management and supervisory functions held internally (last 5 years)

- ✓ **2015-...:** Manager of Sealion Finance, Lda.
- ✓ **2005-...:** Chairman of the Board of Directors of Manuel Champalimaud SGPS, S.A.(formerly Gestmin SGPS, S.A.)
- ✓ **2005-...:** Deputy Manager of Agrícola São Barão – Unipessoal, Lda.
- ✓ **1998-2017:** Chairman of the Board of Directors of Sogestão – Administração e Gerência, S.A.
- ✓ **1997-2017:** Deputy Manager of Sogolfe – Empreendimentos Turísticos, Sociedade Unipessoal, Lda.
- ✓ **2007-2016:** Non-executive Member of the Board of Directors of REN – Redes Energéticas Nacionais, SGPS, S.A.

Other external functions held (last 5 years)

- ✓ **2005-...:** Chairman of the Nominating and Remunerations Committee of Manuel Champalimaud Group

Christopher James Torino

Member of the Remuneration Committee of CTT - Correios de Portugal, S.A. (CTT) (Independent)

Date of birth and nationality	10 March 1986, born in the USA
Date of 1st appointment in CTT	29 April 2020
Term of office	2020-2022

Academic qualifications

- ✓ **2009:** MSc in Accountancy, Wake Forest University School of Business, USA
- ✓ **2008:** BSc in Analytical Finance, Wake Forest University, USA

Management and supervisory functions held internally

- ✓ ---

Other internal functions held

- ✓ **2020-...:** Member of the Remuneration Committee of CTT

Professional experience

- ✓ He started his professional career as a financial analyst monitoring a universe of about 30-50 funds with different strategies, and as a Senior Analyst at Morgan Creek Capital Management, LLC, where he worked in conjunction with the Private Investment Team to conduct diligence on numerous co-investment opportunities in private market transactions. In 2012 he joined LRV Capital Management, LLC where he deepened his skills, especially in the area of investments.
- ✓ He became Vice-President of Lazard Asset Management, LLC after the integration of the International Equity Value team of LRV Capital, a fundamental international-only long/short equity fund, by Lazard in 2018.
- ✓ In 2018, he joined GreenWood Investors and is currently a Partner at GreenWood Investors, LLC.

Management and supervisory functions held in other companies (last 5 years)

- ✓ **2018-2018:** Vice-President at Lazard Asset Management, LLC

Other external functions held (last 5 years)

- ✓ **2018-...:** Partner at GreenWood Investors, LLC
- ✓ **2012-2018:** Analyst at LRV Capital Management, LLC

Annex II

Management transactions of CTT shares

Committed to Deliver

ANNEX II – MANAGEMENT TRANSACTIONS OF CTT SHARES

Transactions of CTT shares carried out in 2020 by members of the Board of Directors of CTT and closely related persons.

Detail of the transactions of **Manuel Champalimaud SGPS, S.A.**, entity closely related to the Director of the Company **Duarte Palma Leal Champalimaud**, according to the communications sent to CTT:

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Acquisition	XLIS	1.9500	21,700	17.03.2020
Acquisition	XLIS	1.9300	25,000	19.03.2020
Acquisition	XLIS	1.8500	25,000	19.03.2020
Acquisition	XLIS	1.9000	28,300	20.03.2020

Detail of the transactions of **GreenWood Builders Fund I, LLP**, entity closely related to the Director of the Company **Steven Duncan Wood**, according to the communications sent to CTT:

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Acquisition	XLIS	1.875798	5,000	19.03.2020
Acquisition	XLIS	1.8800	5,000	19.03.2020
Acquisition	XLIS	1.8760	5,000	19.03.2020
Acquisition	XLIS	1.8700	5,000	19.03.2020
Acquisition	XLIS	1.8600	5,000	19.03.2020
Acquisition	XLIS	1.8500	10,000	19.03.2020
Acquisition	XLIS	1.8400	5,000	19.03.2020
Acquisition	XLIS	1.8900	5,000	20.03.2020
Acquisition	XLIS	1.8800	5,000	20.03.2020
Acquisition	XLIS	1.8700	5,000	20.03.2020
Acquisition	XLIS	2.0850	5,000	07.05.2020
Acquisition	XLIS	2.08795	5,000	07.05.2020
Acquisition	XLIS	2.0900	5,000	07.05.2020
Acquisition	XLIS	2.0800	15,000	07.05.2020
Acquisition	XLIS	2.085002	5,000	07.05.2020
Acquisition	XLIS	2.0800	5,000	08.05.2020
Acquisition	XLIS	2.0700	5,000	08.05.2020
Acquisition	XLIS	2.0600	5,000	08.05.2020
Acquisition	XLIS	2.0500	5,000	08.05.2020
Acquisition	XLIS	2.0450	5,000	08.05.2020

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Acquisition	XLIS	2.0500	5,000	11.05.2020
Acquisition	XLIS	2.0400	5,000	11.05.2020
Acquisition	XLIS	2.0600	10,000	11.05.2020
Acquisition	XLIS	2.0600	5,000	12.05.2020
Acquisition	XLIS	2.0400	5,000	12.05.2020
Acquisition	XLIS	2.0300	5,000	12.05.2020
Acquisition	XLIS	2.0200	15,000	12.05.2020
Acquisition	XLIS	2.0100	10,000	12.05.2020
Acquisition	XLIS	2.0500	5,000	12.05.2020
Acquisition	XLIS	2.0150	5,000	12.05.2020
Acquisition	XLIS	1.9700	10,000	13.05.2020
Acquisition	XLIS	1.9300	5,000	13.05.2020
Acquisition	XLIS	2.0000	5,000	13.05.2020
Acquisition	XLIS	1.9900	5,000	13.05.2020
Acquisition	XLIS	1.9800	5,000	13.05.2020
Acquisition	XLIS	1.9600	5,000	13.05.2020
Acquisition	XLIS	1.9500	5,000	13.05.2020
Acquisition	XLIS	1.9400	5,000	13.05.2020
Acquisition	XLIS	1.9000	10,000	14.05.2020
Acquisition	XLIS	1.9400	5,000	14.05.2020
Acquisition	XLIS	1.9300	5,000	15.05.2020
Acquisition	XLIS	1.9200	10,000	15.05.2020
Acquisition	XLIS	1.9180	5,000	15.05.2020
Acquisition	XLIS	1.9100	5,000	15.05.2020
Acquisition	XLIS	1.9880	5,000	19.05.2020
Acquisition	XLIS	1.9900	5,000	19.05.2020
Acquisition	XLIS	1.9900	5,000	20.05.2020
Acquisition	XLIS	2.1050	5,000	27.05.2020
Acquisition	XLIS	2.1000	5,000	27.05.2020
Acquisition	XLIS	2.0950	5,000	27.05.2020
Acquisition	XLIS	2.0900	5,000	27.05.2020
Acquisition	XLIS	2.0800	5,000	27.05.2020
Acquisition	XLIS	2.0700	5,000	27.05.2020
Acquisition	XLIS	2.0400	5,000	29.05.2020
Acquisition	XLIS	2.0500	5,000	29.05.2020
Acquisition	XLIS	2.0600	5,000	29.05.2020
Acquisition	XLIS	2.0650	5,000	29.05.2020
Acquisition	XLIS	2.0700	5,000	29.05.2020

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Acquisition	XLIS	2.0800	5,000	29.05.2020
Acquisition	XLIS	2.3450	5,000	03.06.2020
Acquisition	XLIS	2.3400	5,000	03.06.2020
Acquisition	XLIS	2.3200	5,000	04.06.2020
Acquisition	XLIS	2.3000	5,000	04.06.2020
Acquisition	XLIS	2.2950	5,000	04.06.2020
Acquisition	XLIS	2.2900	5,000	04.06.2020
Acquisition	XLIS	2.2800	10,000	05.06.2020
Acquisition	XLIS	2.2900	15,000	05.06.2020
Acquisition	XLIS	2.2700	5,000	05.06.2020
Acquisition	XLIS	2.2600	5,000	08.06.2020
Acquisition	XLIS	2.23500	5,000	09.06.2020
Acquisition	XLIS	2.2200	5,000	10.06.2020
Acquisition	XLIS	2.2100	5,000	10.06.2020
Acquisition	XLIS	2.2000	5,000	10.06.2020
Acquisition	XLIS	2.1700	5,000	11.06.2020
Acquisition	XLIS	2.1900	5,918	11.06.2020
Acquisition	XLIS	2.1450	5,000	11.06.2020
Acquisition	XLIS	2.1100	5,000	22.06.2020
Acquisition	XLIS	2.7800	5,000	11.08.2020
Acquisition	XLIS	2.775002	5,000	11.08.2020
Acquisition	XLIS	2.7775	5,000	11.08.2020
Acquisition	XLIS	2.7750	4,000	11.08.2020
Acquisition	XLIS	2.7700	6,000	11.08.2020
Acquisition	XLIS	2.8200	5,000	12.08.2020
Acquisition	XLIS	2.820494	5,000	12.08.2020
Acquisition	XLIS	2.8450	5,000	12.08.2020
Acquisition	XLIS	2.8400	15,000	12.08.2020
Acquisition	XLIS	2.92500	5,000	13.08.2020
Acquisition	XLIS	2.9200	5,000	14.08.2020
Acquisition	XLIS	2.9100	5,000	14.08.2020
Acquisition	XLIS	2.9000	5,000	14.08.2020
Acquisition	XLIS	2.8900	10,000	14.08.2020
Acquisition	XLIS	2.8800	16,317	14.08.2020
Acquisition	XLIS	2.8850	10,000	14.08.2020
Acquisition	XLIS	2.8750	3,683	17.08.2020
Acquisition	XLIS	2.8700	10,000	17.08.2020
Acquisition	XLIS	2.9000	5,000	17.08.2020

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Acquisition	XLIS	2.8900	10,000	17.08.2020
Acquisition	XLIS	2.885002	5,000	17.08.2020
Acquisition	XLIS	2.8800	5,000	17.08.2020
Acquisition	XLIS	2.8600	5,000	17.08.2020
Acquisition	XLIS	2.865004	5,000	18.08.2020
Acquisition	XLIS	2.8600	10,000	18.08.2020
Acquisition	XLIS	2.8500	5,000	18.08.2020
Acquisition	XLIS	2.8400	10,961	18.08.2020
Acquisition	XLIS	2.8450	5,000	18.08.2020
Acquisition	XLIS	2.8400	4,039	19.08.2020
Acquisition	XLIS	2.8300	5,000	19.08.2020
Acquisition	XLIS	2.8250	5,000	19.08.2020
Acquisition	XLIS	2.8200	8,000	19.08.2020
Acquisition	XLIS	2.8150	5,000	19.08.2020
Acquisition	XLIS	2.8100	5,000	19.08.2020
Acquisition	XLIS	2.805002	5,000	19.08.2020
Acquisition	XLIS	2.8250	3,000	20.08.2020
Acquisition	XLIS	2.8100	3,000	20.08.2020
Acquisition	XLIS	2.8000	3,000	20.08.2020
Acquisition	XLIS	2.7900	5,000	20.08.2020
Acquisition	XLIS	2.7800	5,000	20.08.2020
Acquisition	XLIS	2.7700	5,000	20.08.2020
Acquisition	XLIS	2.7600	5,000	20.08.2020
Acquisition	XLIS	2.7500	8,000	20.08.2020
Acquisition	XLIS	2.748175	2,000	20.08.2020
Acquisition	XLIS	2.7700	3,000	21.08.2020
Acquisition	XLIS	2.8300	2,500	21.08.2020
Acquisition	XLIS	2.8200	2,500	21.08.2020
Acquisition	XLIS	2.8100	7,500	24.08.2020
Acquisition	XLIS	2.8250	2,500	24.08.2020
Acquisition	XLIS	2.8200	2,500	24.08.2020
Acquisition	XLIS	2.8150	2,500	24.08.2020
Acquisition	XLIS	2.8000	5,000	24.08.2020
Acquisition	XLIS	2.7900	5,000	24.08.2020
Acquisition	XLIS	2.7800	5,666	25.08.2020
Acquisition	XLIS	2.7833364	4,334	25.08.2020
Acquisition	XLIS	2.7700	5,000	25.08.2020
Acquisition	XLIS	2.7600	5,000	25.08.2020

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Acquisition	XLIS	2.7500	10,000	25.08.2020
Acquisition	XLIS	2.7400	7,539	25.08.2020
Acquisition	XLIS	2.7400	2,461	26.08.2020
Acquisition	XLIS	2.7300	5,000	26.08.2020
Acquisition	XLIS	2.7200	5,000	26.08.2020
Acquisition	XLIS	2.7100	5,000	26.08.2020
Acquisition	XLIS	2.7000	5,000	26.08.2020
Acquisition	XLIS	2.6900	6,481	27.08.2020
Acquisition	XLIS	2.7100	5,000	27.08.2020
Acquisition	XLIS	2.7000	5,000	27.08.2020
Acquisition	XLIS	2.6900	3,519	28.08.2020
Acquisition	XLIS	2.6800	5,000	28.08.2020
Acquisition	XLIS	2.6700	5,000	28.08.2020
Acquisition	XLIS	2.6500	4,250	28.08.2020
Acquisition	XLIS	2.6850	750	28.08.2020
Acquisition	XLIS	2.6600	5,000	31.08.2020
Acquisition	XLIS	2.6400	5,000	31.08.2020
Acquisition	XLIS	2.6300	5,000	31.08.2020
Acquisition	XLIS	2.6200	5,000	31.08.2020
Acquisition	XLIS	2.6100	10,000	31.08.2020
Acquisition	XLIS	2.6000	5,000	01.09.2020
Acquisition	XLIS	2.6550	5,000	02.09.2020
Acquisition	XLIS	2.6500	5,000	02.09.2020
Acquisition	XLIS	2.6400	5,000	02.09.2020
Acquisition	XLIS	2.6300	5,000	02.09.2020
Acquisition	XLIS	2.6200	10,000	02.09.2020
Acquisition	XLIS	2.6100	5,391	02.09.2020
Acquisition	XLIS	2.6150	3,609	02.09.2020
Acquisition	XLIS	2.6250	1,000	02.09.2020
Acquisition	XLIS	2.608852	5,000	02.09.2020
Acquisition	XLIS	2.6050	10,000	02.09.2020
Acquisition	XLIS	2.6300	15,000	03.09.2020
Acquisition	XLIS	2.6250	5,000	03.09.2020
Acquisition	XLIS	2.6400	5,000	03.09.2020
Acquisition	XLIS	2.6350	5,000	03.09.2020
Acquisition	XLIS	2.625002	5,000	03.09.2020
Acquisition	XLIS	2.6150	5,000	03.09.2020
Acquisition	XLIS	2.6000	5,000	03.09.2020

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Acquisition	XLIS	2.6100	5,000	03.09.2020
Acquisition	XLIS	2.6200	5,000	03.09.2020
Acquisition	XLIS	2.5900	5,000	03.09.2020
Acquisition	XLIS	2.6000	5,000	11.09.2020
Acquisition	XLIS	2.6050	3,115	11.09.2020
Acquisition	XLIS	2.6100	19,041	11.09.2020
Acquisition	XLIS	2.6050035	2,844	14.09.2020
Acquisition	XLIS	2.6000	10,000	14.09.2020
Acquisition	XLIS	2.5800	10,000	14.09.2020
Acquisition	XLIS	2.6050024	2,057	14.09.2020
Acquisition	XLIS	2.6100	2,943	14.09.2020
Acquisition	XLIS	2.605002	5,000	14.09.2020
Acquisition	XLIS	2.5900	5,000	14.09.2020
Acquisition	XLIS	2.5700	668	14.09.2020
Acquisition	XLIS	2.5700	4,332	15.09.2020
Acquisition	XLIS	2.5600	10,000	15.09.2020
Acquisition	XLIS	2.5500	5,000	15.09.2020
Acquisition	XLIS	2.5650	5,000	15.09.2020
Acquisition	XLIS	2.5500	10,000	16.09.2020
Acquisition	XLIS	2.5550	15,000	16.09.2020
Acquisition	XLIS	2.5600	5,000	16.09.2020
Acquisition	XLIS	2.5400	5,000	16.09.2020
Acquisition	XLIS	2.5300	15,000	17.09.2020
Acquisition	XLIS	2.5200	6,799	17.09.2020
Acquisition	XLIS	2.5265198	3,201	17.09.2020
Acquisition	XLIS	2.5300	5,000	18.09.2020
Acquisition	XLIS	2.5200	10,000	18.09.2020
Acquisition	XLIS	2.5150	5,000	18.09.2020
Acquisition	XLIS	2.5100	10,000	21.09.2020
Acquisition	XLIS	2.5000	5,000	21.09.2020
Acquisition	XLIS	2.4600	5,000	21.09.2020
Acquisition	XLIS	2.4550	10,000	21.09.2020
Acquisition	XLIS	2.4500	5,000	21.09.2020
Acquisition	XLIS	2.445002	5,000	21.09.2020
Acquisition	XLIS	2.4400	5,000	21.09.2020
Acquisition	XLIS	2.4300	5,000	22.09.2020
Acquisition	XLIS	2.4200	5,000	22.09.2020
Acquisition	XLIS	2.4100	5,000	22.09.2020

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Acquisition	XLIS	2.4000	5,000	22.09.2020
Acquisition	XLIS	2.3900	5,000	22.09.2020
Acquisition	XLIS	2.4300	15,000	23.09.2020
Acquisition	XLIS	2.4350	5,000	23.09.2020
Acquisition	XLIS	2.4200	5,000	23.09.2020

Annex III

GRI Indicators

Committed to Deliver

ANNEX III – GRI INDICATORS

Table 1 – Employees

Human Resources		'19			'20		CTT
Indicators	CTT	CTT SA	Subsidiaries	CTT	CTT SA	Subsidiaries	Annual variation %
Labor Indicators (number of people)							
Employees	**12,355**	**10,743**	**1,612**	**12,234**	**10,481**	**1,753**	**-1.0**
Female	4,125	3,650	475	4,117	3,563	554	**-0.2**
Male	8,230	7,093	1,137	8,117	6,918	1,199	**-1.4**
Type of contract (number of people)							
Permanent	**10,979**	**9,735**	**1,244**	**10,767**	**9,461**	**1,306**	**-1.9**
Female	3,687	3,283	404	3,624	3,201	423	**-1.7**
Male	7,292	6,452	840	7,143	6,260	883	**-2.0**
Fixed-term	**1,376**	**1,008**	**368**	**1,467**	**1,020**	**447**	**6.6**
Female	438	367	71	493	362	131	**12.6**
Male	938	641	297	974	658	316	**3.8**
Full-time	**12,021**	**10,565**	**1,456**	**11,957**	**10,328**	**1,629**	**-0.5**
Female	**4,018**	**3,579**	**439**	**4,007**	**3,496**	**511**	**-0.3**
Permanent	3,638	3,260	378	3,572	3,176	396	**-1.8**
Fixed-term	380	319	61	435	320	115	**14.5**
Male	**8,003**	**6,986**	**1,017**	**7,950**	**6,832**	**1,118**	**-0.7**
Permanent	7,264	6,443	821	7,116	6,249	867	**-2.0**
Fixed-term	739	543	196	834	583	251	**12.9**
Part-time	**334**	**178**	**156**	**277**	**153**	**124**	**-17.1**
Female	**107**	**71**	**36**	**110**	**67**	**43**	**2.8**
Permanent	49	23	26	52	25	27	**6.1**
Fixed-term	58	48	10	58	42	16	**0.0**
Male	**227**	**107**	**120**	**167**	**86**	**81**	**-26.4**
Permanent	**28**	**9**	**19**	**27**	**11**	**16**	**-3.6**
Fixed-term	**199**	**98**	**101**	**140**	**75**	**65**	**-29.6**
Age group (number of people)							
<30	**1,098**	**769**	**329**	**1,055**	**696**	**359**	**-3.9**
Female	321	262	59	314	233	81	**-2.2**
Male	777	507	270	741	463	278	**-4.6**
30 to 50	**6,904**	**5,853**	**1,051**	**6,693**	**5,543**	**1,150**	**-3.1**
Female	2,473	2,109	364	2,451	2,037	414	**-0.9**
Male	4,431	3,744	687	4,242	3,506	736	**-4.3**
>50	**4,353**	**4,121**	**232**	**4,486**	**4,242**	**244**	**3.1**
Female	1,331	1,279	52	1,352	1,293	59	**1.6**
Male	3,022	2,842	180	3,134	2,949	185	**3.7**
Professional category (number of people)							
Senior personnel	**1,378**	**1,013**	**365**	**1,399**	**995**	**404**	**1.5**
Female	**672**	**514**	**158**	**681**	**508**	**173**	**1.3**
<30	49	26	23	43	18	25	**-12.2**
30 to 50	451	330	121	456	324	132	**1.1**
>50	172	158	14	182	166	16	**5.8**
Male	**706**	**499**	**207**	**718**	**487**	**231**	**1.7**
<30	39	23	16	43	27	16	**10.3**
30 to 50	429	270	159	436	259	177	**1.6**
>50	238	206	32	239	201	38	**0.4**
Middle management	**504**	**370**	**134**	**498**	**367**	**131**	**-1.2**
Female	**211**	**149**	**62**	**190**	**147**	**43**	**-10.0**
<30	0	0	0	2	0	2	
30 to 50	103	51	52	89	49	40	**-13.6**
>50	108	98	10	99	98	1	**-8.3**
Male	**293**	**221**	**72**	**308**	**220**	**88**	**5.1**
<30	4	0	4	7	0	7	**75.0**
30 to 50	132	83	49	145	83	62	**9.8**
>50	157	138	19	156	137	19	**-0.6**

G-10 G-11 EC5 LA1 LA3 LA6 LA7 LA9 LA12 LA13

Human Resources	'19			'20			CTT
Indicators	**CTT**	**CTT SA**	**Subsidiaries**	**CTT**	**CTT SA**	**Subsidiaries**	**Annual variation %**
Counter service	**2,473**	**2,397**	**76**	**2,433**	**2,340**	**93**	**-1.6**
Female	**1,714**	**1,656**	**58**	**1,670**	**1,626**	**44**	**-2.6**
<30	103	98	5	103	100	3	**0.0**
30 to 50	966	922	44	909	873	36	**-5.9**
>50	645	636	9	658	653	5	**2.0**
Male	**759**	**741**	**18**	**763**	**714**	**49**	**0.5**
<30	49	45	4	45	40	5	**-8.2**
30 to 50	296	285	11	298	263	35	**0.7**
>50	414	411	3	420	411	9	**1.4**
Delivery	**5,217**	**4,974**	**243**	**5,693**	**4,924**	**769**	**9.1**
Female	**742**	**721**	**21**	**852**	**717**	**135**	**14.8**
<30	80	80	0	102	66	36	**27.5**
30 to 50	509	489	20	568	480	88	**11.6**
>50	153	152	1	182	171	11	**19.0**
Male	**4,475**	**4,253**	**222**	**4,841**	**4,207**	**634**	**8.2**
<30	298	294	4	514	267	247	**72.5**
30 to 50	2,676	2,490	186	2,656	2,321	335	**-0.7**
>50	1,501	1,469	32	1,671	1,619	52	**11.3**
Other groups	**2,783**	**1,989**	**794**	**2,211**	**1,855**	**356**	**-20.6**
Female	**786**	**610**	**176**	**724**	**565**	**159**	**-7.9**
<30	89	58	31	64	49	15	**-28.1**
30 to 50	444	317	127	429	311	118	**-3.4**
>50	253	235	18	231	205	26	**-8.7**
Male	**1,997**	**1,379**	**618**	**1,487**	**1,290**	**197**	**-25.5**
<30	387	145	242	132	129	3	**-65.9**
30 to 50	898	616	282	707	580	127	**-21.3**
>50	712	618	94	648	581	67	**-9.0**
Leadership by gender (number of people)	**204**	**148**	**56**	**247**	**195**	**52**	**21.1**
Board of Directors	**5**	**5**	**-**	**5**	**5**	**-**	**0.0**
Female	0	0	-	0	0	-	**-**
Male	5	5	-	5	5	-	**0.0**
Leadership - 1st line	**52**	**32**	**20**	**49**	**39**	**10**	**-5.8**
Female	11	8	3	10	10	0	**-9.1**
Male	41	24	17	39	29	10	**-4.9**
Leadership - 2nd line	**147**	**111**	**36**	**193**	**151**	**42**	**31.3**
Female	69	56	13	90	74	16	**30.4**
Male	78	55	23	103	77	26	**32.1**
Diversity (number of people)							
Foreign employees a)	**138**	**63**	**75**	**165**	**80**	**85**	**19.6**
Female	26	20	6	49	31	18	**88.5**
Male	112	43	69	116	49	67	**3.6**
Employees with special needs a)	**265**	**252**	**13**	**254**	**239**	**15**	**-4.2**
Female	127	120	7	123	116	7	**-3.1**
Male	138	132	6	131	123	8	**-5.1**
Schooling level (number of people)							
University education	1,963	1,545	418	2,038	1,546	492	**3.8**
12th year	5,743	5,039	704	5,933	5,168	765	**3.3**
3rd cycle elementary education	3,339	2,959	380	3,071	2,681	390	**-8.0**
< 3rd cycle of elementary education	1,310	1,200	110	1,192	1,086	106	**-9.0**
Turnover rate	**16.9**	**16.4**	**20.2**	**16.3**	**15.4**	**21.9**	**-0.6 p.p.**
Female	**15.8**	**16.1**	**13.3**	**14.7**	**15.0**	**13.0**	**-1.1 p.p.**
<30	6.4	6.2	7.4	5.3	5.1	6.7	**-1.1 p.p.**
30 to 50	6.8	7.0	5.5	6.5	6.6	5.6	**-0.4 p.p.**
>50	2.6	2.8	0.4	2.9	3.3	0.7	**0.3 p.p.**
Male	**17.5**	**16.6**	**23.1**	**17.2**	**15.7**	**26.0**	**-0.3 p.p.**
<30	9.2	8.2	15.3	9.1	7.5	17.8	**-0.2 p.p.**
30 to 50	5.5	5.3	4.7	5.0	4.7	4.6	**-0.5 p.p.**
>50	2.8	3.1	1.1	3.1	3.4	1.4	**0.3 p.p.**

Human Resources		'19			'20			CTT
Indicators		CTT	CTT SA	Subsidiaries	CTT	CTT SA	Subsidiaries	Annual variation %
Contracting rate		**21.8**	**20.1**	**33.0**	**22.7**	**19.6**	**40.8**	**0.9 p.p.**
Female		**21.0**	**20.5**	**24.8**	**22.2**	**20.7**	**31.8**	**1.2 p.p.**
<30		9.6	9.2	12.2	9.7	9.2	12.8	**0.1 p.p.**
30 to 50		11.1	11.0	12.4	12.0	11.1	17.9	**0.9 p.p.**
>50		0.3	0.3	0.2	0.5	0.4	1.1	**0.2 p.p.**
Male		**22.2**	**19.9**	**36.4**	**22.9**	**19.1**	**45.0**	**0.7 p.p.**
<30		13.5	12.0	23.1	14.0	11.2	29.9	**0.4 p.p.**
30 to 50		8.1	7.5	12.0	8.2	7.2	13.8	**0.1 p.p.**
>50		0.6	0.5	1.3	0.8	0.7	1.3	**0.2 p.p.**
Rate of return		**100**	**100**		**100**	**100**		**0 p.p.**
Female								
Male								
Rate of retention		**99**	**99**		**91**	**91**		**-8 p.p.**
Female								
Male								
Prevention and safety	**b)**							
Total number of work accidents		**1,080**	**975**	**105**	**805**	**746**	**59**	**-25.5**
Female		284	268	16	205	200	5	**-27.8**
Male		796	707	89	600	546	54	**-24.6**
Injury rate due to work accidents	***10^(5)**	**3.8**	**3.7**	**4.9**	**3.0**	**3.1**	**2.5**	**-0.8 p.p.**
Female		2.8	2.7	3.7	2.2	2.3	0.7	**-0.6 p.p.**
Male		4.3	4.2	5.3	3.4	3.4	3.1	**-0.9 p.p.**
Rate of occupational diseases	***10^(5)**	**0.06**	**0.07**	**0.00**	**0.04**	**0.04**	**0.00**	**-0.03 p.p.**
Female		0.11	0.11	0.00	0.06	0.07	0.00	**-0.05 p.p.**
Male		0.04	0.04	0.00	0.02	0.03	0.00	**-0.02 p.p.**
Rate of days lost due to work accidents	***10^(5)**	**124.9**	**127.2**	**93.6**	**102.1**	**106.6**	**55.5**	**-22.8 p.p.**
Female		**85.6**	**84.6**	**109.9**	**83.5**	**88.8**	**13.4**	**-2.1 p.p.**
Male		**144.2**	**149.1**	**89.5**	**111.2**	**115.5**	**70.4**	**-33 p.p.**
Deaths		**1**	**1**	**0**	**0**	**0**	**0**	**-100.0**
Absenteeism (%)		**4.8**	**5.2**	**2.7**	**6.3**	**6.8**	**3.1**	**1.5 p.p.**
Training	**c)**							
Number of training hours		**236,785**	**211,457**	**25,328**	**185,564**	**163,258**	**22,306**	**-21.6**
Average training hours		**20**	**20**	**18**	**15**	**16**	**15**	**-20.8**
Female		30	30	31	23	24	22	**-22.0**
Male		14	14	13	11	11	11	**-19.9**
Average hours per category								
Senior personnel		**40**	**39**	**41**	**26**	**26**	**25**	**-35.1**
Female		41	40	42	25	26	22	**-37.7**
Male		39	38	41	26	26	28	**-32.4**
Middle management		**27**	**29**	**24**	**24**	**21**	**35**	**-12.0**
Female		31	31	33	32	24	67	**1.2**
Male		24	27	16	19	19	20	**-20.7**
Counter service		**40**	**41**	**-**	**35**	**36**	**20**	**-12.3**
Female		42	42	-	36	36	33	**-14.2**
Male		37	38	-	35	36	8.5	**-7.3**
Delivery		**7**	**7**	**7**	**9**	**9**	**6**	**33.1**
Female		7	7	7	12	12	12	**66.2**
Male		7	7	7	8	9	5	**26.2**
Other		**13**	**15**	**6**	**1**	**0**	**10**	**-90.0**
Female		15	16	9	3	0	17	**-82.1**
Male		12	15	5	1	0	5	**-94.5**
Wage ratio by gender (F/M)	**b)**	**1.08**	**1.08**	**1.18**	**1.07**	**1.07**	**1.10**	**-0.01 p.p.**
Senior personnel		**0.82**	**0.87**	**0.66**	**0.81**	**0.86**	**0.65**	**-0.01 p.p.**
Female (€)		2,042.2	2,089.2	1,859.1	2,030.2	2,079.5	1,852.5	**-0.6**
Male (€)		2,499.2	2,414.0	2,805.1	2,505.0	2,405.0	2,829.9	**0.2**
Middle management		**0.98**	**0.96**	**0.83**	**0.99**	**0.96**	**0.82**	**0.01 p.p.**
Female (€)		1,398.3	1,404.0	972.3	1,396.2	1,412.5	914.5	**-0.1**
Male (€)		1,422.1	1,463.0	1,177.2	1,412.5	1,466.9	1,113.1	**-0.7**

Human Resources			'19			'20	CTT
Indicators	CTT	CTT SA	Subsidiaries	CTT	CTT SA	Subsidiaries	Annual variation %
Counter service	**0.93**	**0.93**	**-**	**0.93**	**0.93**	**-**	**0 p.p.**
Female (€)	1,078.7	1,078.7	-	1,076.4	1,076.4	-	**-0.2**
Male (€)	1,160.7	1,160.7	-	1,163.1	1,163.1	-	**0.2**
Delivery	**0.90**	**0.89**	**1.01**	**0.90**	**0.89**	**0.96**	**0 p.p.**
Female (€)	820.8	820.4	834.8	818.0	828.4	708.6	**-0.3**
Male (€)	917.0	921.2	826.6	908.3	926.0	739.1	**-0.9**
Other	**1.02**	**0.99**	**1.07**	**0.96**	**0.97**	**0.94**	**-0.1 p.p.**
Female (€)	970.6	990.7	838.9	956.0	964.1	891.9	**-1.5**
Male (€)	955.0	1,004.5	783.1	992.7	998.2	944.9	**4.0**
Labor relations (%) b)							
Collective labor agreements	90.4	98.4	5.6	89.7	98.3	5.0	**-0.7 p.p.**
Union membership (%)	73.9	77	40.3	73.6	77.0	40.4	**-0.2 p.p.**

a) CORRE data not included *.

b) 321 Crédito*, CORRE* and CTT Express* not included.

c) 321 Crédito and CORRE not included *.

* Data pertaining to some indicators were not included as no data from 2019 are available for comparison.

G10 G11 EC5 LA1 LA3 LA6 LA7 LA9 LA12 LA13

Table 2 – Environment

Environment	'19			'20			
Indicators a)	**CTT**	**CTT SA**	**Subsidiaries**	**CTT**	**CTT SA**	**Subsidiaries**	**Annual variation %**
Energy consumption (GJ)	**381,662.4**	**344,670.4**	**36,992.0**	**360,461.9**	**328,665.7**	**31,796.2**	**-5.6%**
Total electricity consumption	**141,892.2**	**124,346.7**	**18,545.5**	**131,880.7**	**115,633.7**	**16,247.0**	**-7.7%**
Conventional electricity consumption	0.0	0.0	0.0	0.0	0.0	0.0	-
Green electricity consumption	142,892.2	124,346.7	18,545.5	131,880.7	115,633.7	16,247.0	-7.7%
Solar panel power consumption	127.2	127.2	0.0	127.2	127.2	0.0	0.0%
Thermal power consumption	6,632.2	6,632.2	0.0	5,785.0	5,785.0	0.0	-12.8%
Total fuel consumption	230,952.4	212,505.9	18,446.5	221,577.0	206,027.9	15,549.2	-4.1%
Total gas consumption	1,058.4	1,058.4	0.0	1,091.9	1,091.9	0.0	3.2%
Average fleet consumption (l/100)	**9.2**	**9.5**	**7.0**	**9.4**	**9.6**	**7.1**	**2.2%**
Less pollutant vehicles (unit)	**315.0**	**310.0**	**5.0**	**335.0**	**316.0**	**19.0**	**6.3%**
Total direct atmospheric emissions of CO_2 (*scope* 1) (tons CO_2)	**16,491.0**	**15,148.6**	**1,342.4**	**15,798.4**	**14,691.6**	**1,106.8**	**-4.2%**
Fuel consumption	16,426.4	15,084.0	1,342.4	15,731.6	14,624.8	1,106.8	-4.2%
Gas consumption	64.6	64.6	0.0	66.8	66.8	0.0	3.4%
Total indirect atmospheric emissions (*scope* 2) (tons CO_2)	**190.1**	**190.1**	**0.0**	**165.8**	**165.8**	**0.0**	**-12.8%**
Electricity consumption	0.0	0.0	0.0	0.0	0.0	0.0	-
Thermal power consumption	190.1	190.1	0.0	165.8	165.8	0.0	-12.8%
Total other indirect atmospheric emissions (*scope* 3) (tons CO_2)	**45,703.3**	**16,551.4**	**29,152.0**	**44,584.8**	**14,513.4**	**30,071.4**	**-2.4%**
Air transport	11,696.7	7,066.6	4,630.1	11,762.2	7,776.4	3,985.8	0.6%
Sea transport	56.6	4.4	52.2	105.9	14.2	91.7	87.0%
Road transport by outsourced fleet b)	25,523.8	1,621.5	23,902.3	27,320.4	1,590.6	25,729.8	7.0%
Delivery by motorcycle	2,141.3	2,141.3	0.0	2,459.2	2,459.2	0.0	14.8%
Air and rail travel on company business	7.0	7.0	0.0	0.6	0.6	0.0	-91.6%
Commuting	6,278.0	5,710.6	567.4	2,936.6	2,672.6	264.0	-53.2%
Offset CO_2 emissions (tons CO_2)	**1,041.0**	**314.4**	**726.6**	**3,346.3**	**2,701.3**	**645.0**	**221.5%**

a) CORRE and 321 Crédito data not included.
b) CORRE, Transporta and 321 Crédito data not included.

Environment	'19			'20			
Indicators a)	CTT	CTT SA	Subsidiaries	CTT	CTT SA	Subsidiaries	Annual variation %
Scopes 1+2 (tons CO_2)	**16,681.1**	**15,338.7**	**1,342.4**	**15,964.3**	**14,857.4**	**1,106.8**	**-4.3%**
Scopes 1+2+3 (tons CO_2) b)	**62,384.5**	**31,890.1**	**30,464.9**	**60,549.0**	**29,370.8**	**31,178.2**	**-2.9%**
Carbon incorporation by postal item (*scopes* 1 and 2) (g CO_2/item)	**14.1**	**24.5**	**2.4**	**16.0**	**28.3**	**2.3**	**14.0%**
Carbon incorporation by postal item (*scopes* 1, 2 e 3) b) (g CO_2/item)	**52.5**	**47.3**	**54.4**	**60.7**	**56.0**	**65.9**	**15.8%**
Carbon intensity per €1000 turnover (*scopes* 1+2) (kg CO_2/€1000)	**22.5**	**27.3**	**6.0**	**20.8**	**28.9**	**4.3**	-7.9%
Captured water by source (m^3)	**40,856.3**	**36,420.3**	**4,436.0**	**31,680.5**	**26,195.5**	**5,485.0**	**-35,0%**
Well	1,631.0	1,631.0	0.0	1,923.0	1,923.0	0.0	17.9%
Public network	38,202.3	33,766.3	4,436.0	28,775.5	23,290.5	5,485.0	-37.5%
Rainwater	1,023.0	1,023.0	0.0	982.0	982.0	0.0	-4.0%
Spillage (unit)	**4.0**	**4.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-100%**
Consumption of materials (tons)	**3,154.4**	**2,474.4**	**680.0**	**3,434.2**	**2,327.3**	**1,106.9**	**8.9%**
Paper	2,599.9	2,330.4	269.5	2,478.2	2,137.2	341.0	-4.7%
Plastic	491.6	122.7	369.0	686.7	168.6	518.1	39.7%
Metal	4.3	3.7	0.6	3.9	3.0	0.9	-8.7%
Other materials	58.7	17.7	40.9	265.4	18.5	246.9	352.3%
Waste routed to final destination	-	-	-	-	-	-	-
Total waste (tons)	1,297.3	663.6	633.6	2,433.8	1,088.9	1,345.0	87.6%
Recovery rate (unit/100)	0.9	0.8	0.9	1.0	1.0	1.0	14.8%
Environmental certification	-	-	-	-	-	-	-
ISO 14001 certified Units/Companies	Corporate + 4	Corporate	4 companies	Corporate + 3	Corporate	3 companies	-
FSC certified Units/Companies	0.0	0.0	0.0	0.0	0.0	0.0	-
Environmental investment and costs (€1000)	**2,319.0**	**2,292.6**	**26.4**	**3,444.7**	**3,397.0**	**47.7**	**48.5%**

a) CORRE and 321 Crédito data not included.
b) CORRE, Transporta and 321 Crédito data not included.

EN10
EN31
EN23
EN19
EN18
EN17
EN16
EN15
EN8
EN6
EN5
EN4
EN3
EN1

Annex IV

GRI Index

Committed to Deliver

ANNEX IV – GRI INDEX

| G32

Table of Environmental, Social and Economic performance indicators

Indicator	Description	Page(s)	SDG
Strategy and Analysis			
G-1	Chairman's Statement	9, 11	
G-2	Description of key impacts, risks, and opportunities.	43, 57, 58, 60, 92, 95	
Organizational Profile			
G-3	Report the name of the organization	15, 206	
G-4	Report the primary brands, products, and/or services	18, 33, 43, 57, 63, 66, 67, 69, 70, 71, 88, 207	
G-5	Report the location of organization's headquarters	16, 206, 387, 451	
G-6	Report the number of countries where the organization operates, and names of countries with either the organization has significant operations or that are specifically relevant to the sustainability issues covered in the report *Portugal, Spain and Mozambique*	207, 437	
G-7	Type and nature of ownership and legal form	15, 124, 206, 387	
G-8	Markets served, including geographic breakdown, sectors served, and types of customers/beneficiaries *The Organization also operates abroad in locally established companies in Spain and Mozambique. Although in both countries the provision of services is at the level of Express Mail of items and merchandise, in Spain the customers are especially classified in the area of private customers and in Mozambique there is a large proportion of public sector customers*	43, 64, 65, 71, 437	
G-9	Scale of the reporting organization, including: total number of employees; total number of operations; net sales (for private sector organizations) or net revenues (for public sector organizations); quantity of products or services provided	17, 81, 88	
G-10	Total number of employees by employment type, contract and gender	81, 429-432	SDG 8
G-11	Total number and percentage of employees covered by collective bargaining agreements	51, 82, 85, 429-432	SDG 8
G-12	Describe the organization's supply chain *The supply chain whose businesses were conducted by Procurement is composed of 92% national suppliers, or suppliers with representation in Portugal, and 8% foreign suppliers. The group of suppliers with the highest percentage of contracted value is that of IT/Communications (51%), followed by Facilities and Buildings (13%), Transport (11%), and Saleable Materials, Sales Support and Consumables (10%). These values were calculated based on supply agreements signed in 2020; renewals were not taken into account renewals*	437	
G-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	15	
G-14	Report whether and how the precautionary approach or principle is addressed by the organization	57, 58	
G-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	52, 90	
G-16	Membership in sector associations (such as industry associations) and/or national or international advocacy organizations in which the organization: holds a position in the governance body; participates in projects or committees; provides substantive funding beyond routine membership fees; views membership as strategic.	52, 54	
Identified Material Aspects and Boundaries			
G-17	Operational structure of the organization, affiliates and joint ventures, included or not in the report	15, 43, 131, 132	
G-18	Process for defining the report content and aspect boundaries	15	

Indicator	Description	Page(s)	SDG
G-19	List all the material aspects identified in the process for defining report content	47	
G-20	For each material aspect, report the aspect boundary within the organization	15, 47	
G-21	For each material aspect, report the aspect boundary outside the organization	47	
G-22	Effect of any restatements of information provided in previous reports resulting from mergers, acquisitions, measurement methods or other motives, and the reasons for such restatements	15	
G-23	Significant changes from previous reporting periods in the scope and aspect boundaries	15	
Stakeholder Engagement			
G-24	List of stakeholder groups engaged by the organization	49	
G-25	Basis for identification and selection of stakeholders with whom to engage	46	
G-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	48, 49, 58, 59, 66, 68, 85, 92, 383	
G-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	48, 49, 58, 59, 66, 85, 88, 92, 383	
Report Profile			
G-28	Reporting period (such as fiscal or calendar year) for the information provided	15	
G-29	Date of the most recent previous report (if any)	15	
G-30	Reporting cycle (such as annual, biennial)	15	
G-31	Provide the contact point for questions regarding the report or its contents	16, 156, 387, 451	
G-32	GRI indicators	15, 435	
G-33	Policy and current practice with regard to seeking external assurance for the report Involvement of senior management	15	
Governance			
G-34	Governance structure of the organization, including its commissions or committees Identify any commissions or committees responsible for decision-making on economic, environmental and social impacts	125, 129, 132	
G-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	54, 132	
G-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether position holders report directly to the highest governance body	132	
G-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, indicate the structure, body or persons involved and any feedback processes to the highest governance body	48, 49	
G-38	Composition of the highest governance body and its committees by executive or non-executive position, independence and gender. Governance tenure, responsibilities, commitments and competences of each individual relating to economic, environmental and social impacts	124	
G-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement)	126, 130, 131, 138	SDG 16
G-40	Nomination and selection processes for the highest governance body members and committees, including considerations on diversity, independence, experience and other topics	124, 127, 128, 143, 391	SDG 5 SDG 16
G-41	Processes used to avoid conflicts of interest and whether conflicts of interest are disclosed to the stakeholders	136,182	SDG 16
G-42	Report the highest governance body's and senior executives' roles in the development, approval and updating of the organization's purpose, values, vision and mission statements, and definition of strategies, policies and goals related to economic, environmental and social impacts	130, 181	
G-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	153	SDG 4
G-44	Governance structure of the organization, including its commissions or committees Identify any commissions or committees responsible for decision-making on economic, environmental and social impacts	138, 186	

Indicator	Description	Page(s)	SDG
G-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Includes the highest governance body's role in the implementation of due diligence processes. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities	56, 153, 182	SDG 16
G-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	56, 94, 189	
G-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	54, 55, 56, 95, 153	
G-48	Report the highest body or position that formally reviews and approves the organization's sustainability report and ensures that all material aspects are covered	9	
G-49	Process adopted for communicating critical concerns to the highest governance body	153	
G-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	49, 383	
Remuneration and Incentives			
G-51	Remuneration policies for the highest governance body and senior executives	135, 157, 159, 170	
G-52	Process adopted for determining remuneration	82, 135, 157, 159, 170	
G-53	How stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	82, 162, 182	SDG 16
G-54	Ratio of the total annual remuneration the organization's highest-paid individual in each country where the organization has significant operations to the mean total annual remuneration of all employees (excluding the highest-paid individual) in the same country *Ratio of 22.4*	439	
G-55	Ratio of the percent increase in the total annual remuneration of the organization's highest-paid individual in each country where the organization has significant operations to the mean percent increase in the total annual remuneration of all employees (excluding the highest-paid individual) in the same country *0*	439	
Ethics and Integrity			
G-56	Values, principles, standards and norms of behavior, such as codes of conduct and codes of ethics	52, 135	SDG 16
G-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines (e.g. ombudsman)	52, 53, 135	SDG 16
G-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	52, 135, 181	SDG 16
Economic performance (consolidated data)			
	Management approach, targets, performance, policies and framework	22-25, 43-47, 52-60, 83-85, 88-89	
EC1	Direct economic value generated and distributed	63, 67, 70, 75, 81, 89, 197, 261, 335, 336	SDG 8
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	59, 60, 94	SDG 13
EC3	Coverage of the organization's defined benefit plan obligations	86, 230, 306	
EC4	Financial assistance received from the Government	439	

	CTT Group
Tax benefits	*414,000*
Tax credits	*230,328*

Indicator	Description	Page(s)	SDG
Market Presence			
EC5	Ratios of standard entry level wage by gender compared to the local minimum wages at significant business premises *The lowest salary paid by CTT was 635 euros for men and 635 euros for women, corresponding to ratios of 1.0 and 1.0, respectively, in relation to the national minimum wage (635 euros).* *Note: CORRE and CTT Express data not included.* Percentage of employees earning the national minimum wage, irrespective of the type of employment contract *10.2%. It should be noted that variable remuneration should be added to this value (meal subsidies, operational bonuses and bonuses associated with the activity [delivery]).*	429-432, 440	SDG 1
EC6	Percentage of senior managers at significant business premises hired from the local community *Managers are primarily hired according to their skills. However, CTT recruits managers across the entire country, owing to the wide service coverage offered, thus generating employment opportunities in the entire Portuguese territory, i.e. both in rural and urban areas.*	440	
Indirect Economic Impacts			
EC7	Development and impact of investment in infrastructures and services provided	19, 43, 57, 58, 59, 65, 69, 70, 71, 88	
EC8	Significant indirect economic impacts, including the extent of impacts	19, 43, 58, 64, 69, 91	
Procurement Practices			
EC9	Proportion of spending on local suppliers at significant business premises *Negotiation and Procurement is managed in a centralized form, with all the company's contracting needs being consolidated regardless of the origin of the need and location of the provision of the service or supply. Location criteria are not used for purposes of selection of suppliers, unless this proves necessary from the operational point of view, which is justified by equal opportunity practices arising not only from the company's own choice but, in certain circumstances, from the rules of public procurement. However, as CTT is a company with a presence throughout the entire Portuguese territory, many contracted services have a relevant impact on the local economy, since they are provided by local companies (e.g., cleaning services, fuel, maintenance).*	440	SDG 12
Labor			
	Management approach, targets, performance, policies and framework	22-25, 52-60, 81-88, 429-432	
LA1	Total number and rates of new employee hiring and employee turnover by age group, gender and region Number of individuals whose employment contract was terminated, by gender *A total of 29 individuals, including 19 men, terminated their employment contract in 2020.*	81, 429-432, 440	SDG 5 SDG 8
LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant business premises	85	SDG 8
LA3	Return to work and retention rates after parental leave, by gender	82, 429-432	SDG 5 SDG 8
Labor Relations			
LA4	Minimum prior notice in relation to operational changes, including if this procedure is specified in collective agreements *Notice to enforce operational changes is given 30 days in advance. There are other notice periods according to the situation in question, all described in the Company Agreement.*	440	

Indicator	Description	Page(s)	SDG
Hygiene and Safety			
LA5	Percentage of the total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs *The prior requirements for the establishment of occupational health and safety committees have been fulfilled. However, these committees are not yet operational as no employee representatives have yet been elected. Elections are expected to be organized at the workplaces by the ERCT.* *Every six months, the company asks its employees to complete a questionnaire about occupational health and safety at their workplaces*	441	
LA6	Type and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and gender	19, 45, 82, 86, 429-432	SDG 3
LA7	Employees with high incidence or high risk of disease related to their occupation *A total of 7 occupational diseases were reported (including 4 women). No data are available for Corre, CTT Express Espanha and ex-321 Crédito*	429-432, 441	SDG 3
LA8	Health and safety topics covered in formal agreements with trade unions *No others are known apart from those foreseen in the regulation of social work - ROS and in the Company Agreement. The new ROS of CTT maintains a high level of protection, with greater balance in the division of costs between the Company and the beneficiaries, and promoting a more rational use of the benefits*	82, 441	SDG 8
Training			
LA9	Average hours of training per year per employee, by gender and employee category	83, 429-432	SDG 4 SDG 5
LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings *54,669 hours of training were conducted, involving the participation of 20,003 employees, in 9 thematic areas for the improvement of skills.*	83, 441	SDG 4 SDG 8
LA11	Percentage of employees receiving regular performance and career development reviews, by gender and employee category	83	SDG 5
Diversity and Equal Opportunities			
LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group and other indicators of diversity	18, 87, 122, 125, 128, 429-432	SDG 5 SDG 8
Equal Remuneration for Women and Men			
LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant business premises	82, 429-432	SDG 5 SDG 8 SDG 10
Assessment of Supplier Labor Practices			
LA14	Percentage of new suppliers that were screened based on labor practices criteria *All 4 new suppliers of CTT, SA (100%), as entered into the system, were selected based on criteria associated with labor practices*	441	SDG 8 SDG 16
LA15	Significant actual and potential negative impacts on labor practices associated with the supply chain and measures adopted *CTT is strongly committed to ensuring strict compliance with labor regulations by its suppliers. No negative impacts were observed*	441	
Labor Practices Grievance Mechanisms			
LA16	Number of grievances about labor practices filed, addressed and resolved through formal grievance mechanisms	54, 93	SDG 16
Human Rights			
HR1	Total hours of training on human rights policies and procedures relative to aspects of human rights that are relevant to operations, including the percentage of employees trained *6% of employees received 2,817 hours of training on human rights policies*	441	SDG 4
HR2	Total hours of training on human rights policies and procedures relative to aspects of human rights that are relevant to operations, including the percentage of employees trained *7% of employees received 2,817 hours of training on human rights policies*	441	SDG 4
Non-discrimination			
HR3	Total number of incidents of discrimination and corrective actions taken *No cases of discrimination occurred*	87, 441	

Indicator	Description	Page(s)	SDG
Freedom of Association and Collective Bargaining			
HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights *There is no risk. This is consigned in the Portuguese Constitution and in the Company Agreement*	442	SDG 10
Child Labor			
HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor *Based on the Company Agreement, there are no impediments to the free exercise of the right to freedom of association or to collective bargaining. Supply agreement negotiations include the signing of a declaration of principles by suppliers whereby they state their commitment towards social responsibility, as expressed in clause "Observes all principles and procedures concerning the right to freedom of association, forced labor, child labor and equality defined in ILO's (International Labor Organization) Fundamental Conventions", amongst others*	87, 442	SDG 16
Forced Labor			
HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor *All forms of child labor are prohibited by CTT. See HR5*	87, 442	SDG 16
Security Practices			
HR7	Percentage of security personnel trained in the organization's Human Rights policies or procedures that are relevant to operations *The majority of the security personnel is external to the Company, but with assured training and compliance with requirements associated to human rights aspects*	442	
Indigenous Rights			
HR8	Total number of incidents of violations involving the rights of indigenous peoples and measures adopted *Not applicable*	442	
Assessment			
HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessment *0%. See HR 5.*	442	
Supplier Human Rights Assessment			
HR10	Percentage of new suppliers that were screened using human rights criteria *100% of new suppliers were screened using human rights criteria*	442	SDG 16
HR11	Significant actual and potential negative impacts on human rights in the supply chain and measures adopted *There is no plan of audits to suppliers in order to specifically assess compliance with this point. However, as noted above, the award of products and services is formally subordinated to compliance with the principles and procedures relative to human rights defined in the Universal Declaration of Human Rights. Any breach in this matter, whether due to indirect knowledge or observance during the monitoring visits made by the procurement team, shall be acted upon immediately and may constitute fair grounds for contractual rescission*	442	SDG 12
Human Rights Grievance Mechanisms			
HR12	Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms *None recorded*	442	
Society			
Local Communities			
SO1	Percentage of business premises with implemented local community engagement, impact assessment, and development programs	64, 89	
SO2	Operations with significant actual and potential negative impacts on local communities	60, 64, 89, 90, 94	
Anti-corruption			
SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks detected	53, 56, 84	

Indicator	Description	Page(s)	SDG
SO4	Communication and training on anti-corruption policies and procedures *11% of the employees (1,469) received information and 9% (1,211) received training on anti-corruption policies and procedures* *During the procurement process, they inform the suppliers of the Code of Ethics and Responsible Procurement Policy. We consider that the business partners that know this are those that sign the statement which mentions these two documents of CTT. Of the 124 suppliers to which we awarded purchases, 119 signed the statement, i.e. 96%.*	45, 52, 53, 443	SDG 4 SDG 16
SO5	Confirmed cases of corruption and measures adopted *No cases of corruption occurred*	53, 443	SDG 16
Public Policy			
SO6	Total value of political contributions by country and recipient/beneficiary *No contributions were made*	443	
Anti-competitive Behavior			
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	54	SDG 16
Compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	54	
Supplier Assessment for Impacts on Society			
SO9	Percentage of new suppliers that were screened using criteria for impacts on society *100% of the new suppliers were selected in accordance with these criteria*	443	
SO10	Significant actual and potential negative impacts of the supply chain on society and measures adopted *No significant, real or potential negative impacts on society were detected in the supply chain. However, 123 suppliers (with which 264 significant supply agreements are signed) were assessed for impacts on society*	64, 443	
Impacts on Society Grievance Mechanisms			
SO11	Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms *None recorded*	94, 443	
Products and Services			
Customer Health and Safety			
PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement *The appraisal and selection of retail products for sale at CTT post offices is based on criteria such as the recognition of the partner, its environmental practices and product certification, in order to assure compliance with the legislated health and safety rules relative to merchandising products, especially those intended for use by children, as is the case of toys*	443	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes *No cases were recorded of non-compliance relative to health and safety caused by products or services*	443	SDG 16
Product and Service Labelling			
PR3	Type of product and service information required by the organization's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements *This year, 18 buildings were recorded in the integrated registration system of the Portuguese Environment Agency (APA) and CTT now participates in the Sociedade Ponto Verde integrated system for management of non-reusable packaging waste placed by CTT on the market*	91, 443	SDG 12
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes *CTT recorded 44,461 incidents and 6,197 cases of non-compliance.*	93, 443	
PR5	Results of surveys measuring customer satisfaction	19, 92, 93	

Indicator	Description	Page(s)	SDG
Marketing Communications			
PR6	Sale of banned or disputed products *CTT does not sell this type of products*	444	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes *No cases of non-compliance were detected*	444	
Customer Privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data *With respect to mail, lost items, delays and occasional anomalies in delivery constitute the main causes of customer complaints. No complaints were received that might be associated with breach of customer privacy, namely the unlawful interception of letter mail*	444	SDG 16
Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	54	
Environment			
Consumption of materials			
	Management approach, targets, performance, policies and framework	22-25, 55-60, 94-95, 101-104, 106-108, 433-434	
EN1	Materials used by weight or volume	433-434	
EN2	Percentage of materials used that are recycled input materials	105	SDG 15
Energy			
EN3	Energy consumption within the organization	19, 95, 96, 99, 433-434	SGD 7 SDG 12
EN4	Energy consumption outside the organization *Value calculated based on invoices issued to CTT pertaining to energy consumption, subcontracted transport activities and emission factors from reference sources*	96, 99, 103, 433-434, 444	
EN5	Energy intensity	96, 433-434	SDG 7 SDG 12
EN6	Reduction of energy consumption	95, 96, 97, 98, 99, 100, 103, 433-434	SGD 7 SDG 9 SDG 12 SDG 13
EN7	Reductions in energy requirements of products and services	19, 65, 68, 97, 98, 100, 101	SGD 7 SDG 9 SDG 12 SDG 13
Water			
EN8	Total water withdrawal by source	104, 433-434	SDG 6
EN9	Water sources significantly affected by withdrawal of water *In view of the nature of the company's productive processes, the consumption of water by CTT is fairly low, in relative terms. Water is essentially used for human consumption, cleaning and irrigation of green areas*	444	SDG 6
EN10	Percentage and total volume of water recycled and reused	433-434	SDG 6
Biodiversity			
EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas *All CTT premises are located in urban and/or industrial areas. Regarding land use, the impact on biodiversity is associated with the size and location of CTT's facilities, situated in urban and industrial areas. No evidence exists to suggest that CTT develops activities or operates facilities inside protected zones or areas with a high biodiversity index*	444	SDG 15

Indicator	Description	Page(s)	SDG
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas *CTT is involved in partnerships/projects with public and private entities acting in favour of biodiversity and promotes in-house and public awareness-raising actions on the topic*	106, 445	SDG 15
EN13	Habitats protected or restored	106	SDG 13 SDG 15
EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by extinction risk level *Not applicable*	445	
Emissions			
EN15	Direct greenhouse gas (GHG) emissions (scope 1)	19, 100, 101, 433-434	SDG 12 SDG 13
EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	19, 101, 102, 433-434	SDG 12 SDG 13
EN17	Energy indirect greenhouse gas (GHG) emissions (scope 3)	101, 102, 433-434	
EN18	Greenhouse gas (GHG) emissions intensity	103, 433-434	
EN19	Reduction of greenhouse gas (GHG) emissions	45, 65, 68, 99, 100, 101, 102, 433-434	SDG 11 SDG 13
EN20	Emissions of ozone-depleting substances (ODS) *There were no emissions of this type*	445	SDG 13
EN21	NO_x, SO_x and other significant air emissions	102	
Effluents and Waste			
EN22	Total water discharge by quality and destination *Discharged into a municipal collector only at one facility of the Central region*	445	SDG 6
EN23	Total weight of waste by type and disposal method	433-434	SDG 12
EN24	Total number and volume of significant spills *No occurrences recorded*	445	
EN25	Weight of transported, imported, exported or treated waste, deemed hazardous under the terms of the Basel Convention *Not applicable*	445	
EN26	Identity, size, protected status and value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff *Not applicable*	445	
Products and Services (environmental impacts)			
EN27	Extent of impact mitigation of environmental impacts of products and services *Eco-friendly consumption measures have focused not only on reducing the environmental impact associated with the use of resources but also on the selection of suppliers through the inclusion of environmental criteria in tender procedures*	19, 45, 65, 68, 105, 106, 445	SDG 11 SDG 12 SDG 17
EN28	Percentage of products sold and their packaging materials that are reclaimed, by product category	106	
Legal and Regulatory Compliance			
EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations *CTT was not the object of any legal actions in the context of unfair competition and anti-trust conduct with application of significant fines or non-monetary penalties, derived from non-compliance with environmental or corporate laws and regulations*	54, 445	SDG 16
Transport			
EN30	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce *Although external noise is considered an issue of low relevance, noise emissions are monitored periodically in accordance with the regulations in force on this matter, with the results obtained being within the applicable legal parameters*	60, 94, 445	

Indicator	Description	Page(s)	SDG
General			
EN31	Total environmental protection expenditures and investments by type	96, 108, 433-434	SDG 7 SDG 9 SDG 11 SDG 12 SDG 13
Supplier Environmental Assessment			
EN32	Percentage of new suppliers that were screened using environmental criteria *Environmental criteria were used in 98.5% of pre-contractual procedures, and the agreements signed including environmental criteria represented 99.8% of the total*	19, 446	SDG 8 SDG 12 SDG 13 SDG 17
EN33	Significant actual and potential negative environmental impacts in the supply chain and measures adopted *CTT has a Policy of Responsible Procurement, aimed at promoting the improvement of the environmental and social aspects of the value chain, through the involvement and accountability of its suppliers. This Policy includes the following features: the Policy is publicly available at www.ctt.pt; it covers the fields of Health, Safety, Environment, Working Conditions, Ethics and Business Continuity; it is integrated in the tender documents; it includes a rescission clause due to non-compliance; it is applicable to all suppliers.*	446	SDG 6 SDG 8 SDG 9 SDG 11 SDG 13 SDG 15 SDG 17
Environmental Grievance Mechanisms			
EN34	Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms *No complaints were detected in this context*	446	

(Source: GRI 4 (2013) "Sustainability Reporting Guidelines")

Annex V

Non-financial information

Committed to Deliver

ANNEX V – NON-FINANCIAL INFORMATION

PART I - INFORMATION ON THE POLICIES ADOPTED

GRI INDICATORS SEE ANNEX IV

A - INTRODUCTION

1. Description of the Company's general policy regarding sustainability issues, including any eventual alterations to the previously approved policy. — G13, G2, G24, G25, G18, G22,
2. Description of the methodology and reasons for its adoption in non-financial information reporting, as well as any alterations in respect to previous years and the corresponding reasons. — G23, G27, G26

B - CORPORATE MODEL

General description of the business model and organization form of the Company/Group, indicating the main business areas and markets in which it operates (if possible, using organizational charts, graphs or functional tables). — G4, G8, G17

C – MAIN RISK FACTORS

1. Identification of the main risks associated with report topics, resulting from the Company's activities, products, services or trade relations, including supply chains and subcontracting, if applicable and whenever possible. — SO3
2. Indication of how these risks are identified and managed by the Company.
3. Description of the internal allocation of competences, including corporate bodies, commissions, committees and departments responsible for risk identification and management/monitoring. — G45, G46, G34
4. Express indication of all new risks identified by the Company, compared with previous years, and of risks that no longer exist. — EC2,
5. Indication and brief description of the main opportunities identified by the Company within the scope of the reported topics. — G47

D – POLICIES IMPLEMENTED

Description of the Company's policies regarding: i. the environment; ii. social issues; iii. the employees, gender equality and non-discrimination; iv. human rights; and v. fight against corruption and attempted bribery, including due diligence, as well as the results of their adoption, including the associated key non-financial indicators and the respective comparison with the previous year. — G26, SO4, G32. See management approach and economic, social and environmental performance (Annex IV)

I. - ENVIRONMENTAL POLICIES

1. Description of the Company's strategic goals and main actions to be undertaken such as to ensure their achievement.
2. Description of the key performance indicators defined. — See EN indicators (*Environment*) in Annex IV
3. Indication, compared with the previous year, of the degree of achievement of the goals set, regarding the following aspects:
   i. **Sustainable use of resources:** consumption of water, other raw materials and energy; measures adopted to improve resource use efficiency; measures adopted in order to increase energy efficiency and promote the use of renewable energy.
   ii. **Pollution and climate change:** Indication of the following: greenhouse gas emissions; emission of pollutants; penalties incurred; and measures adopted to prevent, reduce or mitigate the effects of the aforementioned emissions.
   iii. **Circular economy and waste management:** prevention measures, recycling, reuse or other ways to transform or eliminate waste.
   iv. **Biodiversity protection:** impact of activities or operations on protected areas and measures adopted in order to protect or restore biodiversity.

II – SOCIAL AND TAX POLICIES

1. Description of the Company's strategic goals and main actions to be undertaken such as to ensure their achievement. — G32
2. Description of the key performance indicators defined. — See LA, PR, SO indicators in Annex IV
3. Indication, compared with the previous year, of the degree of achievement of the goals set, regarding the following aspects:
   i. **Company commitment to the community:** impact of the Company's activities on local employment and development; impact of the Company's activities on local populations and the territory; relationships and communication with community representatives; partnerships or sponsorships. — SO2

ii. **<u>Subcontracting and suppliers</u>:** inclusion of social, gender equality and environmental issues in the procurement policy; consideration of social responsibility, environmental responsibility and governance issues in relations with suppliers and subcontractors; control and audit systems and the respective results. Whenever possible, include a reference to the fact that the policies adopted by the Company's suppliers are aligned with those established by the Company.	EC9
iii. **<u>Consumers</u>:** measures aimed at ensuring consumer health and safety; complaint reception systems and complaints processing and resolution, namely the number of complaints received and the number of pending complaints, as well as the number of cases decided in favour of the complainant, satisfaction surveys and indication of the person responsible for complaints.	PR1, PR4
iv. **<u>Responsible investment</u>**: if applicable, information on the responsible investment the Company sought to attract, including the issuing/acquisition of *green bonds* or SDG-*linked bonds.*	EN31
v. **<u>Stakeholders</u>**: information pertaining to eventual stakeholder consultation processes.	G26, G37
vi. **<u>Tax information</u>:** information on measures or actions with a fiscal impact, including eventual subsidies or any type of subvention or other capital advantage granted by the State.	EC1
III – EMPLOYEES, GENDER EQUALITY AND NON-DISCRIMINATION	
1. Description of the Company's strategic goals and main actions to be undertaken such as to ensure their achievement.	
2. Description of the key performance indicators defined.	
3. Indication, compared with the previous year, of the degree of achievement of the goals set, regarding the following aspects:	
i. **<u>Employment</u>:** total number and distribution of employees by gender, age group, country of origin and professional category; distribution of types of contract (e.g. employment contract, service providers, temporary employees, etc.), by gender and age group; average contract duration; percentage of the workforce receiving the Portuguese minimum wage, irrespective of type of contract; remuneration of equal positions and middle management at the company, by gender; average remuneration of directors and managers, including variable remuneration, subsidies, compensation, long-term saving plans and any other payments, by gender; number of employees with disabilities (including a description of how the Company is ensuring or preparing itself to ensure compliance with Law no. 4/2019, of 10 January, concerning disability employment quotas).	G10, LA12 EC5 LA13 Commitment to Inclusion Protocol signed in 2019. Participation in the Inclusive Talks partnership - Companies committed to Inclusion.
ii. **<u>Work organization</u>:** organization of working hours, including measures aimed at separating work from personal life.	
iii. **<u>Health and safety</u>:** occupational health and safety and number of work-related accidents.	LA6
iv. **<u>Social relationships</u>:** organization of social dialogue, including employee information and negotiation procedures, namely the number of interactions with trade unions and/or employee committees, if applicable; new agreements entered into or existing agreements reviewed; number of legal actions brought to Court and complaints to the Labor Authority; percentage of total employees covered by collective bargaining agreements, by country; evaluation of collective bargaining agreements, namely regarding occupation health and safety.	LA5 LA16
v. **<u>Training</u>:** training policies adopted and type of training (e.g. if the Company provides its employees with training on company performance evaluation, non-financial topics (e.g. privacy protection/GDPR, anti-money laundering, Human Rights in the value chain, etc.); the ratio between training hours and the number of employees.	LA9, LA10 PR8, HR10
vi. **<u>Equality</u>:** measures/policies adopted to promote equal treatment and opportunities between genders; equality plans; number of employment contracts terminated, by gender; protocols against sexual and gender-based harassment; integration and universal accessibility policies for persons with disabilities; policies against all types of discrimination; and, if applicable, diversity management.	HR2 LA1, G57 Diversity and Inclusion Policy
IV – HUMAN RIGHTS	
1. Description of the Company's strategic goals and main actions to be undertaken such as to ensure their achievement.	See HR indicators in Annex IV
2. Description of the key performance indicators defined.	
3. Indication, compared with the previous year, of the degree of achievement of the goals set, regarding the following aspects:	
i. **<u>Due diligence procedures</u>** followed in connection with human rights, particularly regarding contracting of suppliers and service providers.	HR1
ii. **<u>Measures aimed at preventing the risk</u>** of violation of human rights and, if applicable, measures aimed at corrective eventual violations; elimination of employment discrimination (in cases not mentioned above); elimination of forced and/or compulsory labor; effective abolition of child labor.	HR10, HR5 HR11 SO8, SO11
~~iii.~~ **<u>Legal actions</u>** resulting from violation of human rights.	

V – FIGHT AGAINST CORRUPTION AND ATTEMPTED BRIBERY	G57, SO3, SO4
1. **Fight against corruption:** measures and instruments adopted to fight corruption and bribery; policies implemented to dissuade employees and suppliers from engaging in such practices; information on the *compliance system*, including responsible persons, if applicable; eventual legal actions related to corruption or bribery involving the Company, its directors or employees; measures adopted in connection with public procurement, if relevant.	SO7 SO5
2. **Prevention of money laundering (for issuers subject to this regime):** anti-money laundering measures; indication of the number of cases reported annually.	G57
3. **Codes of ethics:** indication of an eventual code of ethic that the Company has adopted or implemented; indication of the respective implementation mechanisms and monitoring of compliance therewith, if applicable.	G56
4. **Management of conflicts of interest:** measures aimed at managing and monitoring conflicts of interest, namely the requirement for submission of declarations of interests, incompatibilities and impediments by management and employees.	G58, G41

PART II – INFORMATION ON THE STANDARDS / GUIDELINES FOLLOWED

1. IDENTIFICATION OF THE STANDARDS/GUIDELINES FOLLOWED FOR REPORTING NON-FINANCIAL INFORMATION	
Identification of the standards/guidelines followed for reporting non-financial information, including the respective options, as well as any other principles followed by the Company, if applicable.	G33
Should the Company refer to the Sustainable Development Goals (SDG) set by the United Nations as part of the 2030 Agenda for Sustainable Development, the goals that the Company will seek to achieve should be included, as well as the measures adopted each year in order to fulfil the targets set for each SDG. In other words, the actions, projects or investments specifically defined for the purpose of achieving the SDGs in question should be identified.	See 2.3 "Sustainable Development Goals"
2. IDENTIFICATION OF THE SCOPE AND METHODOLOGY USED IN THE CALCULATION OF INDICATORS	
Description of the calculation scope and methodology (including the calculation formula) for all indicators defined, as well as reporting limitations. Whenever possible, a table should be produced including the indicators defined and the corresponding principles or goals, referring to detailed information on each indicator (e.g. the respective page(s) of the non-financial information report, the annual report, any other document(s) and/or the Company's website).	The principles and calculations adopted comply with GRI4 Guidelines for reporting sustainability information, as verified by independent entity KPMG & Associados, on a COMPREHENSIVE level.
3. JUSTIFICATION WHEN NO POLICIES ARE ADOPTED	
Should the Company decide not to adopt any policies regarding one or more items, an adequate justification should be included in the non-financial information report.	
4. OTHER INFORMATION	
Additional elements or information not included in the previous points, deemed relevant for the understanding, contextualization and justification of the importance of all non-financial information reported, namely concerning sustainability issues and responsibilities of the national or international organizations of which CTT is a member/part, as well as local or global sustainability commitments voluntarily undertaken by the Company.	

CONTACTS

G31

G5

REGISTERED OFFICE
Avenida D. João II, no. 13
1999-001 Lisbon
PORTUGAL
Telephone: +351 210 471 836
Fax: +351 210 471 994

Customers:
CTT Line 210 471 616
Workdays from 8h30 to 19h30

Market Relations Representative
Guy Pacheco

Investor Relations Department
Peter Tsvetkov
Email: investors@ctt.pt
Telephone: +351 210 471 087
Fax: +351 210 471 996

Media
Communication and Sustainability
Media Advisory
Cátia Cruz Simões
Email: gabinete.imprensa@ctt.pt
Telephone: +351 210 471 800

Website address
www.ctt.pt

ctt