

SUSTAINABILITY REPORT

| 2014



ECONOMIA
SOCIEDAD
AMBIENTE

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REPORT SCOPE AND BOUNDARY

CTT has published Sustainability Reports annually since 2005. Initially only covering the parent company (the current CTT SA), the Reports have progressively included information on the different subsidiaries, in view of their significant contribution to the overall social and environmental performance. Thus, since 2011, some subsidiaries are integrated in the perimeter of verification, conducted by an external and independent entity. In this integration perspective, the present report discloses the data relative to the financial year ended on 31 December 2014, presenting, whenever available, aggregate information on CTT SA and all its subsidiaries (referred to, as a whole, as CTT).

There has been a change in the reporting scope since the share capital of EAD, held by CTT, was sold in 2014. Therefore, in order to enable comparison with the data of the preceding year, the data recorded in relation to this subsidiary for 2013 has been removed. Furthermore, CTT Expresso

acquired CTT's stake in Tourline and Mailtec was involved in a process of merger by incorporation into CTT, in December. However, these last alterations have not changed the reporting scope.

CTT's privatisation process was completed on 5 September, with the sale of the 31.5% stake that the Portuguese State still held, consequently implying that the entirety of CTT's share capital is now held by shareholders of the private sector. At the General Meeting of 24 March 2014, the current members of the governing bodies were elected for the three-year period 2014-2016. The new Board of Directors is composed of eleven Directors, executive and non-executive. The company has been listed on the stock exchange since 2013, currently with 100% of the capital in free float. The report reflects the incidence of the aforesaid alterations on the relevant matters, in particular on those relative to shareholder stakeholders.

UNDERTAKING

This is the tenth annual Sustainability Report of CTT - Correios de Portugal, S.A. (Public Company). The reported data is based on CTT's information systems, the accounting principles accepted in Portugal, the legislation on labour law and the protocols indicating performance for the calculation of the GRI indicators. This document is published autonomously from the Annual Report 2014. However, it should be read together with the aforesaid report, including its Part III which contains information on Corporate Governance, as well as consultation of CTT's website (www.ctt.pt).

Its structure and contents follow the Global Reporting Initiative (GRI) as a reference for the preparation of Sustainability Reports, as stated in version 3.1 and respective protocols for the indication of indicators. The report has been verified externally and independently by KPMG, pursuant to the principles defined by ISAE 3000 and the GRI Guidelines with respect to the credibility and reliability of its contents. The conducted work leads to self-declaration of compliance with level A+.

With regards to its materiality, the report incorporates input obtained from a stakeholder survey conducted in compliance with the guidelines of the AA1000SES Standard, whereby the Company's critical stakeholders were identified as well as the issues deemed to be of relevance to them.

The essential principles for the definition of the contents of this Report were transparency, relevance, coverage and completeness, in order to provide a convenient and objective presentation to the stakeholders who will use this document. This document shall be available online at www.ctt.pt and possibly in other formats. In order to access the GRI Table with the location of each indicator, see [HERE](#). We are interested in receiving comments or suggestions, which can be sent to the following address: sustentabilidade@ctt.pt.

		C	C+	B	B+	A	A+
MANDATORY	SELF		WITH EXTERNAL VERIFICATION		WITH EXTERNAL VERIFICATION		✓
	EXAMINED BY THIRD PARTIES						✓
OPTIONAL	EXAMINED FOLLOWING GRI		WITH EXTERNAL VERIFICATION		WITH EXTERNAL VERIFICATION		WITH EXTERNAL VERIFICATION



Francisco de Lacerda
Chairman and CEO of CTT

Chairman's statement

During the third quarter of 2014, CTT became an entirely private company and the only one in Portugal listed with 100% free float. This process led to the consolidation of the new dual corporate governance model, including the appointment of non-executive Directors and the introduction of new reporting practices. On matters of governance, CTT also updated the Code of Ethics and changed the composition of the Ethics Committee.

In spite of the downward trend of mail volumes, we managed to increase operating income by 1.8%, revealing our strong focus on the consistency of the services provided to customers and on business innovation. Particular note should be made of the performance of the financial services, which strengthened their capacity to create value, increasing revenue by 70 million euros. Quality of Service recorded the usual levels of excellence, 236.5 points, compared to an objective of 100 points agreed with the Regulator, decisively influencing the customers' perception, 85% of whom consider themselves satisfied or very satisfied.

The stakeholder employees benefited from 18% more hours of training than in the preceding year and experienced new practices of remuneration associated to merit. Imperatives concerning financial balance led to the employees increasing their contribution to the personal and family health plan by 50%. There were 955 occupational accidents (one of which fatal, of third party liability, which we are saddened to report), an increase of 5% relative to the preceding year, albeit with a 9% reduction of the number of days lost. Total absenteeism also decreased by 0.4 points. In order to encourage the participation of the employees and their families in community activities, we organised 11 social and environmental voluntary actions and launched a large number of initiatives and competitions with invitations for performances, including, among other challenges, the "Bike to Work Day".

We attributed 500 thousand euros of support to social and environmental intervention initiatives, organising programmes to collect articles and distributed over

31 thousand solidarity parcels to 83 Welfare Organisations, through our Project to Combat Poverty. We joined the EPIS (Business People for Social Inclusion) project, where students showing underachievement at school are supported by CTT voluntary mentors throughout three calendar years, in personal and academic areas.

At an environmental level, we have been declared the worldwide postal operator with the largest carbon footprint reduction in the last five years, -51%, as a result of the successful implementation of energy streamlining programmes. We have endorsed the United Nations Caring for Climate initiative, a commitment under-signed by the 370 worldwide leading companies on matters of climate change. We participated in the principal carbon ranking at a worldwide level, the Carbon Disclosure Project and, at a sector level, we were the benchmark in the Disclosure and Reporting of carbon proficiency. We have continued to expand our electric fleet, a field in which CTT is a national leader. We were the exclusive sponsors of the "A Tree for the Forest" campaign, against the propagation of forest fires, in partnership with Quercus, where the promotional kits sold at CTT post offices funded the planting of indigenous trees, with online monitoring of the growth of the woods during five years.

Concerning distinctions and awards, among others, we highlight the "Environment Trust Brand" attributed to the company, for the first time, by the Reader's Digest Selections. CTT was also shortlisted in the finals, for the 4th year, of the PTI Environmental Achievement of the Year, the most important environmental award of the sector, at an international level, and included in the short-list of the Green Project Awards, in the Sustainable Cities category.

We connect the country and the world! We are proud of our contribution to the common good, conquered with the dedication of a vast team, but never satisfied. We promise to do more and better.

Highlights of the year

ECONOMIC DEVELOPMENT

Full privatisation, with total dividends of the value of 60 million euros (20% more than in 2013)

Share appreciation by 43.42%, during 2014

New dual governance model, with executive and non-executive directors

Review of the Code of Ethics

CUSTOMERS/PROXIMITY

84.8% of customers stated that they were satisfied or very satisfied

Eco Portfolio strengthens its weight in mail volume (represents 22.8% of the DM range)

Opening of Citizen's Bureaus at 24 Post Offices and planned extension to 300, by 2016



Construction of 11 access ramps at CTT post offices for people with impaired mobility

PEOPLE

Reduction of overall absenteeism by 0.4 p.p., to 6.1%

Increased accidents by 5.2% and reduction of days lost due to accidents by 9%

97% of employees covered by training, involving a total of 264 thousand hours (18% more than in 2013)

CTT health plan recorded over 1.4 million clinical acts (44,600 beneficiaries)

Female representativeness of 18% in the senior management (PSI 20: 9%) and 40% in the remaining leadership positions

Average wage gap by professional group is 10% unfavourable to the female gender (national average: 18%)

SOCIETY

Support to over twenty social solidarity initiatives amounting to 535 thousand euros

Combat Poverty and Social Exclusion Project delivered 31,000 solidarity parcels



"Adding Up to Divide" achieved an internal collection of 4 tonnes of donations (60 tonnes since the beginning)

Organisation of eleven corporate volunteer initiatives, with over 100 volunteers (800 hours)

ENVIRONMENT

Investment of environmental nature amounting to 5.9 million euros

Modernisation of the fleet with 321 new vehicles, of which 64 are electric (10% of the total)



Increased fuel consumption by 4.3% and improvement of specific consumption (l/100 km) by 1%

Reduction of electricity consumption by 5.9%

Reduction of scope 1, 2 and 3 emissions by 9.7%, and 1.0% increase in scopes 1 and 2

Value of contracts concluded with environmental criteria surpasses 99% of the total

Awards and distinctions

CORPORATE

Initial Public Offering of CTT,
distinguished by The Banker magazine
as the European Equities Deal of the Year 2014



Trust Brand 2014,
in the “Public Service Companies” category,
attributed by Reader’s Digest Selections



Brand of Excellence 2014,
attributed by Superbrands Portugal



Capital Market Award 2013, attributed by Investors Relations & Governance Awards (IRGA), to CTT and its Chairman and CEO

HUMAN CAPITAL

Human Resources Portugal Award 2013 in the “Company which most promotes and defends Gender Equality” category, attributed by the Human Resources Portugal magazine

COMMUNICATION

Winners of the APCE Grand Award 2014 –
Excellence in Communication, in 4 categories:
“Institutional Communication Campaign”,
“Internal Publication, “Cover” and
“Corporate television”



“Best Photograph”, “Best Cartoon”

for the Aposta magazine and Diploma
of Honour for the CTT Director of
Communication, awarded by the FEIEA
Grand Prix 2013 (Federation of European
Business Communicators Associations)



“Awards for Communication Efficiency”, shortlisted with the Institutional Campaigns
“Increasingly more present” and “OPV” (initial public offering) in the category “Other
Services and Public Administration”

Silver award in the category “Internal Communication - Motivation Action”, with the
Portugal With Us – Recipes at the Counter project, and shortlisted in the category “IT,
Media & Telecommunications”, with the campaigns “CTT, Increasingly more present” and
“OPV” (initial public offering) attributed by Comunicação M&P (Meios & Publicidade)

Shortlisted (Top 3) in the IV Edition of the OCI 2013 Awards - Excellence in Internal
Communication, in the category “Integrated Strategy for Internal Communication”, with
the “Portugal With Us – Recipes at the Counter” project

CUSTOMERS

Silver and Bronze Medals
in the APCC Portugal Best Awards
for CTT and CTT Expresso Contact Centres,
respectively, in the Distribution
and Logistics category



International Asiago d'Arte Filatelica Award, the “Oscar” of Philately, in its 44th edition,
Tourism category, with the €0.36 stamp of the “International Statistics Year 2013” series

ENVIRONMENT

Endorsement of Caring for Climate, a United Nations commitment for
worldwide leading companies on matters of climate change

Brand of Trust 2014,
attributed for the first time,
by Reader’s Digest Selections



Ranked as 6th postal operator with best carbon performance at a worldwide level
(carbon proficiency ranking of the IPC - International Post Corporation)

Iberian leadership in the “Industry” sector and 4th place at a worldwide level
in the postal sector of the CDP - Carbon Disclosure Project rating

Shortlisted in the Postal Technology 2014 International Awards 2014, in the
“Environmental Achievement of the Year” category, for the 4th time in the last 5 years

Shortlisted in the Green Project Awards, in the “Sustainable Cities” category,
for the CTT Bicycles

B Green Action Award

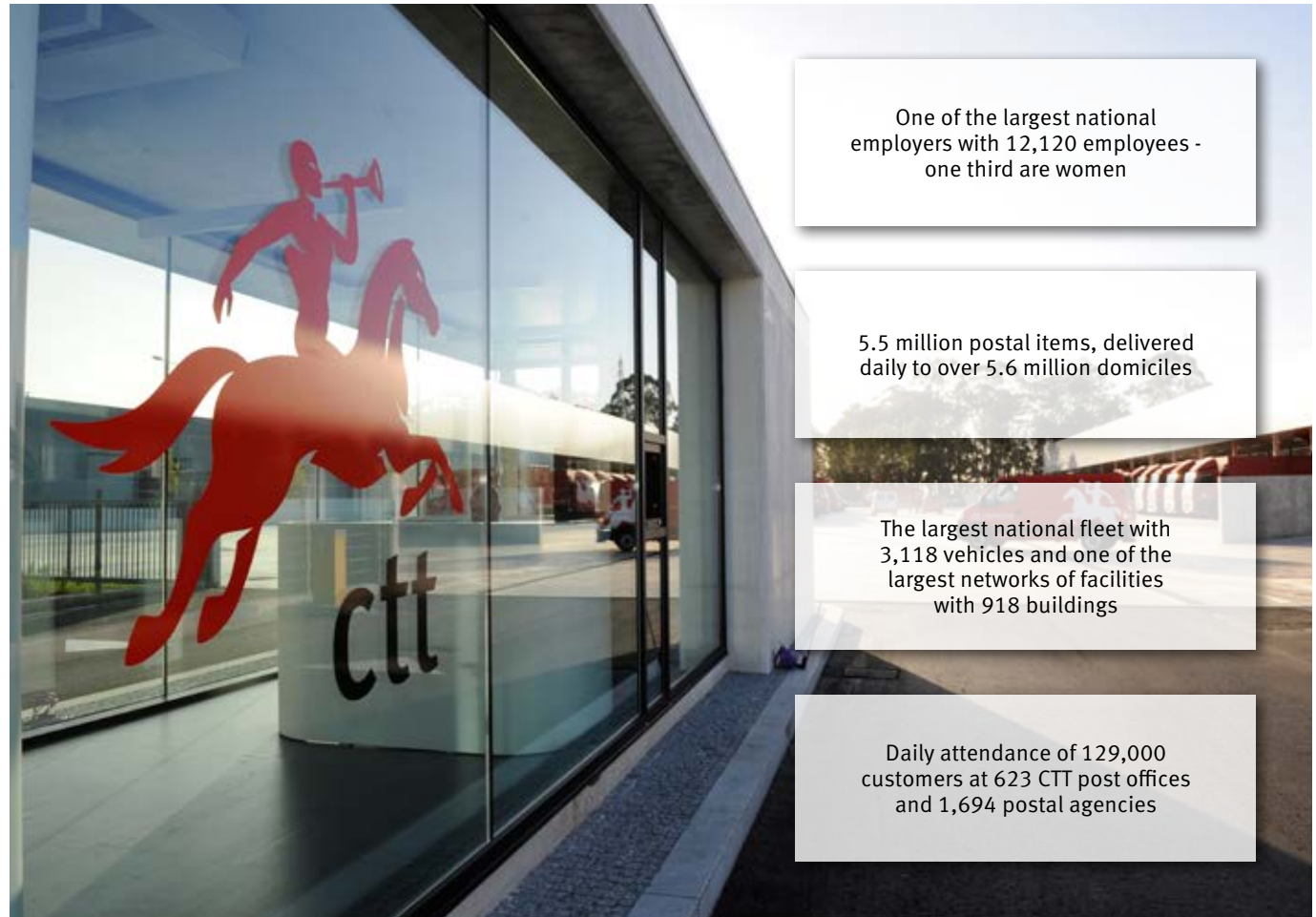
attributed by GreenFest 2014, for the series of actions organised during the event



CTT has been, since 5 December 2013, a legal person subject to private law, with the status of public limited liability company with capital dispersed on the stock exchange.

CTT's main subsidiaries in 2014, with their respective percentage capital, are the following:

CORRE – Correio Expresso de Moçambique, SA	50%;
CTT Expresso – Serviços Postais e Logística, SA	100%;
CTT GEST – Gestão de Serviços e Equipamentos Postais, SA	100%;
Mailtec Holding SGPS	100%;
PayShop (Portugal), SA	100%;
PostContacto – Correio Publicitário, Lda.	100%;
Tourline Express Mensajería, SLU – sale of the entirety of its share capital to CTT Expresso, SA	





1

SUSTAINABLE COMPANY





1.1.

The Company – Vision and Strategy

1.1.1.CORPORATE STRATEGY, CHALLENGES AND TRENDS

CTT IS ORGANISED INTO THREE BUSINESS AREAS

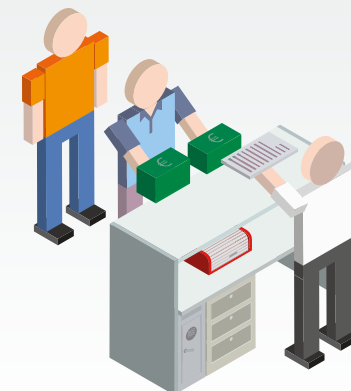
MAIL AND BUSINESS SOLUTIONS



EXPRESS & PARCELS



FINANCIAL SERVICES



In the area of Mail and Business Solutions, apart from providing a physical mail delivery service, CTT has progressively extended its value chain to the digital world.



MARKET LEADERSHIP

CTT Expresso upholds the positions of leadership on the national market, having expanded the distance in relation to its most direct competitor, and has a significant presence in Spain through Tourline, which is positioned there among the 10 best operators of the market.

CTT thus operates in the so-called traditional business areas, such as letter mail - ordinary mail, priority mail, registered mail, correio verde ("green" mail) and editorial mail - and advertising mail (addressed and unaddressed mail). Furthermore, CTT, directly or through its subsidiaries, offers digital and corporate solutions (printing & finishing, geomarketing services, mailmanager, etc.), mobile telecommunications products and services, services of convenience and proximity with the citizen.

CTT has a 94.7 per cent share of the total mail volume and, through CTT Expresso, offers at a broad range of courier services and products and parcels (national and international), as well as supplementary logistics and cargo solutions. CTT is also present in Mozambique with Corre working towards achieving leadership in this market.

CTT also offers a range of financial products and services, from savings products (including saving and treasury certificates) and insurance, to payment solutions, transfers of funds and personal credit offer. CTT's network of payment solutions is also complemented by a network of 3,900 PayShop agents.

1.1.2. BUSINESS AND MARKETS

CHALLENGES AND TRENDS

2014, the first complete financial year as a listed company, was particularly relevant for CTT in the context of the consolidation and affirmation of the strategic lines that were approved and defined in 2012-2013.

During the preparation of the privatisation process, a strategic plan was defined, supported by an encompassing transformation plan, which offered the investors clear information on the path to be followed by CTT and, in this way and according to their preferences, take their investment decisions.

The main trends which affect CTT's business context and are present in the definition of its major strategic lines are:

POSTAL LIBERALISATION

As of 2012, CTT started to operate in all its segments in competitive markets, where it is currently increasingly more necessary to ensure permanent optimisation in the different business areas

TECHNOLOGICAL REPLACEMENT

Our traditional business continues under constant change with the growing digitalisation which implies new forms of communication

ECONOMIC CONTEXT

Portugal and Spain continue to experience difficult macroeconomic circumstances, imposing a particularly challenging context to the different business lines

PRIVATISATIONS IN THE SECTOR

Other geographic zones also show a trend towards privatisation in the postal sector, which accelerates the need for differentiation between postal operators



THUS, IN 2014, CTT REAFFIRMED ITS 3 STRATEGIC AXES:

PRESERVE THE VALUE
OF THE MAIL BUSINESS

BOOST THE GROWTH OF
THE EXPRESS & PARCELS
BUSINESS, MAKING
THE MOST OF THE
OPPORTUNITIES CREATED
BY E-COMMERCE

EXPAND THE FINANCIAL
SERVICES BUSINESS,
WITH STRONG FOCUS
ON THE POSTAL BANK

The success of the privatisation and the share price evolution during 2014 manifestly demonstrates that the chosen path and identified strategic lines are appropriate and that their execution and future prospects exceed the existing expectations at the time of the privatisation.

Capital market requirements, in terms of the Company's rigour, transparency and performance, will accelerate, in a perspective of creating sustained value for its shareholders, the capture of more efficiency gains, stronger growth and financial returns above the average of the sector, and will contribute, via increased market efficiency, to the transfer of value to consumers.

STRATEGY

CTT's strategic plan will leverage its competitive edge and explore the potential arising from digitalisation and new customer requirements, which are increasingly more sophisticated and exacting. However, always preserving the inherent value of the traditional business. It should be highlighted that CTT's competitive edge lies in its capillarity and excellence in physical operations, therefore the major strategic lines seek to capture the challenges of the future by offering, whether in the digital sphere or in financial services, CTT's distinctive feature: proximity.

MEMBERSHIPS AND SIGNIFICANT PARTICIPATION

Under the Company's sustainability strategy, CTT is a member of and develops activities in collaboration with BCSD Portugal - Conselho Empresarial para o Desenvolvimento Sustentável (Business Council for Sustainable Development), APQ - Associação Portuguesa para a Qualidade (Portuguese Quality Association), APCE - Associação Portuguesa Comunicação de Empresa (Portuguese Corporate Communication Association), APEE - Associação Portuguesa de Ética Empresarial (Portuguese Corporate Ethics Association), APVE - Associação Portuguesa do Veículo Elétrico (Portuguese Electric Vehicle Association), UCCLA - União das Cidades Capitais Luso-Afro-Américo-Asiáticas (Union of Luso-Afro-American-Asian Capital Cities), CCIPA - Câmara de Comércio e Indústria Portugal-Angola (Portugal-Angola Chamber of Commerce and Industry), AIP-CCI - Associação Industrial Portuguesa/Câmara de Comércio e Indústria (Portuguese Industrial Association/Chamber of Commerce and Industry), APRITEL - Associação dos Operadores de Telecomunicações (Association of Telecommunication Operators), COTEC - Associação Empresarial para a Inovação (Business Association for Innovation) and APEL - Associação Portuguesa de Editores e Livreiros (Association of Portuguese Book Publishers), among others. This year, CTT became a member of IPAI - Instituto Português de Auditoria Interna (Portuguese Institute of Internal Auditing), IPCG - Instituto Português de Corporate Governance (Portuguese Institute of Corporate Governance) and Euromed - Union of Postal Operators in the European & Mediterranean Region.

As a founding member of UPU - Universal Postal Union, CTT has adopted the principles that guide the practices of this specialised agency of the United Nations. In this respect it has subscribed to the UN Global Compact principles since 2004, to which all its members are committed. This year, CTT endorsed the United Nations Caring for Climate initiative, a commitment made by worldwide leading companies on climate change.

During 2014, at an Institutional level, CTT continued to attend international organisations of which it is a member, namely UPU, PostEurop - Association of European Public Postal Operators, UPAEP - Postal Union



of the Americas, Spain and Portugal, AICEP – International Association of Portuguese-Speaking Communications and IPC – International Post Corporation, among others.

1.1.3. INNOVATION

In order to overcome current and future challenges, the focus on innovation takes on even greater urgency, since this is an instrument of ongoing reinvention aimed at the design, development and provision of solutions, services and products which are excellent in meeting the communication needs of citizens, economic agents and public or private bodies.

Thus, in the context of innovation, during 2014, various initiatives and projects were developed throughout the entire Company, among which the following in particular:

- Provision, on CTT's website, of the request acceptance service of ATM references for toll payments.
- Completion of the development of an application tool for the automatic processing of customers address databases, introducing significant quality improvements in addressing and sorting;
- Co-authorship of an international standard, the first at a worldwide level, for environmental certification of the Correio Verde ("Green" Mail) product, EPD/PCR (Environmental Product Declaration/Product Category Rules);
- Provision at PayShop points, of a service enabling payment in real time of invoices, even in cases past their payment deadline;
- Launch of the Iberian portfolio of CTT Expresso and Tourline Express, standardising the delivery solutions in Portugal and Spain;
- Easy Return (IPC) solution that allows receivers to return postal items within the European space to the country of origin, at no cost;

- Possibility of aggregate Track & Trace searches via web of Express & Parcels;
- Expansion of the "Automatically Sequenced Delivery" methodology to 42 Postal Delivery Offices, aimed at increasing operational efficiency and significantly speeding up the delivery process in urban areas of greater density;
- Launch of the social networking campaign, "Largest Thanks Network", enabling the sending of messages via web or smartphone transformed into a physical letter delivered free of charge at the destination.

- Launch of a pioneer solution in the urgent transport sector, secure and convenient surf boards, with adaptable cut-out package to the size of the board;



In line with the objective of modernising the automation of mail up to the postman's round, CTT completed the georeferencing and characterisation of terrain of 3.9 million doors and over 48 thousand new toponyms, to be included in automatic letter mail sequencing files, which will guarantee the provision of a much faster service for the customer.

By the end of 2014, 98% of small format ordinary mail was automated, as well as 78.5% of medium-sized format ordinary mail (corresponding to growth above 7.5% in this segment). The sorting according to postmen's delivery routes exceeds 4,845 delivery routes and represents approximately 1.8 million items per day.



LARGEST THANKS NETWORK

Launch of the social networking campaign, "Largest Thanks Network", enabling the sending of messages via web or smartphone transformed into a physical letter delivered free of charge at the destination.



1.2.

Corporate Ethics

In 2014, as a result of the new corporate governance model, the Code of Ethics applicable to CTT and its subsidiaries was updated. The Ethics Committee was also recomposed, with its mission being to monitor and supervise all matters related to the application of the Code of Ethics, as well as the treatment of irregularities which, under the Regulation of Procedures of Communication of Irregularities, may be conveyed by the Audit Committee.

Alongside the procedures in force for the communication of irregularities related to situations of non-compliance with the rules of conduct, a mechanism has been implemented to prevent the occurrence of irregular acts concerning the accountancy, internal accounting controls, combat of corruption, banking and financial crime, which may be voluntarily communicated by shareholders, employees, customers, suppliers or others, whose procedures for receipt of communication of irregularities are disclosed on the Company's website.

The Audit Committee is responsible for receiving these communications, and sending them on to the Ethics Committee for promotion of the necessary actions for confirmation of the existence of sufficient grounds for their investigation.

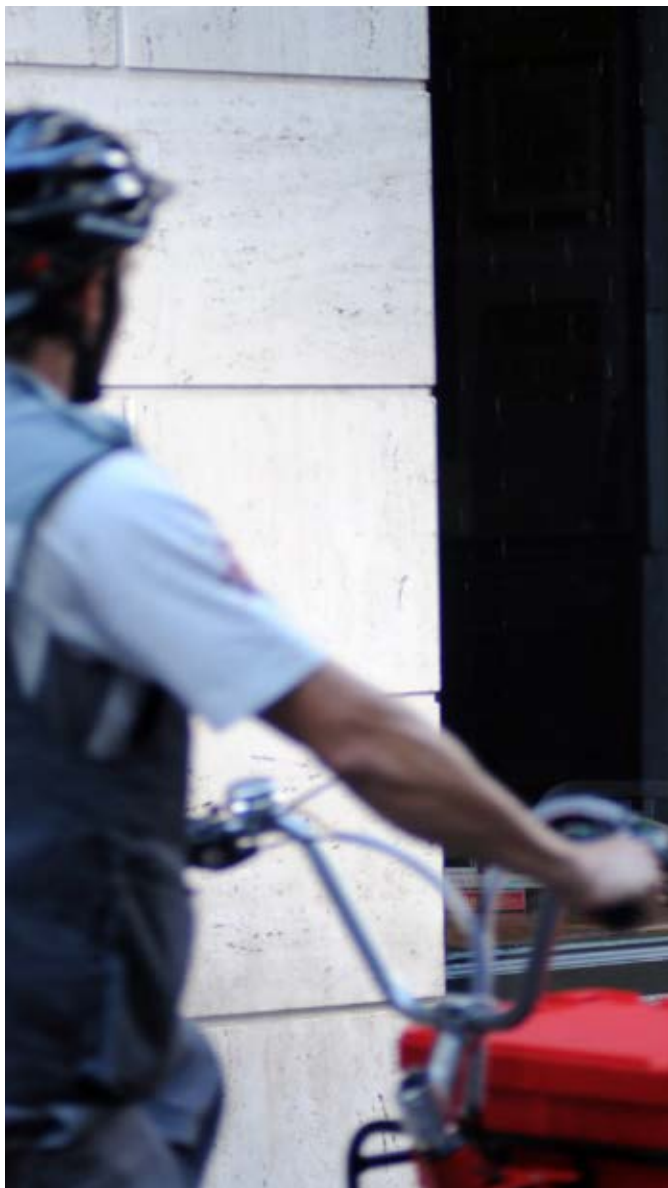
The responsibility for the technical support provided to the Ethics Committee relative to the operationalisation of the aforesaid system of communication of irregularities is entrusted to the Audit and Quality Department, where the rigorously confidential treatment of the received communications is assured, preserving the principle of non-retaliation in relation to the persons who report irregularities. In 2014, no commu-

nications of irregularity were received related to situations of non-compliance with the rules of conduct.

Regarding the Business Practices in Respect of the Law and Regulations, particular note should be made of the activity developed by Compliance (Audit and Quality Department), relative to the provision of financial services. During the year under analysis and following the application of the existing procedures regarding the identification and reporting of suspicions of money laundering and terrorist financing, 125 reports were made to the entities laid down in current legislation (DCIAP - Departamento Central de Investigação e Ação Penal (Central Department for Investigation and Penal Action) and UIF/PJ - Unidade de Informação Financeira da Polícia Judiciária (Financial Intelligence Unit of the Criminal Investigation Police)), covering financial service operations that came to about 12.8 million euros.

Procedures are in force at the Company for the identification of the active and passive perpetrators of situations of bribery and corruption with a view to their identification within the legal-criminal system. In this context, accusations and claims are investigated and an analysis is made of procedures and practices which may lead to or represent irregular and corrupt behaviour, namely speculation, fraud and bribery.

As a result of the audit and inspection actions (204 Post Offices, 158 Postal Agencies and 93 Postal Delivery Offices were audited, representing, respectively, 34%, 9% and 35% of the total number). Following the investigations prior to disciplinary hearings, there were 9 unilateral terminations of employment contracts.





The reformulation of the Code of Ethics carried forward the respective disclosure, as well as the e-learning training, to 2015.

COMPLIANCE WITH ETHICAL REQUIREMENTS

CTT neither had to defend itself against any legal suits alleging unfair competition or antitrust practices, nor was it found guilty of any failure to comply with environmental legislation and regulations for which significant fines or non-monetary sanctions might have been applied.

CTT was applied two sanctions relative to non-compliance with laws and labour regulations (one case of fixed-term contracting with an attributed value of 35,225.14 euros and a renewed recruitment, by court order). A fine was also applied relative to products and services in the amount of €1,600 and three fines amounting to €15,258, under the laws and regulations associated to labour practices. Eight sanctions of environmental nature were applied to Tourline, of the value of 3,401.70 euros.

CTT assures the safeguarding of the Company's interests on legal matters and complies with the Code of Advertising and Marketing Communication Practice of the ICC – International Chamber of Commerce, being indirectly represented at ICAP – Instituto Civil da Autodisciplina da Publicidade (Civil Advertising Self-discipline Agency) and a member of APAN – Associação Portuguesa de Anunciantes (Portuguese Advertisers Association).

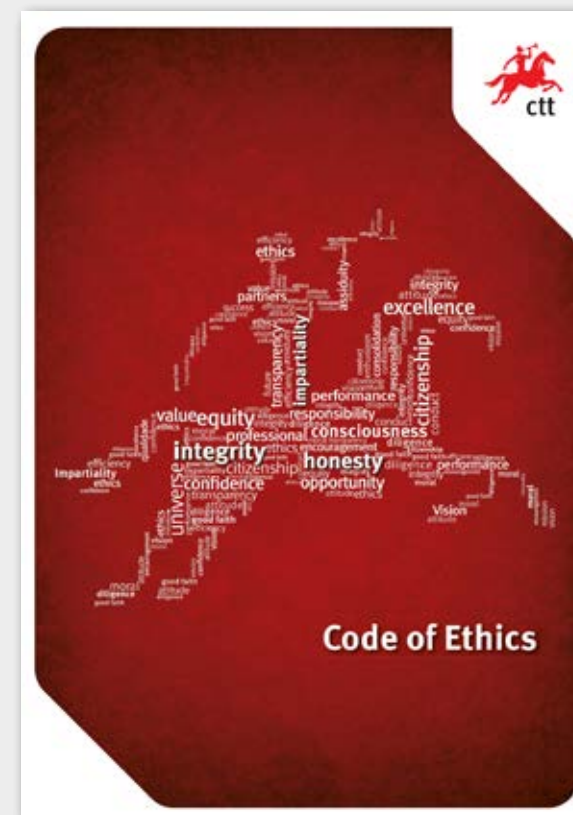
CTT complies with various codes/regulations, such as the Code of Conduct regarding Advertising, Code of Fair Practices on Environmental Advertising, Regulations of JEP – Júri de Ética na Publicidade (Ethics Board on Advertising), and the Technical Legal Office and Mediation Office of the Civil Advertising Self-discipline Agency (ICAP). CTT abides by the self-discipline that the industry imposes upon itself, with the objective of ensuring, quickly and efficiently, respect for the rules in advertising communication.

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

CTT's sale of databases fully complies with ruling legislation on the right to the protection of personal information, assuring the rights to information, access, rectification and elimination, opposition, and other rights in conformity with notifications and/or authorisations issued by the CNPD – Comissão Nacional de Proteção de Dados (National Commission on Data Protection), with all the legal requirements having been fully observed and free of any sanctions.

OBJECTIVE 2015

DISSEMINATION OF THE CODE OF
ETHICS (E-LEARNING TRAINING)





1.3.

Corporate Governance

With CTT's privatisation, which took place on 5 December 2013, and the holding of the first post-privatisation General Meeting on 24 March 2014, its Articles of Association were amended, with a new one-tier or Anglo-Saxon governance model having been adopted, under which and pursuant to article 6 of the Articles of Association, the Company's bodies are the General Meeting (GM), the Board of Directors (BD), the Audit Committee and the Statutory Auditor. This same General Meeting also elected a Remuneration Committee.

Pursuant to article 9 of the Articles of Association, the General Meeting is responsible for electing the members of the Board of the General Meeting, the Board of Directors and the Audit Committee, including their respective Chairmen, as well as the Statutory Auditor, the latter under proposal of the Audit Committee. The General Meeting also elects the members of the Remuneration Committee.

Under the terms of the Companies Code and the Articles of Association, the General Meeting is also responsible for (i) appraising the Board of Director's report, discussing and voting on the financial statements and the opinion of the supervisory body and deciding on the appropriation of the net profit for the year; (ii) deliberating on any amendments to the Articles of Association and share capital increases; (iii) deliberating on the remuneration of the members of the governing bodies, and may, for this purpose, appoint a remuneration committee; and (iv) dealing with any other business for which it may have been called.

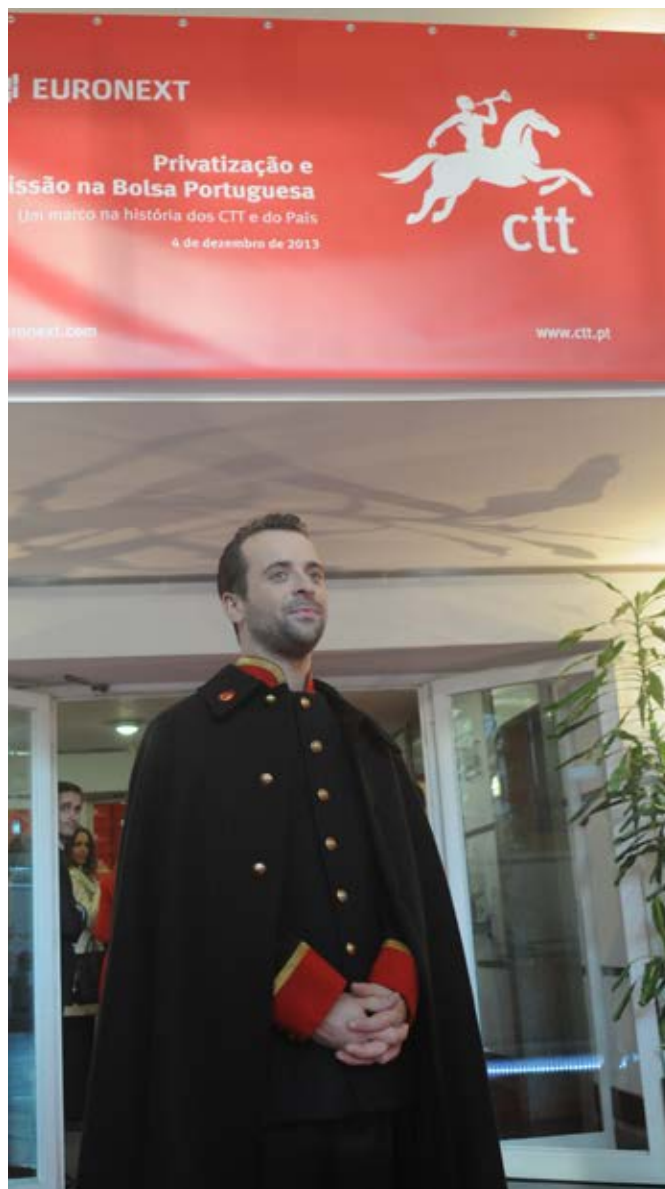
Pursuant to article 13 of the Articles of Association, the Board of Directors is the governing body responsible for the Company's management and representation under the terms established in the applicable legal

and statutory rules, being entrusted to conduct all acts and operations relative to the corporate object which do not fall under the competence attributed to other bodies of the Company. The Company's Board of Directors currently in office is composed of eleven Directors (six non-executive), two of whom are women, with this body having deliberated, at a meeting held on 25 March 2014, to delegate the Company's current management to an Executive Committee pursuant to the Regulations available at www.ctt.pt.

The Chairman of the Board of Directors is simultaneously the Chairman of the Executive Committee, and the members of the Executive Committee have been allocated specific areas of responsibility, also performing managerial duties in other CTT companies.

The Audit Committee and the Statutory Auditor perform Company supervision duties under the terms of the applicable legal provisions and the Articles of Association. The Audit Committee is particularly responsible for supervising the efficacy of the risk management systems, internal audit and internal control systems, the implementation of the whistleblowing system and also supervising the independence and the activity of the Statutory Auditor.

The members of the governing bodies are elected for a three-year period, and may be re-elected, once or more times, within the limits established in the law and the Articles of Association. The current members of the governing bodies, except for the Statutory Auditor, were elected by deliberation of the General Meeting of 24 March 2014, for the term of office corresponding to the three-year period 2014-2016. The Statutory Auditor was elected by deliberation of the General Meeting of 5 May





2014, on a proposal of the Audit Committee to complete the three-year period 2012-2014.

Thus, throughout the year and as a result of the Company's privatisation in the last quarter of 2013, it was necessary to create the instruments required for the Company's new reality as an issuer of shares listed for trading on a regulated market and for the accomplishment of the corporate policies defined by the Board of Directors.

For this purpose and in compliance with the legal and statutory provisions, and based on the new corporate governance model, an Executive Committee was created within the Board of Directors, delegated with the Company's current management. A Corporate Governance, Assessment and Nomination Committee was likewise created, within the Board of Directors, entrusted with issuing an annual opinion to the Remuneration Committee on the remuneration policy and principles of the governing and supervisory bodies, and on the annual statement to be submitted to the General Meeting, in addition to assuring the process of assessment of the executive members of the managerial body and the Board of Directors as a whole, and appraising the corporate governance model.

The economic dimension includes the continuous management of customer relations and the creation or reformulation, this year, of the following regulations: Code of Ethics, Regulations on Whistleblowing, Code of Conduct of CTT Senior officers and Insiders, Regulations of the Board of Directors, Regulations of the Executive Committee, Regulations of the Audit Committee, Regulations on the provision of services by the Statutory Auditor and the External Auditor, Regulations on Transactions with Related Parties and the Regulations of the Corporate Governance, Assessment and Nomination Committee. The environmental area includes the definition and implementation of an environmental management policy monitored through an environmental reporting system which ensures the transparency of the pursuit of environmental objectives. Finally, the Company's social concerns involve the definition and implementation of an appropriate strategy for the management of its human resources and social responsibility.

GOVERNING BODIES			
BOARD OF DIRECTORS	EXECUTIVE COMMITTEE	AUDIT COMMITTEE	CORPORATE GOVERNANCE, ASSESSMENT AND NOMINATION COMMITTEE
Chairman & CEO	Chairman (CEO)	Chairman	Chairman
Francisco José Queiroz de Barros de Lacerda	Francisco José Queiroz de Barros de Lacerda	António Sarmento Gomes Mota	Francisco José Queiroz de Barros de Lacerda
Vice-Chairman (Executive)	Members	Members	Members
Manuel Cabral de Abreu Castelo-Branco	Manuel Cabral de Abreu Castelo-Branco	Diogo José Paredes Leite de Campos	António Manuel de Carvalho Ferreira Vitorino
Vice-Chairman (Non-Executive)	Members		
António Sarmento Gomes Mota	André Manuel Pereira Gorjão de Andrade Costa (CFO)	Nuno de Carvalho Fernandes Thomaz	Rui Miguel de Oliveira Horta e Costa
Executive Members			
André Manuel Pereira Gorjão de Andrade Costa (CFO)	Dionízia Maria Ribeiro Farinha Ferreira	Composed of three male members, all aged above 50 years.	José Manuel Baptista Fino
Dionízia Maria Ribeiro Farinha Ferreira	Ana Maria de Carvalho Jordão Ribeiro Monteiro de Macedo		Composed of four male members, all aged above 50 years.
Ana Maria de Carvalho Jordão Ribeiro Monteiro de Macedo	Three male members and two female members. Three persons in the age cohort between 30 and 50 years old, and two above 50 years.	REMUNERATION COMMITTEE	Corporate Secretary
Non-Executive Members		Chairman	
António Manuel de Carvalho Ferreira Vitorino		José Luís Ramalho de Carvalho Talone	Maria Graça Farinha Carvalho Sousa Góis
Nuno de Carvalho Fernandes Thomaz	BOARD OF THE GENERAL MEETING	Members	Alternate secretary
Diogo José Paredes Leite de Campos	Chairman	José Gonçalo Ferreira Maury	Composed of two persons of the female gender, aged above 50 years.
Rui Miguel de Oliveira Horta e Costa		Rui Manuel Meireles dos Anjos Alpalhão	
José Manuel Baptista Fino	Vice-Chairman	Composed of three male members, all aged above 50 years old.	
Composed of nine male members and three female members. Three persons in the age cohort between 30 and 50 years old, and the rest above 50 years old.	Francisco Maria de Moraes Sarmento Ramalho		
	Composed of two persons of the male gender, one aged between 30 and 50 years old, and the other above 50 years old.		
			STATUTORY AUDITOR
			KPMG & Associados, SROC S.A. representado por Maria Cristina Santos Ferreira
			Alternate
			Vítor Manuel da Cunha Ribeirinho

The aforesaid regulations are available for consultation at www.ctt.pt

A detailed description of the duties and responsibilities of the Company's corporate governance bodies is presented in the Corporate Governance Report, Chapter B – Governing Bodies and Committees, Title II, which is an integral part of the Management Report of the Annual Report for 2014.



1.4.

Management Model

In December, the Board of Directors approved a new organisational structure, which entered into force on 1 January 2015.

The corporate reorganisation project started in 2014 simplified the organisational structure with a view to adjusting the Company's organisation to the strategic objectives and evolution of the business. Particular note should be made of the creation of the e-commerce Department which, in a more operational and business perspective aims to assure that CTT is an agent and beneficiary of the development of e-commerce in the Iberian Peninsula, and the establishment of the International Department, whose mission involves proposing and carrying out CTT's international policy in the context of international organisations and groups and cooperation for development.

CTT is organised into three business areas: Mail, Express & Parcels, and Financial Services. The Retail Network and Large Customers are the two main sales channels and operate transversally, rendering services to the different business areas. The central services support the Board of Directors and the business areas in the management, control and supervision of the different activities and companies. The Customer Ombudsman is an independent entity that performs its duties with the Board of Directors.

In view of the Company's scale and numerous areas of action and operation, various Committees have been created to support the management and assure the accomplishment of the strategy defined by the Board of Directors, while simultaneously assuring compliance with the different Regulations and rules that may be in force at any given time.

REAL ESTATE MANAGEMENT COMMITTEE
Strategic management, optimisation and profitable use of real estate assets
CREDIT COMMITTEE
Definition of the policy on management and control of credit to customers
TREASURY COMMITTEE
Optimisation of the management of CTT funds
INVESTMENT COMMITTEE
Appraisal of investment projects
RISK MANAGEMENT COMMITTEE
Stimulation of the Corporate Risk Management function

An Ethics Committee has also been created with duties in the treatment of all matters related to the application of the Code of Ethics. Other duties and responsibilities of the Board of Directors and bodies of the Company are detailed in the Corporate Governance Report, Part III of Annual Report for 2014.



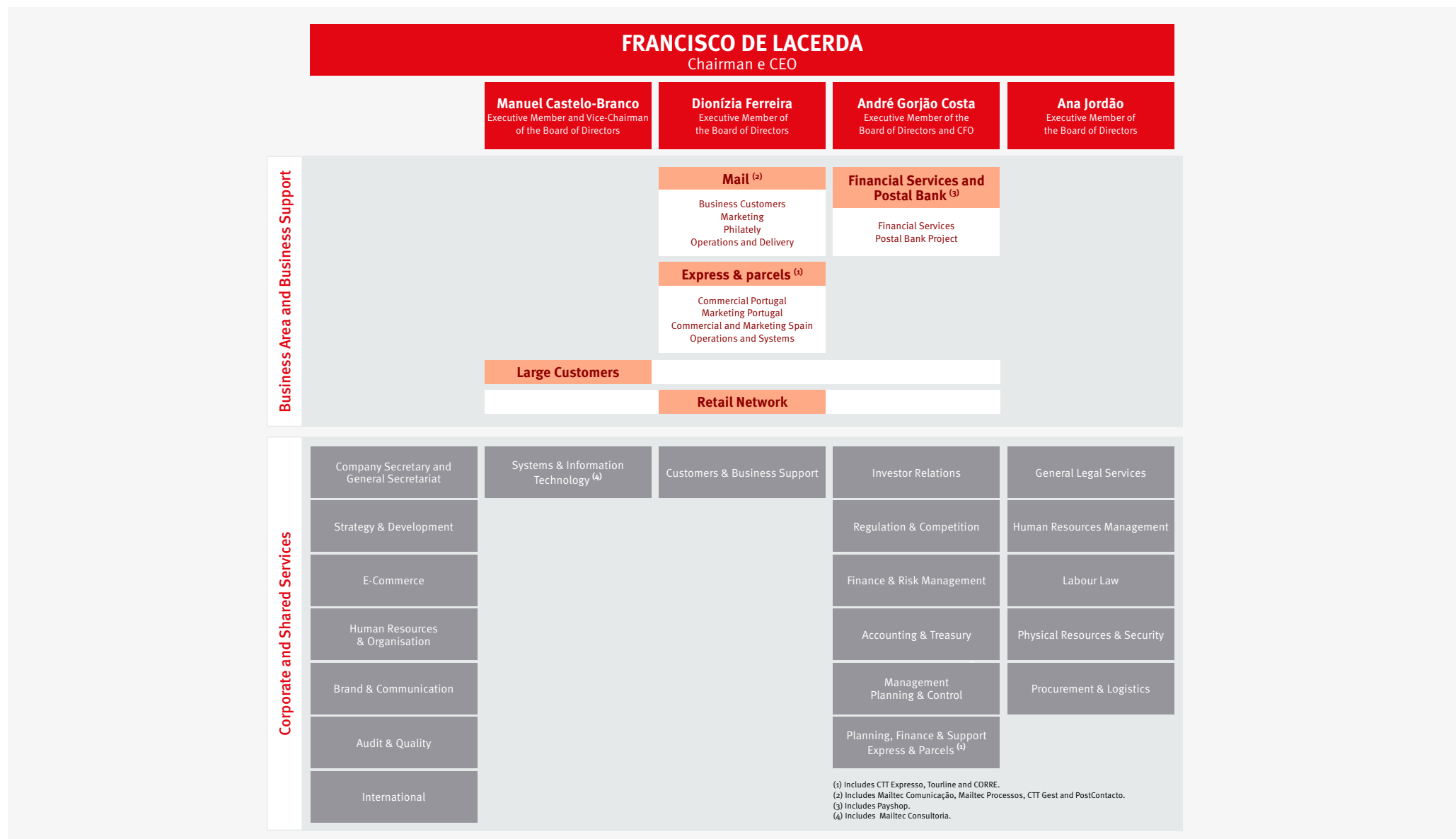


Figure 1 – CTT Organisation Chart



1.5.

Risk and crisis management

Risk management is exercised by the Board of Directors, with the involvement of the organisational structure and all employees, as an integral part of their duties, namely in the identification and reporting of risks associated to their area.

The Risk Management Department is responsible for maintaining a risk management model in line with the strategic objectives of CTT and its subsidiaries, as well as the centralised management of the process of planning and implementation of actions to mitigate the identified risks.

Furthermore, the Risk Management Committee, as a centre aggregating the different visions and sensitivities of the areas involved, represents a leveraging instrument for the entire process of operationalisation of the Risk Management System, reinforcing the organisational involvement and commitment with regard to the issue of risk.

For a more detailed overview of the series of actions taken in the area of principle of precaution, see the Annual Report for 2014, Part III, Corporate Governance Report, Chapter C – Internal Organisation, Points 50 to 55 on Internal Control and Risk Management.



The Board of Directors supervises the manner in which the organisation identifies and manages economic, environmental, and social performance, including risks and opportunities, through the following instruments:

CTT medium-term strategic plan

Annual plan and budget

Annual and quarterly reports and financial statements

Annual Sustainability Report

Monthly control indicators

Monthly and quarterly control meetings



Associated to these risk factors, the table below identifies and assesses the most relevant corporate risks with highest capacity to influence the targets established by CTT, relative to opportunities and responsibilities.

CORPORATE RISKS	DETAILS
Markets and Competition	Expansion of digital communications, giving rise to lower mail volumes. Full market opening and new legal and regulatory framework
Innovation and Development	Insufficient rate of innovation embodied in new solutions, services and products
Universal Service Obligation	High costs of providing the Universal service, under the concession contract (up to 2020)
Customer Focus and Loyalty	Alterations in consumer preferences or quality flaws. Concentration of revenue in the postal business and, in particular, in a relatively small customer base
Human Resources Management	Difficulty in recruiting and retaining qualified employees and experienced managers
Partnerships	Defective design/planning of partnerships or breach of commitments
Information Management	Analysis, decision-making and respective communication, based on available, carefully selected, relevant, reliable, consistent, confidential and accurate information
Information Technologies	Failures in the functioning of the IT infrastructure and communication systems
Strategic Alignment	Macroeconomic and political risks, as well as specific, applicable to each business segment and core markets
Culture of Analysis of Profitability	Financial risks, especially credit, market, interest rate, exchange rate and liquidity risks. Necessity of a culture driven by analysis and maximisation of profitability

Table 1 – CTT risk factors, opportunities, and responsibilities

Specifically in terms of the environmental pillar, and given its relevance, its risks and opportunities are listed below.

RISK FACTOR	RISKS	OPPORTUNITIES
Environment/ Climate Change	<ul style="list-style-type: none"> • Reputation and financial damages arising from poor environmental practices or legal non-compliance • Increased costs derived from future legal and regulatory obligations • Increased energy costs associated to the evolution of international prices • Operational disruptions due to extreme climate phenomena • Decreased physical mail volumes, arising from pressure to reduce information in paper format 	<ul style="list-style-type: none"> • Development of ecological businesses • Increased customer loyalty • Increased pricing power • Reinforcement of brand and reputation • More efficient use of resources and cost-cutting • Optimisation of the supply chain • Improved risk management • Increased capacity to attract investors and lower cost of capital • Strengthening of involvement with employees and other stakeholders

Table 2 – Risks and opportunities of environmental aspects



SAFETY AND SECURITY

The level of patrolling/surveillance by security forces has been maintained at CTT facilities, resulting in a significant reduction of occurrences with the consequent increased levels of safety, security and well-being, for employees and customers.

For this purpose, the contacts were also reinforced and meetings held with National, Regional and Local Commands of the Security Forces and other equivalent services. The Public Security Police and National Republican Guard have strengthened their support to our Post Offices, which has proved essential and imperative.

The actions of partnership with national security services have been continued, contributing to the capture of various persons and gangs of thieves which primarily targeted CTT, jewellers and banking institutions. Joint security and training courses were held in partnership with national Security Forces and Services, related to exceptional internal and external measures, relative to the growing national and international security regulations applicable in Portugal.

The security control services were reinforced at CTT's National Security Centre, which monitors the electronic security equipment of all CTT facilities, collects remote images of video-surveillance equipment, surveys and communicates data on CTT security occurrences. This Centre operates 24 hours, every day of the year and is considered an essential element in improving safety and security at the Company.

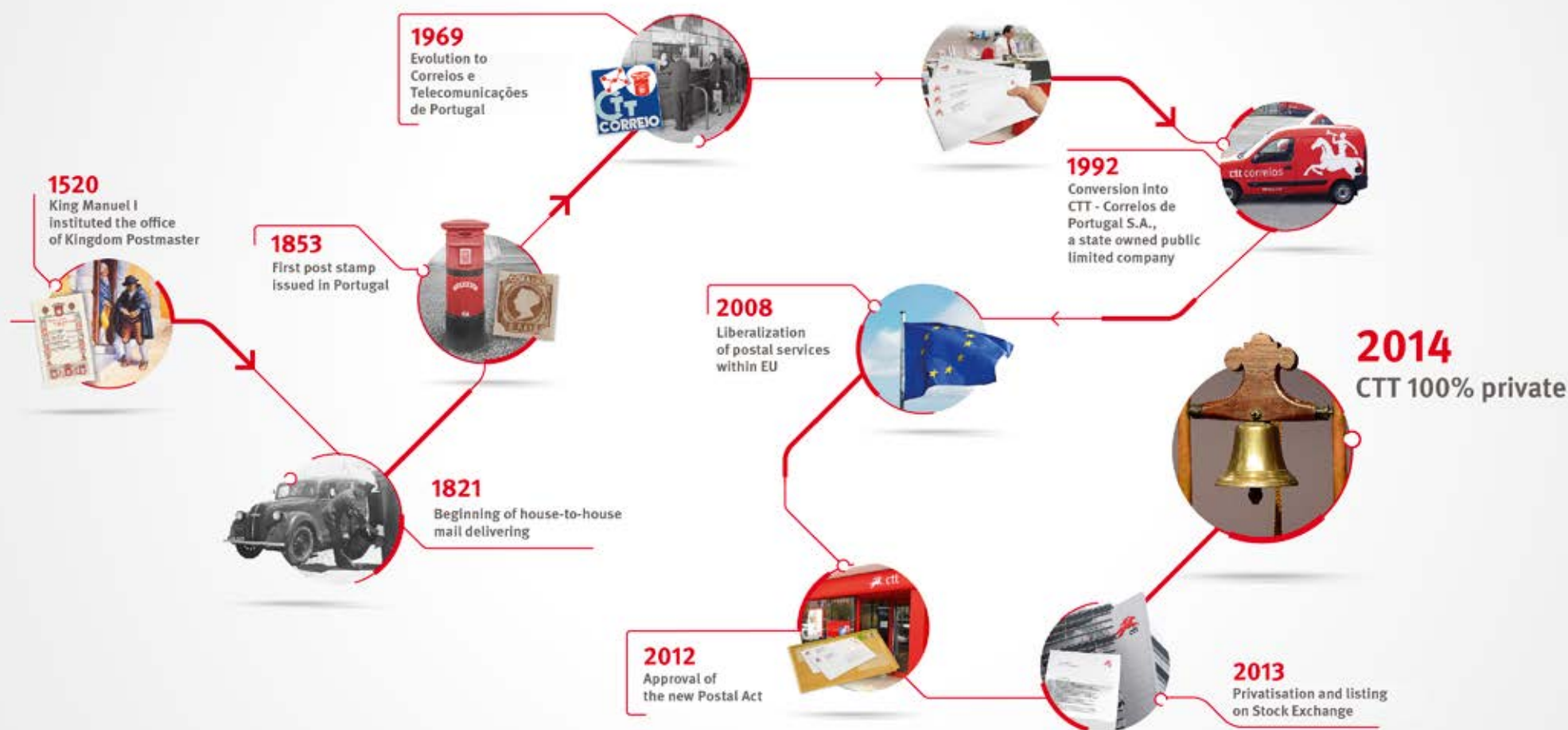
Safety and security information training and/or refresher courses have been given to all occupants of large CTT facilities on mainland Portugal, namely the production and logistics centres and head office building (Lisbon). This information addressed the first intervention action in emergency situations, covering safety and security of people and assets, fire extinction, evacuation exercises, organisation of local safety and security, Plans of Self-Protection Measures, roles of the Safety and Security Delegates and RPI (persons responsible for first evacuation), thus enabling an encompassing theoretical and practical disclosure on this topic. Various CTT facilities' plans were also completed, which cover Emergency Plans and Prevention Plans, among others.

Internationally, CTT continued to participate in European and world-wide working groups dealing with postal safety and security matters, actively collaborating in meetings of the UN Advisory Committee, among others.



2

CREATION OF VALUE FOR THE STAKEHOLDERS





INVOLVEMENT WITH THE STAKEHOLDERS

Integrating the concept of sustainability in a company's current management is reflected in an attitude of permanent involvement, transparency and commitment. For this reason, deepening the dialogue and involvement with the stakeholders, in particular those most critical, taking into consideration their needs and the issues which are crucial to them and identifying, understanding and meeting their expectations, is a natural challenge that is always present in the Company's decisions. During this year of completion of the privatisation process, the Company strengthened its dialogue with the stakeholders, especially the shareholders, a stakeholder with which the format of relations has changed significantly.

The exercise of hearing the stakeholders, held in 2008 and partially updated in 2012, identified the critical topics of stakeholder satisfaction and competitiveness in a liberalised market. Other pertinent topics include climate change, health and safety, and technological innovation. These subjects continue to be fundamental to the Company's success, although the recent change of its legal status requires the updating of this information.

CRITICAL STAKEHOLDERS	EXPECTATIONS AND NEEDS	FORMS OF COMMUNICATION WITH STAKEHOLDERS AND THEIR HEARING	MEASURES ADOPTED
STAKEHOLDERS	<ul style="list-style-type: none"> Achieved results and return for the shareholders Social and work stability Management alignment with shareholder guidelines Requirement of socially and environmentally responsible behaviour 	<ul style="list-style-type: none"> Institutional/Reports Rigorous and transparent annual reporting – Annual Report, Corporate Governance Report and Sustainability Report Quarterly reporting 	<ul style="list-style-type: none"> Payment of dividends Policy of variable remuneration indexed to the attainment of pre-defined management objectives Initiatives to deepen involvement with stakeholders Social and environmental initiatives and investments
REGULATOR	<ul style="list-style-type: none"> Quality standards and price rules for products and services Criteria for density of the postal network and minimum service offers Financing of the Universal service Freedom of competition 	<ul style="list-style-type: none"> Information on services One-off information and clarifications Regular reporting 	<ul style="list-style-type: none"> Universal Service Price and Quality Agreements Compliance with the contracted quality levels Accomplishment of objectives for density of the postal network and minimum service offers Definition of the methodology to calculate the net cost of the universal service (CLSU) and concept of unfair financial burden for purposes of compensation of the CLSU Audit of the costing system and Quality and Claim Indicators
CUSTOMERS	<ul style="list-style-type: none"> Best products at accessible prices, i.e., better quality/price relationship Reliability and trust Satisfaction Flexibility and customisation Security of mail items (accountability) Geographic coverage and accessibility Environmental responsibility Closer and more frequent relations (newsletters, portals, focus groups, satisfaction assessment studies, etc.) 	<ul style="list-style-type: none"> Information campaigns Personalised and permanent communication After-sales actions Advertising and accessibility of the information Proactive management of failings Call centre/customer service lines Key Account Managers, managers of large accounts and customer managers Market studies Regular surveys on delivery and counter service services Decentralised meetings of the Management with customers 	<ul style="list-style-type: none"> Improved customer satisfaction Launch and reformulation of new customised business solutions More and better products and services in CTT's different areas of action Consolidation of the ecological portfolio (products and services) Maintenance of certification under various standards Renovation of CTT post office premises



In general terms, various forms and means have already been consolidated, reflected in practice during regular actions of consultation, involvement, engagement and monitoring of stakeholder needs and satisfaction, such as through the surveys, meetings, conferences, working parties, panels, newsletters, reports and other types of external and internal communication which the Company undertakes in its daily activity.

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

CRITICAL STAKEHOLDERS	EXPECTATIONS AND NEEDS	FORMS OF COMMUNICATION WITH STAKEHOLDERS AND THEIR HEARING	MEASURES ADOPTED
COMPETITORS	<ul style="list-style-type: none"> • Participation in initiatives of common interest • Sector benchmarking • Provision of access to the network 	<ul style="list-style-type: none"> • Participation in forums • Participation in benchmarking exercises • Representation in bodies of the postal sector 	<ul style="list-style-type: none"> • Compliance with market rules • Intervention in joint projects, in the context of sectoral bodies
EMPLOYEES	<ul style="list-style-type: none"> • Stability (employment security, wage, social protection) • Adequate remunerations • Opportunities for evolution and career progression • Good working conditions • Recognition of merit • Participation in decision-making processes • Information and debate • Maintenance of social support measures to employees and their family • Equal opportunities and management of the diversity • Better work-family balance • Communication and team work 	<ul style="list-style-type: none"> • Information in due time • Personalised communication through the leadership/dialogue chain • Team meetings • Written internal communication (magazine, thematic newsletters, electronic formats, letters, intranet) • Training • Forums • Systems for suggestions • Surveys 	<ul style="list-style-type: none"> • Widespread disclosure of work-related information • Continuity of the H&S programme • Assessment of working conditions • Modernisation and renovation of infrastructure and equipment • Training on safe/defensive/ecological driving • 97% of employees covered by training – 22h/employee • Preparation of a training package on equal opportunities, harassment, and other • Participation in the “Companies for gender equality” Forum
UNIONS/ WORKERS COMMITTEE	<ul style="list-style-type: none"> • 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 family 	<ul style="list-style-type: none"> • Monthly and/or extraordinary meetings with the senior management • Meetings with Union Organisations and Associations Representing Functional Groups, whenever necessary • Relevant communication management 	<ul style="list-style-type: none"> • 100% of employees covered by collective bargaining agreements



The stakeholders perception of the company's responses and adopted measures is very favourable, according to the results of the hearing of the stakeholders and various opinion studies, both internal and external. The media and awards that have distinguished us as an excellent brand corroborate the recognition that CTT's contribution to society is very relevant and positive.

During 2014, the company completed questionnaires on labour issues of the following entities:

- **National Statistics Institute (INE)**
 - “Cost of Labour Index”, produced on a quarterly basis;
 - “Social Protection Survey”, carried out annually;
- **Strategy and Studies Office (GEE) – of the Ministry of the Economy**
 - “Single Report”;
 - “Labour Gains and Duration”, produced on a six-monthly basis;
 - “Job Vacancy Survey”, carried out quarterly;
 - “Cost of labour index”, produced on a four-year basis;

CRITICAL STAKEHOLDERS	EXPECTATIONS AND NEEDS	FORMS OF COMMUNICATION WITH STAKEHOLDERS AND THEIR HEARING	MEASURES ADOPTED
SUPPLIERS	<ul style="list-style-type: none"> • Equal opportunities and transparency (clear rules) • Compliance with payment and other deadlines • Increased volume of new supplies • Tightening of relations • Qualification of suppliers (surveys and audits) 	<ul style="list-style-type: none"> • Information and communication of company projects • Sustainable procurement policy – contractual clauses 	<ul style="list-style-type: none"> • Stricter social, human rights and environmental requirements • Ecological Procurement Plan – compliance with the objectives • Visits to suppliers to check sustainability variables, onsite and deeper dialogue
MEDIA	<ul style="list-style-type: none"> • Access to reliable and relevant information • Visits/open days • Communication to the market 	<ul style="list-style-type: none"> • Press Relations Agent (direct relations with the media) • Press Releases • Press conferences 	<ul style="list-style-type: none"> • Disclosure of information on the services, results and other aspects of corporate life
COMMUNITY	<ul style="list-style-type: none"> • Compliance with Public Service Obligations • Proximity/presence in the field • Stimulation of the local economy • Capacity of communication/dialogue with local partners • Accessibility to the services • Good corporate citizenship, in social and environmental terms 	<ul style="list-style-type: none"> • Direct/personalised information • CTT website • Presence in the local and national press • Direct contact with the postman and counter service personnel 	<ul style="list-style-type: none"> • Construction of 11 more access ramps for disabled people - 95% of accesses • Combat Poverty and Social Exclusion Project delivers over 31 thousand solidarity parcels • Organisation of charity actions to collect books and other items • Participation in environmental awareness-raising actions with reference partners • 21 curricular and professional internships • Sponsoring of solidarity actions • 11 voluntary work initiatives • Internal collection of around 4 tonnes of donations (Adding Up to Divide) • Collection of donations through PayShop agents • Environmental programme – reduction of energy consumption and emissions

Table 3 – List of stakeholders and forms of involvement



In 2014, CTT's economic performance showed the following evolution:

THOUSAND EUROS	2013	2014	Δ%14/13
DIRECT ECONOMIC VALUE GENERATED	712 739	723 153	1.5%
Revenue	712 739	723 153	1.5%
DIRECT ECONOMIC VALUE DISTRIBUTED	702 558	707 937	0.8%
Operating Costs	303 725	324 311	6.8%
Wages and Employee benefits	313 072	258 007	-17.6%
Payments to capital providers	61 874	71 798	16.0%
Payment to the State	23 072	52 783	128.8%
Investment in the Community	814	1 039	27.7%
ACCUMULATED ECONOMIC VALUE	10 181	15 216	49.5%

Table 4 – Direct economic value generated and distributed by CTT

THOUSAND EUROS	2013	2014	Δ%14/13
Consolidated revenues	704 847	718 774	2.0%
Consolidated EBITDA	122 129	195 642	60.2%
Consolidated operating profit	87 236	135 418	55.2%
Consolidated net profit	61 016	77 171	26.5%
Consolidated GVA	400 239	393 805	-1.6%
Investment	12 994	16 596	27.7%
EBITDA margin	17,3%	27,2%	9.9 p.p.
Return on Equity (ROE)	22,2%	29,4%	7.2 p.p.
GVA / Average staff (euro)	31 017	31 636	2.0%
Consolidated assets	1 100 134	1 180 997	7.4%
Equity	275 934	249 210	-9.7%
Share Capital	75 000	75 000	0.0%

Table 5 – Economic performance of CTT

CTT closed 2014 with a consolidated net profit of 77.171 billion euros, corresponding to a net margin over consolidated revenues of 10.7% and return on equity of 29.4%.

Consolidated EBITDA amounted to 195.642 billion euros, representing growth of 60.2% in relation to the previous year, and a margin of 27.2%.

OBJECTIVE 2015

EVOLUTION OF REPORTING
TO GRI, VERSION 4

REVIEW OF THE STRATEGY
OF INVOLVEMENT WITH
STAKEHOLDERS

ASSESSMENT OF THE
ENDORSEMENT OF GLOBAL
COMPACT AND DJSI

REDESIGN OF THE
SUSTAINABILITY AREA -
CTT WEBSITE AND SOCIAL
NETWORKS



LISBON

2.1.

Stakeholders

CTT – Correios de Portugal, S.A. (Public Company) has been a public limited liability company with its capital dispersed on the stock exchange since December 2013.

The creation of value for the stakeholders, one of the corporate objectives pursued by CTT, constitutes a central objective of the management model, providing important benefits for corporate business and for the different stakeholders.

2.1.1. SHAREHOLDER STRUCTURE

CTT's share capital is 75,000,000 euros, fully paid-up and underwritten, being represented by 150,000,000 shares, with nominal value of 0.50 euros each. The shares are registered and in book-entry form, and there are no different categories of shares. Since 5 December 2013, under the CTT privatisation process, all the shares representing the Company's share capital are listed on the regulated market of Euronext Lisbon.

CTT's privatisation process was completed during the third quarter of 2014, with the accomplishment of the second and last privatisation phase on 5 September, with the disposal of the 31.5% stake that the Portuguese State still held in the Company's capital, through institutional direct sale by Accelerated Book Building. As of this date, the entirety of CTT's capital was henceforth held directly by shareholders of the private sector.

2.1.2. SHAREHOLDER RETURNS

SYSTEM OF DISTRIBUTION OF DIVIDENDS

In 2014, CTT paid dividends of €0.40 per share relative to the net profit for 2013, corresponding to a total amount of 60 million euros. The amount of dividends grew by 20% in relation to the previous year and represented 98% of the net profit for 2013.

During 2014, the CTT share price appreciated by 43.42%, during a period when the Portuguese index PSI 20 depreciated by 26.83%. The CTT share was the stock with the best performance of the PSI 20 during 2014. CTT share performance, in terms of total return for the shareholders in this period, was 51.46% (appreciation + dividend, calculated on the basis of the share price as at 31 December 2013).

The distribution of dividends depends on the deliberation of the shareholders at the General Meeting, based on a proposal of the Board of Directors. After having received the consent of the supervisory body, the Board of Directors can deliberate advances on profit during a financial year, under the terms established in the law and the Articles of Association. Pursuant to number 1 of article 294 of the Companies Code, unless otherwise established in the Articles of Association or by deliberation taken by 3/4 of the votes corresponding to the share capital of a General Meeting, called for this purpose, half of the distributable profit must be distributed to the shareholders. There is no clause in the Articles of Association that might oppose the rules in the aforesaid legal provisions.





For the dividends relative to the financial year ended on 31 December 2014, the Board of Directors shall propose a dividend of 46.5 euro cents per share, corresponding to a total amount of €69.75 million euros, which represents 90% of the net income for the year.

POLÍTICA DE DIVIDENDOS

For the years after 2014, the Board of Directors expects to declare and pay dividends to its shareholders representing at least 90% of the distributable profit for the respective year. This dividend policy has also been approved by deliberation of the Board of Directors, subject to the effective Proposal for the application of results for each year and to ap-

proval by the Company's competent governing bodies, in office at the time. The Board of Directors may adjust the aforesaid dividend policies in the future, when necessary, in order to reflect, among other aspects, alterations to the business strategy and capital needs, with future dividends depending on the actual conditions at that time, including the consolidated and individual net profit, income, financial situation, reserves, availability of legally distributable funds and future prospects, therefore no guarantee can be given that in any particular year dividends will be proposed, declared and distributed. Any dividends paid in the future may be subject to withholding tax.

As at 31 December 2014, based on the communications sent to the Company, the structure of the qualifying holdings in CTT was as follows:

	SHARES	VOTING RIGHTS
Standard Life Investments (Holdings) Limited	10,007,653	6.67%
Aegon NV	5,141,137	3.43%
Allianz Global Investors Europe GmbH (AGIE)	4,695,774	3.3%
UBS Group AG	3,830,469	2.55%
Morgan Stanley	3,553,396	2.37%
UniCredit S.p.A.	3,128,282	2.09%
Artemis Investment Management LLP	3,104,624	2.07%
Fidelity Management Research LLC	3,096,298	2.06%
DSAM Cayman Ltd	3,096,079	2.06%
The Goldman Sachs Group, Inc.	3,019,750	2.01%
Restantes acionistas	107,326,538	71.55%
TOTAL	150,000,000	100.00%

Note: Please see detailed Shareholder structure in CTT Annual Report & Accounts 2014

Table 6 – Shareholder structure as at 31 December 2014



2.2.

Suppliers

2.2.1. BUSINESS RELATIONS

CTT's new nature as a company with shares listed for trading on a regulated market has invited the revisiting of the essential ethical values that guide our conduct with stakeholders, and consequently with our suppliers. The Code of Ethics was reviewed in 2014, maintaining the essential values of the initial version and introducing the updates considered suitable to the new reality, embodying the notion of responsibility for the impact of our actions and behaviour, in view of our economic dimension.

The contracting of goods, services and works carried out in 2014 has reinforced the importance of CTT in boosting the local economy, whether through the volume of purchases or via the geographic dispersion of the contracted suppliers. In 2014, the volume of purchases awarded to foreign suppliers stood at 3.4% of total purchases.

This year, we concluded 1,164 purchase processes, with an awarded total value of approximately €103 million, constituting an expressive value of stimulation of the Portuguese economy. The awards following tenders launched under the Code of Public Contracts represented €64 million (approximately 63% of the awarded value).

The presented values include the Company's total purchases, with the exception of some acquisitions of Tourline for which the procurement centralisation process was initiated during this year.





2.2.2. QUALIFICATION AND SELECTION OF SUPPLIERS (QUALITY AND ENVIRONMENT)

The project of visits to suppliers, initiated in 2012, was continued with reinforcement of CTT's social responsibility policies, which establish the confirmation of the information declared by the suppliers, with particular focus on suppliers of current products of the productive cycle.

These visits to the suppliers' premises, more frequent in new contractual relations, whose primary objective focuses on the conditions of the premises and productive capacity, also constitute an opportunity to record information on the capacity and maturation of our supply chain with regard to systems on quality, environmental management, management of occupational safety and health, and respect for human rights.

The Declaration Template used in the technical specifications of consultation and procurement processes, which emphasise the Company's concerns of compliance with matters of human rights by our suppliers is part of the tender components. During 2014, CTT ensured that 152 contracts considered significant included contractual clauses on the environment and human rights.

Contracts were signed which included procedures with environmental criteria, where the objectives established by the State were surpassed (see details in the chapter on Relations with the Environment, point 3.2). In the case of transport services, e.g. the assessment criteria for proposals value the age of the vehicles, establishing minimum limits, with a view to stimulating the supply chain towards the adoption of cleaner technologies. The acquisitions and renting of vehicles also include requirements relative to energy/carbon efficiency.

OBJECTIVE 2015

MAINTENANCE OF THE ECOLOGICAL
PUBLIC PROCUREMENT TARGETS

IMPLEMENTATION OF THE SYSTEM
FOR RECORDING, ASSESSMENT
AND QUALIFICATION OF SUPPLIERS
BY 2015

SYSTEM FOR SR ASSESSMENT/
QUALIFICATION OF SUPPLIERS

AVERAGE PAYMENT PERIOD
WITHIN 60 DAYS



2.3.

Customers

2.3.1. CUSTOMER RELATIONS MANAGEMENT

The Company has approximately 8 thousand employees working on a daily basis all over the country in direct contact with customers, in counter service and delivery, ensuring the visibility of one of its key features, proximity. Furthermore, CTT provides information on its website on the characteristics of its products and services and also monthly, at its Post offices and on the Internet, about its Quality of Service performance.

The renovation of its infrastructures has been a constant concern, with a view to providing well-being to employees and customers. The modernisation of the Post Offices is the most visible side of this investment effort. The Company has invested in terms of the operations and back-office, namely in mail sorting equipment, in the renovation and expansion of the fleet, in information systems, innovation and development.

ORGANISATION MODEL FOR SALES

CTT is driven by the market in general and corporate segment in particular, offering CTT brand products, which reflect the increasingly more diversified areas of its competence, from traditional mail, financial, printing and finishing services to documental management, among others.

The Large Customer and Corporate Customer departments coordinate the commercial activity of all CTT's business segments with its key customers, in terms of volume and diversity of products consumed, in the perspective of providing an overall offer of services and product, so as to assure the sale, integration and complementarity of the different areas of activity. In particular, CTT seeks to render a one stop service both

to its 54 strategic customers, which are segmented by activity sector (banking and insurance, publishers, State, large-scale distribution, telecommunications, utilities and sales at a distance), and are responsible for approximately 44% of CTT's total sales and services rendered, and to 240 Small and Medium-Sized Enterprises (SME).

The main customers are served in a customised and permanent manner by Key Account Managers (KAM), a dedicated sales team which coordinates all the contacts and promotes the development of the business and the sharing of relevant information among all the commercial areas, supported by specialists of each business segment and back-office teams. The KAM are responsible for the offer of overall and integrated service solutions, supported by CTT's value chain and in the context of its business segments (Mail and Business Solutions, Express & Parcels service, and financial services). Their objectives are growth of the business and its profitability, increased value and retention of customer loyalty, increased cross-selling of products and solutions, enhanced efficiency and effectiveness of sales, with a relevant role in credit risk control and management.

Following the "Sector Day" initiative launched in 2013, two further meetings have been held under this theme, with the Utilities and State/Public Sector. This initiative seeks to measure customer acceptance and satisfaction relative to the services provided by CTT and to assess the potential for expansion of commercial relations with customers through hearing their concerns/recommendations.

CONTACT NETWORK

CTT has a significant impact on Portuguese society due to its presence throughout the entire country, 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 is a powerful platform of convenience offering numerous services, aimed at meeting the needs of citizens and economic agents, being an essential element of the country's social and economic development, contributing to improving the quality of life of its customers and employees, as a result of its dynamics, service driven culture and attitude of social responsibility.



BUSINESS SOLUTIONS FOR LARGE CUSTOMERS

As a response to the adverse economic environment, CTT, in line with a strategic option to enhance value for its customers, has fine-tuned its focus on the offer of transversal solutions with a view to capitalising the synergies between different CTT services and generating cost reductions throughout the value chain of its customers.

Hence, in 2014, actions were developed or consolidated among the customers with distinctive objectives:

- Promotion and stimulus of integrated solutions, namely, through digital offers, in particular, solutions which optimise and improve the addressing of databases, georeferencing services, electronic mail (ViaCTT) and customer contact management;
- Supervision and operating management of customer campaigns, with dissemination along the entire internal operating chain, in order to ensure the agreed quality and taking of measures, where necessary, and preparation of reports for customers.

Some of the transversal solutions which were offered:

DISPATCH TREATMENT SOLUTION

Treatment of all incoming mail items, including receipt, scanning, classification, indexing and electronic filing in a cloud model of the documentation, enabling the electronic access and transmission of all the documentation that arrives at the organisation, without requiring specific infrastructure

INTEGRATED MANAGEMENT SOLUTION FOR THE WATER SECTOR (EPAL)

Integration of the systems of documental production, payment channels (through physical attendance and otherwise), treatment of items returned and reading of water meters;

PROXIMITY SOLUTIONS

Variety of services rendered by CTT post offices and postal delivery offices, benefiting from their high capillarity and proximity

VIACTT

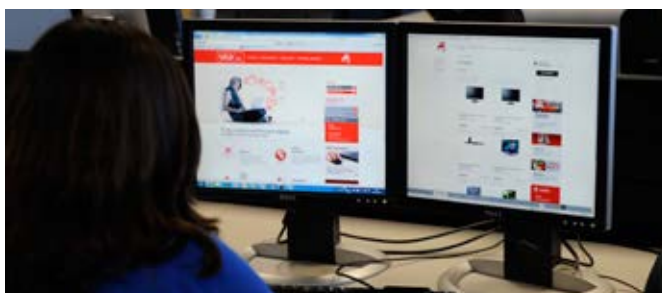
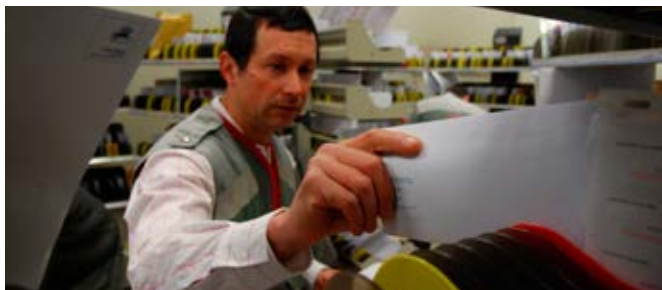
The electronic mailbox which enables the digital receipt, organisation, sharing and filing of correspondence in a secure form and at no cost



VIA CTT

This is CTT's service which enables fully dematerialised electronic communication along its entire value chain. Promotes the electronic connection between corporate senders and any receiver, whether an individual person, collective or public entities and institutions (B2C, B2B, B2X).

Launched in 2006, it reached over 1 million and 250 thousand users this year. The Public Administration, Telecommunications, Utilities and Banking sectors already use this service for sending items.



OFFER OF PRODUCTS AND SERVICES

As a modern company, attentive to the needs of its customers, CTT expands its offer of products every year, seeking to enrich its portfolio and cover all emerging market niches. The ecological aspect is one of the most important points currently covered in relations between companies and their customers, hence CTT seeks to offer the best solutions to meet the needs of its customers.

A varied range of products at competitive prices is offered to all citizens and companies throughout the country at over 2,317 locations, among which the following are noteworthy:

- **Mail products** – national and international mail, which include ordinary and priority mail (letter mail up to 2 kg); the Express Mail Service (EMS); registered mail with track and trace (a product conferring higher security, with acknowledgement of receipt and insurance included in the price, in the event of loss, damage or total spoliation); correio verde, editorial mail (service intended for publishers, involving the acceptance, treatment, transport and delivery of books, newspapers, periodical and non-periodical publications, benefiting from economic rates), sending of books to individuals at preferential rates, ordinary, priority and economic parcels, and products for the visually impaired;
- **Convenience products and services** – packaging, bags, boxes and books of stamps; mobile telephones top up; forwarding of addressed mail at the customer's request (Siga); redirection of posted items; electronic recharging of the Lisboa Viva and 7 Colinas transport tickets, virtual booking line, marketing of associative kits; CTTnet; collections, greeting cards; UNICEF products; and telegrams in chocolate (choc telegram);
- **Collector's items** – stamps, annual and theme books and collections, commemorative stamps; the collectors' club;
- **Financial services** – money orders, mail collection, payment of taxes, savings certificates, portfolio of savings and insurance products, personal credit;

- **Advertising Mail** – National and international Direct Mail, ECO Direct, Geocontact, Unaddressed Mail (Contact Mail and Infomail), ECO Unaddressed Mail, Direct Sampling, Delivery on Public Roads. Involves special means of communication and promotion of products, services and brands, allowing the customer to be reached directly and effectively through the delivery of messages, enabling the measurability of the results, communication with pre-selected target groups and inclusion of response supporting structures;

- **Digital services** – online customised services for occasional customers (meuselo and meupostal); services related to electronic certification, such as the electronic date stamp (MDDE – a service that has increased the security of electronic communications sent); ViaCTT (electronic mailbox); and geographic information services;

- **Telecommunications** – sale of mobile telecommunication equipment and services;

- **Consulting** – in this business, CTT is present in Europe, Africa and Latin America.

During 2014, the financial services achieved an exceptionally positive performance, having reached revenue above 70 million euros, corresponding to growth of around 21.4% in relation to the previous year, reinforcing CTT's positioning as a reference financial operator in the Portuguese market, and consolidating the position of financial services as the second largest business area in terms of generation of the Group's EBITDA.

The results achieved in an adverse external context, and which extends a significant period of growth in the activity and results of CTT's financial services, demonstrates the quality and sustainability of the positioning, assets, strategy and value proposition of CTT's offer in the market of financial services, in particular in terms of values of the brand, image of trust, competence of its sales force, alignment of the strategic partners and competitiveness of the offer of products and services.



Throughout 2014, simultaneously with the communication initiatives, stimulation of the traditional offer and launch of new products and services, special mention should be made of the historic peak achieved in the attraction of savings, above 5.5 thousand million euros, and the launch of a new Personal Credit offer in partnership with BNP Paribas, a bank which guides its action according to principles of transparency and responsibility, in line with the high standards required by CTT in these areas.

Special note should also be made of the opening of Citizen's Areas at CTT Post Offices, from the north to the south of the country. The pilot project started with 24 Post Offices which have already processed over 3,500 operations, with its expansion to a further 176 Post Offices being planned for next year and 100 in 2016, comprising a total of 300 Spaces. This involves personalised face-to-face attendance in which assistance is provided to citizens in accessing the State's platforms, as a way of strengthening one of CTT's principal features, proximity.



This year, Tourline launched the Dental service, exclusively for the dentistry sector with fast deliveries in Spain and Portugal and the Burofax product, designed for customers who need to certify the dispatched item and its contents.

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.

In terms of safety of mail items, CTT follows the rules defined by the UPU – Universal Postal Union which regulate or prohibit the transport, among others, of radioactive material, contagious substances, live animals, narcotics, psychotropic substances, explosives and contents of paedophilic or pornographic nature. With a view to increasing safety and participation in the fight against international terrorism, at international airports, CTT complies with the safety specifications defined by INAC (National Institute of Civil Aviation of Portugal) and other competent entities, using X-ray equipment or other screening devices for this purpose. This year, Explosive Detection equipment and a next generation Trace Portal Machine were acquired for CTT's facilities at Lisbon airport.

OBJECTIVE 2015

STUDY ON THE LAUNCH OF
SOCIAL BUSINESS SERVICES



COMMUNICATION WITH CUSTOMERS

There are various channels of entry for requests for information and/or claims, with a continued trend of replacement of traditional printed forms by easier methods. Nine letter boxes are currently available:

- informacao@ctt.pt;
- internacional@ctt.pt;
- lojavirtual@ctt.pt;
- info@viactt.pt;
- clientes@phone-ix.pt;
- portagens@ctt.pt;
- codigo.postal@ctt.pt;
- saa@payshop.pt;
- ems@cttexpresso.pt;
- recolhas@cttexpresso.pt.

and six telephone lines (CTT 707 26 26 26; ViaCTT, Phone-ix; Toll-card, HelpDesk Payshop), as well as the Nave system, where the claim is submitted face-to-face at CTT Post Offices. The trend to use mediation entities by customer has maintained, namely CTT's Customer Ombudsman (provedoria@ctt.pt). Since 2010, these attendance channels have been awarded 7 distinctions, confirming that CTT is in the front line in the implementation of the best contact solutions.

This year the different channels received over 1.3 million telephone calls, with an average attendance rate of 87%. Approximately 363 thousand contacts were made through the email channel, where the average response time is less than 24 hours. Electronic mail already represents 38% of the total contacts, demonstrating its growing expression.

NUMBER OF CONTACTS	2013	2014	Variação %
Email channel	222 969	503 483	49%
Telephone channel	579 103	1 332 089	8%

Table 7 – Contacts by customers



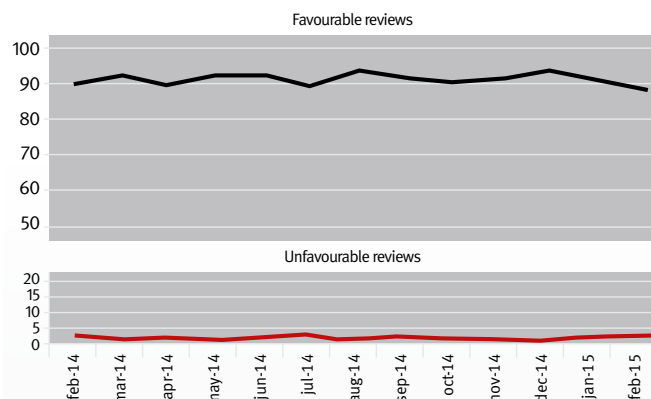


Figure 2 – Opinion on counter service

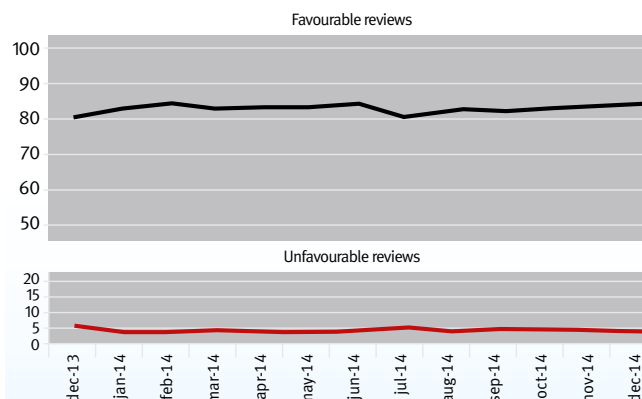


Figure 3 – Opinion on delivery



2.3.2. CUSTOMER SATISFACTION

During a year when CTT's privatisation process was completed, efforts were pursued in simplifying and streamlining costs, which constrained the volume of available human and material resources, with potential incidence on service levels. Notwithstanding the above, CTT continued to present extremely high levels of operating performance during 2014, with the OQSI (Overall Quality of Service Index) standing at 236.5 points, compared to an objective of 100, and the performance recorded by the agreed variables all being situated above the established targets.

Referring only to the most relevant products, the delivery period for ordinary mail, with 97.6% of deliveries within 3 days, surpassed the target of 96.3%, while priority mail (mainland) surpassed the delivery standard of 94.5% of sent mail on the following day, with 95.3%. International mail, with 90.8% of deliveries within 3 days, also surpassed the targets defined by the EU Postal Directive for the postal sector.

This operating performance has been reflected in positive perceptions of Quality of Service by the customers. The customers' opinion, expressed through satisfaction surveys, indicates that 91.7% of customers consider that the quality of the counter service is good or very good, and 83.8% feel the same way about deliveries. The favourable perception about the delivery periods of letter mail, with 8.3% or less discontent, remains high, and this is also the case of the opinion on queue waiting time.



During 2014, CTT maintained the recognition of its retail network and postal delivery offices at the Committed to Excellence level, under the European Excellence Model of the EFQM (European Foundation for Quality Management). It should be recalled that CTT was the first European postal operator to achieve this recognition.

In 2014, the Management Systems maintained the existing certifications concerning Quality (ISO 9001:2008), Environment (ISO 14001:2004) and Safety (OHSAS 18001:2007), in CTT's mail sorting centres, including certification of the IPC - International Post Corporation, at the Offices of Exchange of Lisbon and Porto and in all its subsidiaries. The level of the perimeter of coverage of the certification of the Quality Indicator Systems (ISO 9001: 2008) was extended so that, in addition to the Quality of Service Indices relative to National Mail, the certification now also includes Indices relative to Parcels, Newspapers and Periodicals and Waiting Queues.

The focus on the certification of services, as an ideal tool for the management of customer relations, was reinforced in 2014, by the end of the year reaching all the Delivery (CDP) and Counter Service operational units (CTT Post Offices, Partner Shops, Mobile Post Offices and External Postal Counters, the last ones for the first time). The Certification of Services at Postal Agencies started in 2014, with an initial batch of 25 units.

The Mystery Client studies carried out regularly to the organisational world covered by the certification of services evaluate aspects such as the quality of the infrastructures, presentation and attitude of the staff and counter service and delivery service level. The overall results were favourable in around 92% of cases in postal delivery offices and over 99% in post offices.

In addition to these, a further three separate studies were carried out for assessment of satisfaction in relation to the current portfolio of services/products among Large Customers, Corporate Customers and Customers of the Retail Network. The obtained results were situated between 7.6 and 7.9, on a scale of 1 to 10. CTT Expresso also conducted an opinion survey whose result was 4.06 on a scale of 1 to 5.

OBJECTIVE 2015

MAINTENANCE OF THE FULL
CERTIFICATION OF THE ENTIRE
RETAIL AND DELIVERY NETWORK

CERTIFICATION OF A FURTHER
75 POSTAL AGENCIES (AMOUNTING
TO 100 UNITS)

MAINTENANCE OF THE
CERTIFICATION OF QUALITY
OF SERVICE INDICATORS

IMPROVEMENT OF CTT'S
QS INTERNATIONAL
RANKING POSITION

SURPASS THE QUALITY TARGETS
AGREED WITH ANACOM
(100 POINTS)

MAINTENANCE OF THE AVERAGE
TIMES OF RESPONSE TO CLAIMS



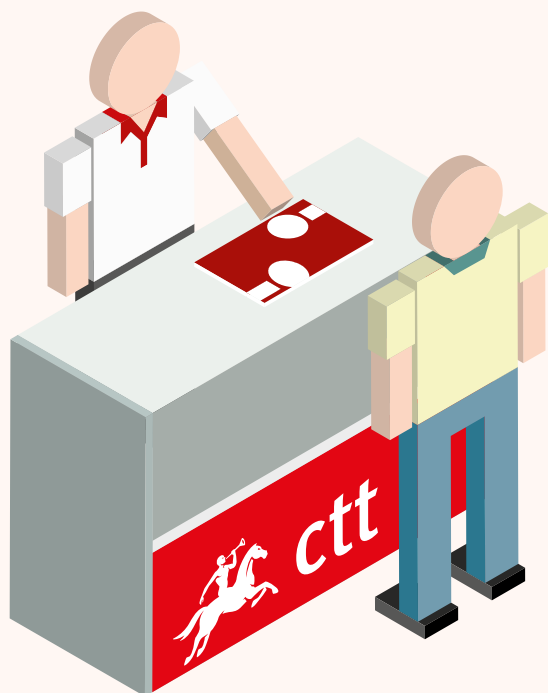
CLAIMS

The processes relative to information requests and claims from customers constitute an enlightening form of detection of anomalies observed throughout the operating cycle of the products and services comprising CTT's portfolio. For this reason, the primary objective of the customer support area is the identification of recurrent situations, seeking to involve the entire organisation in the search for solutions which enable eliminating these occurrences and thus pursue the path of consolidation and simplification of processes.

NATIONAL	2013	2014	Δ%14/13
Claims and information requests entered	51 384	81 205	58%
Claims and information requests answered	51 697	81 289	57%
Compensation (number of items)	1 620	1 785	10%
Compensation (number of items)	31 929	37 574	18%
INTERNATIONAL			
Claims and information requests entered	46 981	63 024	34%
Claims and information requests answered	46 332	62 326	35%
Compensation (number of items)	8 565	8 800	3%
Compensation (number of items)	372 267	403 162	8%

Note: Includes only claims and information requests relative to the universal service

Table 8 – Volume of entry of claims/requests for information and compensation





In the national service, the volume of claims and requests for information received increased by 58% accompanied by a 10% increase in the number and 18% increase in the value of the compensations. However, an examination of the final motives associated to these processes indicates that in 60% of the cases there was no anomaly in the provision of the service.

The international service recorded 34% growth, which is largely explained by anomalies in the destination operators (customs clearance delays, defective screening of items, at final destinations), with the most problematic being Brazil, the United Kingdom, France and USA, which represent over 60% of the total claims received. For inbound mail, the countries with greatest incidence of claims are China, Singapore, Switzerland and Hong Kong.

With the very significant growth of mail volumes related to purchases and sales by Internet, in particular originating from China, Singapore and Hong Kong and with Brazilian destination, in 2014, CTT implemented a series of measures aimed at improving the sorting times of items entering into Portugal and subject to customs control.

Items that have gone astray, delays and occasional anomalies in delivery, figure as the main causes of customer claims, with no claims having been received which might be associated to breach of customer privacy, namely the unlawful interception of letter mail. Regarding other anomalies which are classified as defective compliance with the product or service specifications, there were 23 and 8 claims, respectively at a national and international level, which point to cases of non-disclosure of information.

The value of compensations in the subsidiaries reflects a significant increase because this year it also includes amounts paid relative to courier products sent to Spain, as a result of the start-up of the Iberian portfolio operation. The most frequent claims are associated to the tracing of items or delay in the execution of the service.

In the national service, the accumulated average response time for cases answered at CTT SA fell from 7 days to 4 days. In the international service, the average response time remained at 34 days, which is directly associated to the delay in answering investigations forwarded by CTT, on the part of various foreign destination operators.

NUMBER	2013	2014	Δ 14/13
Claims and information requests	45 242	44 381	-1.9%
Compensation (euros)	242 469	341 214	40.7%

Table 9 – Volume of claims and compensation of subsidiaries ¹

¹ Excluding Tourline and Corre



UNDER THIS CONCESSION CONTRACT, THE REGULATOR MONITORS CTT ON A REGULAR BASIS THROUGH THE FOLLOWING TWO TYPES OF AUDIT:

Audit of the quality of service indicators and information request system of CTT to verify the reliability of the results and adequacy of the methodology for determining the Quality of Service levels. The audit results for 2011 indicate the conformity of the Quality of Service indicators determined by CTT, with work having been developed in terms of control actions on the quality levels offered by CTT during 2012 and 2013.

Audit of CTT's analytical 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. The statement issued on the audit to the results of the analytical accounting system relative to 2010 indicates that the results were produced in accordance with the applicable legal and regulatory provisions. In this context, work was also developed in the area of audits to the results for 2011 and 2012.

2.4.

Regulatory and supervisory entities

With the liberalisation of the Portuguese postal market in 2012, through the new Postal Law (Law number 17/2012, of 26 April), which transposes Directive number 2008/6/EC to the national legal system, the legal framework applicable to the sector is directed to an environment of free competition.

At a national level there are two entities regulating the markets in the postal sector: the national competition authority (Competition Authority), whose primary objective is to assure compliance with the rules of market competition; and the national regulatory authority (National Communications Authority – ICP - ANACOM), which performs regulatory duties in the communications sector.

ICP - ANACOM is responsible for the regulation and supervision of the mail sector, watching over the application of and monitoring compliance with the laws and regulations of the sector and terms of the rights to carry out the activity or concession contract, by the postal service operators.

Regarding the concession of the Universal Postal Service, entrusted to CTT through the contract signed with the State, ICP – ANACOM is responsible for ensuring compliance with the obligations corresponding to the services under concession.

As a listed company on the Portuguese stock exchange, CTT's activity is also monitored by the Portuguese Securities Market Commission (CMVM). In addition to supervising all issuers of securities, as is the case of CTT, the CMVM is responsible for supervising compliance with market rules and detecting illicit acts, namely in stock market trading, applying

finances or other penalties whenever the established obligations are not met. An important part of the CMVM's activity also consists of the dissemination of privileged information, which includes the press releases on the Company's quarterly, six-monthly and annual results, and other details (qualifying holdings, transactions of directors, etc.) through its website.

In compliance with the supplementary legislation, rules and standards, in 2014, CTT issued and published on CMVM's website and on its own (www.ctt.pt), a total of 74 press releases, where 27 were privileged information (results, General Meeting call notices, clarifications to the market, etc.), 32 referred to qualifying holdings in CTT and 6 to transactions of directors.

The relations between CTT and the CMVM are assured by the Department of Investor Relations which, in coordination with the Company's management bodies and internal structures, provides clear and transparent information in a due time which enables knowing the evolution of CTT's reality, in economic, financial and corporate governance terms.



2.5.

Society (social responsibility)

Due to its experience consolidated over numerous years, its position of leadership in the market and the nature of the service rendered, characterised by daily and ongoing presence all over the country, the CTT brand is seen as an unquestionable symbol of trust.

This positioning and reputation necessarily imply that, in institutional terms, its activity is permanently aligned with principles of efficiency, proximity and modernity, with a view to the continuous strengthening of the brand image.

ACCESSIBILITY

As a 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 mail).

With over 129 thousand customers/day at CTT Post Offices and a daily average of more than one mail 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 national territory.

At the end of 2014, CTT's counter service network was composed of 2,317 access points, covering 623 CTT Post Offices and 1,694 postal agencies, which assure the availability and accessibility of the counter service, strongly representing a convenient and multi-service platform. Complementing this, the network also had 2,764 stamp sales points and 35 points of sale offering the toll collection service. By the end of 2014, 10,516 letter boxes for the deposit of letter mail were available.

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

This reality generates conflict between the maintenance of the Company's economic sustainability and its action of social responsibility towards the surrounding community, with the inherent costs. For this reason, CTT has progressively adjusted its existing offer to postal demand and innovated in terms of the services/products provided, in order to assure the Company's sustainability, always keeping in mind that its counter service network should be appropriate to the population's needs and volume of mail.

The network density objectives associated to the points where services are provided under concession, the case of CTT Post Offices and Postal Agencies, are defined in accordance with the following criteria: a) density of the postal establishments, defined as the number of inhabitants per postal establishment; b) maximum distance of accessibility to the service, expressed in metres travelled by the resident population to reach the closest postal establishment, taking into account the urban or rural nature of the covered zones. The attainment of the defined objectives reinforces the maintenance of a network of proximity and convenience with our customers and the population in general.

The network has been resized over the past few years based on these criteria, giving priority to Parish Councils as partners, due to their re-





lations of proximity with the population. Any alteration is analysed internally, based on information gathered onsite by internal and external agents, so as to assure the satisfaction of the population. In this context, in 2014, a new Post Office was created and a mobile post office was eliminated, 35 Postal Agencies were created and 169 eliminated, of which 130 showed low mail volumes and an occupation of less than 10 minutes per day. None of these changes implied any alteration in terms of the quality of the postal coverage.

The Company is concerned to assure the constant modernisation of its network, the offer of quality services and compliance with the defined service levels, in a sustained and regular manner, in conformity with the social nature inherent to the role performed by CTT. In European terms and based on the available data, CTT continues to show a good level of penetration of the postal services, with its postal coverage recording a density higher than the European Community average.

INHABITANTS PER POSTAL ESTABLISHMENT					
	2010	2011	2012	2013	2014
UE Average	4 928	4 919	4 967	4 766	n.d
Portugal	3 663	4 139	4 106	4 277	4 508

KM² PER POSTAL ESTABLISHMENT					
	2010	2011	2012	2013	2014
UE Average	43	43	43	41	n.d.
Portugal	32	36	36	38	40

Table 10 – Postal density and coverage

Source: UPU

Note: Considering fixed postal establishments; Provisional values for the EU average 2013

In terms of accessibility by disabled individuals, the Company continues to pursue modernisation and renovation work, having built a further 11 access ramps at CTT Post Offices, of the value of 52.2 thousand euros.



Figure 4 – Network of Post Offices and Agencies



Figure 5 – Network of Postal Delivery Offices



CTT DELIVERED OVER 1,500 TONNES OF DONATIONS, COVERING MORE THAN 195 THOUSAND VULNERABLE FAMILIES .

If you wish to participate, it's simple!

Just go to a CTT Post Office on mainland Portugal or the Islands and request for an information pamphlet to learn about what each institution needs. Then, ask for a solidarity package given free of charge by CTT, deposit your donation inside and hand it over at the counter. You can contribute with food, clothing, hygiene articles, educational and IT material. Leave the rest to CTT which will assure the delivery of your donation to the receiver. And someone, somewhere, will be very grateful!

COMMUNITIES

The social and environmental patronage policy has given priority to the issues of poverty and social exclusion, culture, language, sports for the disabled, health, solidarity and innovation. CTT supports over twenty social welfare initiatives and helps groups that are vulnerable or at risk,

through a total investment of 535 thousand euros. Some of these initiatives of social and environmental investments accomplished during this year are highlighted below:

The Combat Poverty and Social Exclusion

Project, of national scope and launched in 1998, continues to be one of CTT's flagship projects. In 2014, there were 25 protocolled institutions which, once again, received thousands of parcels free of charge. In this context, five programmes for collection of goods were fostered (PLCPES, Baby Bank, Food Bank – Paper for Food, Re-use Movement and Solidarity Father Christmas) and 17 solidarity campaigns which raised food, books, clothing, educational and sports material, toys and other goods, delivered to 83 Private Social Solidarity Institutions, involving a total of 31 thousand solidarity parcels.



In the context of SOLIDARITY, CTT continued the corporate citizenship protocol with CAIS for the development of the Shelter Project and supported Attitude – Associação de Solidariedade Social (Social Solidarity

Association) and the 8th Call To Action seminar. We sold 25,452 Magic Glow-Worms at CTT Post Offices for the 9th consecutive year to support the work of Fenaceri, and the Xi-Heart mascot to raise funds for the Rui Osório de Castro Foundation and awareness to children's cancer.



We promoted SOCIAL INTEGRATION, through the offer of free postage or other donations to the Casa dos Rapazes (Boys' Home), Salvador Association, Aboim Ascensão Shelter, Association Research and Development of Human Rights and Exist Association. CTT has joined the EPIS Project (Business Persons for Social Inclusion). For the 9th consecutive year, a collection was organised among CTT workers of donations (books, clothing, toys, hygiene articles and school material), under the "Adding Up to Divide" programme, which achieved

around 4 tonnes, delivered to 20 institutions, amounting to a total of over 60 tonnes since its launch.



We organised a Solidarity Father Christmas action for the 7th consecutive year, having attracted "sponsors" for children in socially deprived situations. We received 1,821 letters of children who had written to Father Christmas. These letters were available at CTT Post Offices, on Facebook and on CTT's website, giving any person of the pop-





Concerning the encouragement of **WRITING**, CTT launched the international competition of the Universal Postal Union “The Best Letter” among young people who are resident in Portugal. The theme was “Write a letter explaining how music influences life”. The three final prizes are awarded by this UN body.

We received 827 letters from young people aged between 9 and 15 years old.



ulation the opportunity to fulfil the desire of a child. We forwarded approximately 1,490 presents free of charge, safeguarding the anonymity of the sponsor and child. In addition to this specific initiative, every year CTT answers thousands of children’s letters addressed to Father Christmas (161 thousand this year).

In the context of HEALTH AND SPORTS PATRONAGE we sponsored the competitions of Motor Disabled Persons in wheelchairs and the Woman’s Race 2014, we



supported the Food Bank Against Hunger in the collection and transport of goods, the Portuguese Association Against Leukaemia and the Portuguese Oncology Institute.

For the preservation of the ENVIRONMENT AND BIODIVERSITY, we sponsored the GreenFest 2014, the Iberian Ichthyology Days, the Green Day (European Mobility Week), we renewed our sponsorship of a Cheetah at the Zoo, and in partnership with Quercus we sold trees in cardboard boxes for the planting of fire-resistant woods, we produced 3.0 million stamps and a thematic book published in 4 thousand copies.

Regarding ASSISTANCE FOR DEVELOPMENT, we donated books to HELPO, clothing to the Kanimambo Mission and supported the creation of libraries in PALOP countries (Portuguese-Speaking African Countries) in partnership with AIDGLOBAL.

We continued to encourage VOLUNTARY WORK, with the organisation of eleven initiatives, involving over 100 volunteers and 800 hours. During this last year, the Pool of Volunteers grew by 9% in relation to the previous year, having reached more than 550 employees, representing 5% of CTT’s permanent staff. 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. The Company is planning to change the status and increase this time.

We celebrated World Biodiversity Day in partnership with the NGO Biodiversity4All through the observation and recording of amphibians, the organisation of a lecture and internal competitions, and we visited the Boquilobo Reserve to prune and clear the cork oak area with the ICNF – Instituto de Conservação da Natureza e das Florestas



(Nature and Forest Conservation Institute).

The remaining voluntary work initiatives, of social nature, included logistic support to the Food Bank, the invitation and accompanying of institutionalised children and young people to CTT’s Lisbon and Porto Christmas Circuses, triage operations for “Adding Up to Divide” and collaboration with the Portuguese Cardiology Foundation.



OBJECTIVE 2015

ACCOMPLISHMENT OF 10
VOLUNTARY WORK ACTIONS

ESTABLISHMENT OF PROTOCOLLED
SR PARTNERSHIPS

MAINTENANCE AND
STRENGTHENING OF THE
LONG-TERM VOLUNTARY WORK
EXPERIMENT

200 POST OFFICES WITH CITIZEN’S
AREAS IN 2015 AND 300 IN 2016



2.6.

Human capital

CTT's human resources management model continues directed toward deepening a corporate culture which fosters employee motivation and involvement as well as being results driven.

In 2014, the Human Resources Management was guided by the following priorities: maintenance of a good social environment; continuous investment in training and qualification; optimisation and adjustment of the employees, taking into account the need to respond to the market evolution and challenges faced by CTT.

2.6.1. CHARACTERISATION OF HUMAN ASSETS

At CTT SA, the high number of employees who left (1,052 against 851 recruited) during this year was reflected in a reduction of the number of employees (permanent and fixed term staff), with a turnover rate of 9.9% (6.8% for men and 3.1% for women). Of the permanent employees, 86 left due to retirement, 66 due to termination of contract and 20 deceased.

Counting merely the overall number of new contracts, the respective rate is 8.1% (5.4 % for men and 2.7% for women), including permanent and fixed term staff. The vast majority of the employees (98.4 %) are employed full-time. Of the total women, 2.7% work part-time and the corresponding value for men is 1%.

The average age is 46.2 years old at CTT SA and 45.1 years old at CTT. The age bracket of 30 to 50 years old is the most representative, both for women and men, albeit with greater incidence for men. The men correspond to 66.6% and the women to 33.4% of the Company's total employees.

² Does not include Corre

	2013	2014
CTT SA	10 753	10 565
Subsidiaries	1 630	1 555
CTT Gest	22	22
CTT Expresso	617	635
CORRE	82	77
Mailtec	273	255
PayShop	29	27
PostContacto	46	46
Tourline	471	493
TOTAL CTT	12 383	12 120

Table 11 – CTT Staff

As a result of the recent changes at CTT ², the permanent staff with qualifications below the 9th year has fallen from 15.2% to 14.6%, while the percentage with 12th year and higher education has risen from 56.1% to 57.1%.

2.6.2. LABOUR, RECRUITMENT AND SELECTION PRACTICES

This year, the total absence rate was 6.3% at CTT SA (0.5 p.p. lower than in the previous year) and 6.1% at CTT. The following motives contributed most strongly to the first figure: sickness (3.4%); accidents (1.1%);



union activity (0.5%); parental leave (0.5%). It should be noted that the absence, excluding parental leave, compassionate leave and leave related to student status, stood at 5.6%.

Concerning work vacancies, CTT continued to foster opportunities aimed at young people seeking their first job and the long term unemployed. The use of CTT's website was the preferred source of job applications, with 1,595 fixed-term contracts and 1,208 temporary work contracts having been concluded or renewed.

The collaboration with reference schools was continued, with the conclusion of 11 internship agreements for young graduates and holders of Master's degrees under the "Movimento para Emprego" (Employment Promotion) programme. Five professional internship programmes and five traineeships were also carried out.

2.6.3. INTEGRATED MANAGEMENT OF HUMAN CAPITAL

Mobility and flexibility has been encouraged within CTT, through personnel assignment, especially senior managerial staff, in Portugal and abroad. Dissemination was made of 331 mobility and progression opportunity, of which 11 were at an international level, having raised 1,549 applications, with 63 being for international bodies.

OBJECTIVE 2015

REDUCTION OF OVERALL
ABSENTEEISM TO 6%

In the context of mobility, the processes of optimisation of human resources were continued, with the Company having contacted approximately 96 employees and resulted in 16 relocations, 4 suspensions of employment contract and 54 agreements of termination of employment by mutual consent (40 at CTT SA and 14 in the subsidiaries).

ASSESSMENT OF PERFORMANCE

The performance assessment process is carried out every year and covers all the employees. The summing up of the activity conducted, through the assessment of the competence and contributions of individuals and teams to the results, involves the appraisal and recognition of the accomplished performance and identification of strengths and areas for improvement. The process includes a conversation between the senior staff and the employee for information on the respective evaluation, analysis of strengths and areas for improvement, favouring the identification of training and development needs aimed at the continuous improvement of the performance of the employee's duties.

With a view to strengthening the policies on human resources, the process was reviewed and a new performance management system designed, including behaviour associated to the Company's values and objectives defined for all the employees, taking into account the different functional groups. The new system will be implemented in 2015, with the definition and communication of the desired objectives and behaviour for 2015, functioning as a benchmark for subsequent evaluation of the corresponding outcomes. The underlying idea of this new system is to reinforce the alignment between the business and performance management cycles, the consolidation of the corporate culture and the differentiation and recognition of contributions.



CTT's 8,151 training actions (+2% than in 2013) had 52,190 participations (-1%) and generated a volume of 263,828 training hours (+18%). In turn, the training rate (training hours/work hours) stood at 1.2% (+0.2 p.p.) and covered 97% of the employees, with an average of 22 hours.

REMUNERATION

CTT's change to a Public Company this year implies that the measures and guidelines on remunerative reduction and barring of wage increases or progression are no longer applicable. Thus, the career progression in the Company Agreement was resumed, covering over 1,600 employees.

The updating of remuneration policy involved functional classification and retribution diagnosis work, in a perspective of external competitiveness and internal equity, based on which remuneration policy principles and benchmarks were established, namely for positions of senior management and other high ranking staff in the structure. Work is underway towards the progressive introduction of a variable component in retribution, which takes into consideration the results of the Company, its teams and people.

REPRESENTATION OF THE EMPLOYEES

The employees' communication with the management is assured through various representation bodies. The Workers Committee (CT) and 80 Workers Sub-committees (SCT) 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.

The structures of collective representation of workers (ERCT) intervene in the optimisation of working conditions and in the conclusion and review of collective labour agreements.

On 14 August 2014, CTT gave notice of the termination of the Company Agreement of 2013, with the submission of a proposal for a new Company Agreement. This new proposal seeks to obtain a framework which enables a more efficient Human Resources Management, especially with respect to the following matters: geographic mobility of the employees, duration and flexibility of working hours, adjustment of the retribution structure and professional framework. The bargaining process began in October, and was only concluded in 2015.

As at 31 December 2014, 100% of all the employees were covered by the collective labour agreement, and 85.4% of the employees (permanent and fixed-term) are union members.

The rate of absenteeism due to strike action (0.04%) is historically low, and lower than that of the previous year by 0.4 percentage points.

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.



TRAINING

One of the priorities of the Human Resources Management in 2014 consisted of continuous investment in training and qualification. The most significant investment was on the preparation of managers for the operationalisation of the Company's transformation plan. The strategic alignment was promoted by the CTT Convention and management skills by attendance of post-graduations at AESE and INDEG/ISCTE, of the General Management Course at Nova SBE (School of Business & Economics) and the course of Management for Operating Senior Staff.



In the development of this training activity, the following are noteworthy:

- **Actions which involved all the teams of the Retail Network**, aimed at promoting excellent counter service and assuring efficiency in the sale of products and services under the new partnerships;
- **Promotion of know-how on Quality of Service and the logistic** workflow of mail operations, through the “Quality in Operations” course, attended by 2,085 employees;
- **Specialised technical training on critical issues for the Company’s transformation and business development:** information systems, digital marketing, retail management, risk management, audits, IFRS (international financial reporting standards), asset management, facilities management, logistics, legal framework of the transport activity and energy efficiency, Human Resources Management, among others.

The distribution of training hours by category and gender show a greater concentration of the upper management staff and higher average hours, in general terms, for women in the categories as a whole.



Regarding the training programmes, the following are particularly interesting due to their impact:

POST-GRADUATION PROGRAMMES

10 post-graduations in the area of advanced training in Management, Information Systems, Social Service and Law (80 directors, 144 hours)

WORKER-STUDENTS

Approximately 9,000 hours of exemption to attend classes

MANAGEMENT AND LEADERSHIP, GLOBAL MANAGEMENT CHALLENGE

Involved 32 employees

DIGITAL MARKETING AND E-COMMERCE, MANAGEMENT OF QUALITY AND CERTIFICATION;

COMMITTED TO EXCELLENCE, TRAINING PROGRAMME AND BOOSTING OF SALES OF THE CTT OFFER

Encouragement of employees towards the continuous improvement of their training activity

LANGUAGE TRAINING

English and Spanish

CONTINUOUS TRAINING OF DELIVERY POSTMEN AND WOMEN

EQUIPMENT DRIVING AND OPERATION PROGRAMME

Creation of a new “Driver’s Kit” programme, taught through e-learning and onsite, with the following modules: “Work Times, Tachographs and Vehicle Credentials” and “Highway Code and Road Accident Prevention”; Eco-defensive driving (121 drivers of heavy and light vehicles and motorcycles);

OCCUPATIONAL HEALTH AND SAFETY

(completion of the certification of the team of Senior Technicians of Occupational Safety and Hygiene, training in basic life support and evacuation training for RPI (persons in charge of first aid, fire-fighting and staff evacuation) of the CTT building, safety in load movement (manual and mechanic) and health and safe for the employees in general. Particular note should also be made of the training of the EPA’s employees in Safety in Civil Aviation and INAC’s certification of the course on acceptance and handling of hazardous goods for air transport, which was followed by the creation and dissemination of two pilot actions by b-learning;

DISTANCE TRAINING

Higher number of participations (6,132) and volume of hours (41,412) than in the previous year. New courses: certification of services, prevention of money laundering and terrorism financing, Training kit for Specialised Managers and “Driver’s Kit”. This form of organisation represented 17% of the total volume of training (+40% than in 2013).



With regards to the thematic areas, emphasis was placed on Products and Services (50,972 hours), Management and Economics (45,015), Insertion in the Company (35,661) and Quality (23,899).

With a view to assuring the quality of the service provided to all the customers, both by the Company's own employees or those under outsourcing regimes, 27 training courses were organised which involved 1,303 participants of external entities.

CAREER DEVELOPMENT

The Company Agreement establishes the objective and professional content for each qualification level and professional category. It also defines the principles for career progression and evolution, 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.

OBJECTIVE 2015

INCREASE THE TRAINING EFFORT
RATE TO 1.3%

TRAINING OF 220 DRIVERS IN
ECO-EFFICIENT DRIVING (2016)

ATTRACTION AND RETENTION

CTT has pursued action aimed at ensuring its staff includes people with suitable skills and high motivation levels, capable of accompanying the requirements of innovation and evolution of the business. 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, middle and senior personnel.

Under the continuous development of the skills of its staff, a programme was operationalised for the identification and development of potential and talents. The programme covered a group of 100 middle and senior personnel, among those recruited in the last few years, assuring diversity and representation of CTT's different companies. It was built around the idea of "a journey through talent" in four seasons and thus, in its various stages, the participants underwent a path of assessment and self-knowledge, involving feedback and the preparation of a personal development plan and teamwork, to meet a business challenge given to them with a total of five themes. The programme promoted their participation in workshops and transversal debate, thus involving employees and senior staff, increasing the employees' visibility in the organisation and enabling the learning and consolidation of skills.

The work was conducted with a view to the development of CTT's value proposition as an employer, in line with its brand, values and strategic positioning, based on which various internal and external initiatives will be developed in 2015 for the affirmation and strengthening of the CTT brand as a reference employer, constituting an essential instrument for the attraction and retention of talent.



FRINGE BENEFITS

Health benefits are assured to permanent staff while employed on a full-time or part-time basis, pre-retired and retired employees and their family under certain conditions, provided that they are members of the scheme. Employees of CTT's subsidiaries benefit, as a rule, from health insurance which enables coverage of their household members.

The Company covers 80% of health care costs relative to outpatient assistance, 90% of private hospital services and 100% in special cases (support to maternity and infant care). The beneficiary pays a maximum contribution of 25% for medicinal products in the case of Caixa Geral de Aposentações and 60% in the case of the National Health Service.

As at 31 December 2014, CTT's Social Work Institute (IOS) had 44,612 beneficiaries, of which 21,884 were employees (10,279 active and 11,605 retired), and 22,728 family members (15,418 of active employees and 7,310 of retired employees). The total number of health service acts surpassed 1.4 million, rendered by 6,300 service providers and attendance points of the 59 different specialities offered.

On 15 September, the Company initiated a process of negotiation with the structures of collective representation of workers (ERCT) - Workers Committee and Unions - aimed at changing the social works regulations with respect to health and social benefits. These changes seek to maintain a high but balanced level of protection, rationalising the use of benefits and assuring the long-term sustainability of the health plan for current and future beneficiaries.

As of 1 January 2015, the management of CTT's health plan, formerly managed by PTACS, was transferred to Médis, following a tender for a short-list of four reference entities. The transition to Médis assures the continuity of the entire health care in a manner analogous to those previously in force.

SOCIAL ACTION

The fundamental objective of the measures of intervention among the beneficiaries involved diagnosis, prevention of situations of socio-economic destitution, dysfunction or vulnerability, their subsequent identification and taking of measures/response, in order to address the identified gaps and promote autonomy and capacity-building. These actions were essentially aimed at the most fragile beneficiaries - the elderly, children and youth with disabilities and/or chronic diseases.

The activity developed was reflected in 8,477 incidences, arising from the follow-up of 1,063 beneficiaries, implying the attribution of total economic support of 20 thousand euros.

Note should be made of the follow-up of 401 new cases, while 662 have already been monitored over a number of years. The elderly represent the area which, recurrently, presents the highest number of requests, both in terms of frequency of use of the services, and regarding the attribution of economic support, directed essentially as supplements for the payment of homes and/or internment at health institutions.

Particular attention was also given to the follow-up provided to children and young people, with chronic diseases or severe disabilities. The support involved the attribution of supplementary benefits to families and economic assistance for acquisition of equipment to foster inclusion and improved quality of life.



CTT's Social Work dates back to 1947, with its purpose being the protection of the beneficiaries in the areas of health care (prevention, treatment and recovery in cases of sickness), benefits for family expenses for subscribers of Caixa Geral de Aposentações (CGA), attributing child and youth benefit, as well as other benefits.



OCCUPATIONAL HEALTH

In the area of Occupational Health, we highlight the start-up of activity, in January, of a new service provider, Interprev. During this period, 8,402 employees were called in and 6,188 medical tests conducted. This activity incurred a direct cost of 391.8 thousand euros.

PREVENTION AND SAFETY

During a year of internalisation of the Occupational Safety services, there were 268 interventions to assess working and risk conditions in CTT establishments, performed by company employees.

Three newsletters were disseminated and the actions of awareness-raising on occupational safety, accident prevention and ergonomics were continued at the Postal Delivery Offices, Post Offices, Production and Logistics Centres (CPL) and central services.

There were 955 work-related accidents and incidents ³, 5.2% more than in 2013. Of these, 23.5% involved female employees and 76.5% involved male employees, with the subsidiaries having contributed significantly to this increase, since CTT SA only records (838) eight more accidents than in the previous year. In spite of the above, there was a 9% reduction in the total number of days lost (total of 25,256) due to Absolute Temporary Incapacity.

As in the case of accidents ⁴, the total number of days lost of women (5,604 days) is lower than for men, representing 22% of the total. In turn, the total rate of days lost stands at 259.3 (GRI standard). The average days lost due to accidents is lower than in 2013 (28 compared to 31), reflecting a lower degree of severity. In the opposite direction, the incidence rate (79) was higher, i.e. there were 79 accidents for every 1,000 employees (2 more than in 2013). There was one road accident in itinere, with third party liability and fatal consequences. The subsidiaries recorded 117 accidents, 76 injuries of various types and 1,721 days lost.

In overall terms, the reasons which most contributed to the occurrence of accidents were road accidents (40%), strains and knocks against objects (both with 10%, each), false movements (8%) and slipping/sliding (4.4%). The occurrence of accidents/lesion (667) with absolute temporary incapacity reflects a standard rate of incidence of lesions of 6.85, corresponding to 0.34 p.p. more than in 2013, with a rate of lesions for men of 7.7.

The National Centre of Prevention Against Professional Risks qualified 8 occupational diseases of muscular-skeletal nature, for employees working in counter service and delivery, corresponding to 11.7% of the total diseases qualified up to date, reflected in a rate of 0.09 and 369 days lost.

In order to reduce the rate of work and road related accidents and focus the team on the issue, monthly updates continue to be made to the “table

	NR. OF ACCIDENTS	NR. OF INJURIES	INJURY RATE	NR. OF DAYS LOST	RATE OF DAYS LOST
Female	224	163	5,11	5 604	17.8
Male	731	504	7,69	19 652	300.0
Total	955	667	6.85	25 256	259.3

Table 12 – Accidents and injuries at CTT ⁵

³ Incidents are minor lesions, which are not severe and do not cause absence from work

⁴ Excluding data of Corre and Tourline

⁵ Excluding data of Corre and Tourline



on accidents” for the operating areas, with a counter of the number of days without occupational accidents.

The questionnaire sent with the November payslips enabled an annual inquiry made to the employees in general, on Occupational Health and Safety, relative to prevention and safety measures, assessment of working conditions, training and information, and other related matters. The results indicate a reasonably high level of satisfaction, with the classifications of good and very good reaching 80%. The respondents highlighted the training and information on matters of prevention and safety, conveyed in the newsletters, and the safety measures implemented by the Company.

Under the Human Resources Optimisation project, 174 employees subscribing to CGA absent due to claimed sickness were inspected by a medical panel of CTT. Throughout the year, medical check-ups were also maintained for employees of the general social security system who were absent due to sickness (172 employees), either using Social Security services or Medempresa, contracted by CTT for this purpose.

Under its Social Service, the Company intervenes to provide immediate support and follow-up to employees following burglaries in which they are victims of violence by third parties. In 2014, support was given to 25 employees of the Retail and Delivery Network, who were victims of burglaries perpetrated inside or outside CTT facilities (Post Offices and Delivery Operational Units). CTT's network of social workers operates with the victims in the diagnosis of their psychological and emotional state. Whenever deemed appropriate, the victims are referred to a specialist (psychologist, psychiatrist or other).

2.6.4. SOCIAL REPORTING AND DIVERSITY

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 labour legislation.

OBJECTIVE 2015

INCREASED LEVEL OF
SATISFACTION WITH WORKING
CONDITIONS

MAINTENANCE OF 0 FATAL
ACCIDENTS (OWN LIABILITY)

5% REDUCTION IN THE NUMBER
OF DAYS LOST

5% REDUCTION IN THE NUMBER
OF WORK-RELATED ACCIDENTS

To this end, CTT promotes values and practices in accordance with the guiding principles of its commitment to the management of CTT (Code of Ethics, Policy on Quality, the Environment and Occupational Safety and Health, provisions in the Company Agreements towards promotion of equal opportunities, etc.).

The application of policies of job creation for disabled persons has been hindered by the considerable reduction of permanent staff, carried out during 2014, in the context of the transformation plan. The number of employees who are disabled or have a permanent incapacity stands at 194 persons at CTT SA and 198 at CTT. The number of permanent staff in situations of major sickness (32) has been maintained.

The protocol with Lisbon CERC (Cooperative for the Education and Rehabilitation of Non-adapted Citizens) has been maintained, which provides experiences of integration in employment to young people who



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 we are a founding member, promoted by the CITE (Commission for Equality in Labour and Employment), undertaking commitments in this matter;

Subscription to the “Natality Appeal” and “Tax benefits for companies which promote natality and family support” proposal, together with the CITE and members of the IGEN;

Preparation of the Gender Equality Plan, which seeks to implement measures to strengthen the company's action in this area;

Preparation of a training package on “Equal opportunities and non-discrimination”.



are disabled, which involved 17 young adults.— There are 15 foreign employees working at CTT SA (22 in total for the Company), 53.3% of whom are men.

CTT has joined the EPIS Project (Business Persons for Social Inclusion) to support young people who are under-achievers at school. We have joined an initiative of vocational internships in Lisbon and Porto, and have launched the first long-term voluntary work project in the format of mentoring in which ten CTT volunteers mentor young people at risk of early school leaving, during three years. The objective is the creation of close relations between the mentor and the young person being mentored, which should positively influence the life of the students, both academically and personally.

We have encouraged the employees to participate in international competitions on the Company's values, biodiversity and other topics and have focused on the achievement of balance between personal and family life, continuing to stimulate the School Library, with the loan of 377 manuals to 100 employees. We also invited the children of the em-

ployees of the Production and Logistics Centres of the North, Centre and South (Lisbon) to spend a day at their parent's workplace during the Christmas holidays, covering 205 children, offered tickets to Kidzania, the Zoo, the Green Day, Marathons and various performances. CTT's Sports, Cultural and Recreational Centre (CDCR) organised the 28th edition of CTT's National Games, which attracted the participation of 850 people.

Concerning gender issues, there have been changes in the distribution of senior positions, namely at the top management of CTT SA, where women currently hold 18.2% of the positions compared to 40% in the previous year, as a consequence of the entry of 6 new non-executive directors, who are all men. Also considering the subsidiaries, women reach a representativeness of 39.3% in these positions. Regarding 1st and 2nd line leadership levels, at CTT women hold more or less the same positions as in the previous year, 38.3% and 42.0% respectively, a little above their weight in the Company's total staff.

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

PROFESSIONAL CATEGORY	AVERAGE FEMALE SALARY (€)	AVERAGE MALE SALARY (€)	F/M ratio
Senior personnel	1 966.8	2 532.9	0.78
Middle management	1 318.4	1 324.4	1.00
Counter service	1 029.4	1 108.6	0.93
Delivery	781.4	839.8	0.93
Other	922.5	945.7	0.98
Total	1 107.6	1 025.2	1.08

Table 13 – Ratios and remunerations, by gender and professional category



OBJECTIVE 2015

COMPLETION OF THE GENDER
EQUALITY PLAN

PROFESSIONAL OCCUPATION
FOR 17 DISABLED PERSONS

COMPLETION OF TRAINING ON
EQUAL OPPORTUNITIES

In all professional categories, women receive an average remuneration which is lower than that of men, with the difference being more evident in the case of senior personnel (-22%). However, on average, the men actually earn less than the women because most of them are concentrated in the professional category with lowest remuneration, Delivery.

For further information, see Table 14.

		2013			2014			CTT
HUMAN RESOURCES		CTT	CTT SA	SUBSIDIARIES	CTT	CTT SA	SUBSIDIARIES	Δ% 14/13
Labour Indicators (number of people)								
Staff		12 293	10 753	1540	12 120	10 565	1 555	-1.4%
Female	a)	4 057	3 573	484	3 996	3 527	469	-1.5%
Male	a)	8 236	7 180	1 056	8 047	7 038	1 009	-2.3%
Type of Contract (number of people)								
Permanent		11 648	10 404	1 244	11 526	10 257	1 269	-1.0%
Female	a)	3 822	3 449	373	3 798	3 400	398	-0.6%
Male	a)	7 790	6 955	835	7 696	6 857	839	-1.2%
Fixed-term		645	349	296	594	308	286	-7.9%
Female	a)	220	124	96	198	127	71	-10.0%
Male	a)	379	225	154	351	181	170	-7.4%
Full-time	a)	11 939	10 557	1 382	11 739	10 400	1 339	-1.7%
Female		3 928	3 468	460	3 880	3 431	449	-1.2%
Permanent		3 761	3 389	372	3 737	3 346	391	-0.6%
Fixed-term		167	79	88	143	85	58	-14.4%
Male		8 011	7 089	922	7 859	6 969	890	-1.9%
Permanent		7 765	6 945	820	7 658	6 847	811	-1.4%
Fixed-term		246	144	102	201	122	79	-18.3%
Part-time	a)	272	196	76	304	165	139	11.8%
Female		114	105	9	116	96	20	1.8%
Permanent		61	60	1	61	54	7	0.0%
Fixed-term		53	45	8	55	42	13	3.8%
Male		158	91	67	188	69	119	19.0%
Permanent		25	10	15	38	10	28	52.0%
Fixed-term		133	81	52	150	59	91	12.8%
Age Group (number of people) a)								
<30		616	344	272	547	261	286	-11.2%
Female		217	123	94	175	93	82	-19.4%
Male		399	221	178	372	168	204	-6.8%



	2013			2014			CTT
HUMAN RESOURCES	CTT	CTT SA	SUBSIDIARIES	CTT	CTT SA	SUBSIDIARIES	Δ% 14/13
Labour Indicators (number of people)							
30 a 50	8 146	7 067	1 079	7 839	6 757	1082	-3.8%
Female	2 640	2 282	358	2 596	2 226	370	-1.7%
Male	5 506	4 785	721	5 243	4 531	712	-4.8%
>50	3 449	3 342	107	3 657	3 547	110	6.0%
Female	1 185	1 168	17	1 225	1 208	17	3.4%
Male	2 264	2 174	90	2 432	2 339	93	7.4%
Professional Category (number of people) b)							
Senior personnel	1 072	966	106	1 080	979	101	0.7%
Female	520	474	46	527	483	44	1.3%
<30	17	12	5	14	10	4	-17.6%
30 a 50	353	315	38	354	316	38	0.3%
>50	150	147	3	159	157	2	6.0%
Male	552	492	60	553	496	57	0.2%
<30	9	7	2	5	4	1	-44.4%
30 a 50	303	257	46	305	258	47	0.7%
>50	240	228	12	243	234	9	1.3%
Middle management	521	425	96	512	418	94	-1.7%
Female	200	176	24	194	173	21	-3.0%
<30	1	0	1	2	1	1	100.0%
30 a 50	95	74	21	83	66	17	-12.6%
>50	104	102	2	109	106	3	4.8%
Male	321	249	72	318	245	73	-0.9%
<30	0	0	0	0	0	0	0.0%
30 a 50	180	119	61	166	107	59	-7.8%
>50	141	130	11	152	138	14	7.8%



	2013			2014			CTT
HUMAN RESOURCES	CTT	CTT SA	SUBSIDIARIES	CTT	CTT SA	SUBSIDIARIES	Δ% 14/13
Labour Indicators (number of people)							
Counter service	2 364	2 364	-	2 362	2 362	-	-0.1%
Female	1 658	1 658	-	1 647	1 647	-	-0.7%
<30	14	14	-	15	15	-	7.1%
30 a 50	1 110	1 110	-	1 073	1 073	-	-3.3%
>50	534	534	-	559	559	-	4.7%
Male	706	706	-	715	715	-	1.3%
<30	4	4	-	7	7	-	75.0%
30 a 50	368	368	-	356	356	-	-3.3%
>50	334	334	-	352	352	-	5.4%
Delivery	5 409	5 045	364	5 332	4 943	389	-1.4%
Female	677	644	33	669	633	36	-1.2%
<30	52	46	6	37	29	8	-28.8%
30 a 50	550	523	27	547	519	28	-0.5%
>50	75	75	0	85	85	0	13.3%
Male	4 732	4 401	331	4 663	4 310	353	-1.5%
<30	202	115	87	205	89	116	1.5%
30 a 50	3 607	3 379	228	3 424	3 205	219	-5.1%
>50	923	907	16	1 034	1 016	18	12.0%
Other Categories	2 374	1 953	421	2 264	1 863	401	-4.6%
Female	789	621	168	749	591	158	-5.1%
<30	86	51	35	63	38	25	-26.7%
30 a 50	385	260	125	378	252	126	-1.8%
>50	318	310	8	308	301	7	-3.1%
Male	1 585	1 332	253	1 515	1 272	243	-4.4%
<30	132	95	37	97	68	29	-26.5%
30 a 50	852	662	190	798	605	193	-6.3%
>50	601	575	26	620	599	21	3.2%



		2013			2014			CTT
HUMAN RESOURCES	CTT	CTT SA	SUBSIDIARIES	CTT	CTT SA	SUBSIDIARIES	Δ% 14/13	
Labour Indicators (number of people)								
Leadership by Gender (number of people)	a)	222	106	116	206	120	86	-7.2%
Administration		29	5	24	28	11	17	-3.4%
Female		8	2	6	11	2	9	37.5%
Male		21	3	18	17	9	8	-19.0%
1st line leadership a)	a)	57	22	35	47	24	23	-17.5%
Female		23	10	13	18	10	8	-21.7%
Male		34	12	22	29	14	15	-14.7%
2nd line leadership a)	a)	136	79	57	131	85	46	-3.7%
Female		52	29	23	55	35	20	5.8%
Male		84	50	34	76	50	26	-9.5%
Diversity (number of people) b)								
Foreign employees		95	24	71	22	15	7	-76.8%
Female		16	13	3	9	7	2	-43.8%
Male		16	11	5	13	8	5	-18.8%
Employees with special needs		181	170	11	198	194	4	9.4%
Female		93	91	2	102	102	0	9.7%
Male		88	79	9	96	92	4	9.1%
Schooling level (number of people) b)								
University education		1 536	1 270	266	1 560	1 290	270	1.6%
12th Year		5 309	4 739	570	5 318	4 684	634	0.2%
3rd Cycle elementary education		3 516	3 059	457	3 412	2 986	426	-3.0%
< 3rd Cycle of elementary education		1 850	1 685	165	1 753	1 605	148	-5.2%



	2013			2014			CTT
HUMAN RESOURCES	CTT	CTT SA	SUBSIDIARIES	CTT	CTT SA	SUBSIDIARIES	Δ% 14/13
Labour Indicators (number of people)							
Turnover Rate (%)	14.2	14.2	-	10.0	10.0	-	-4.2 p.p
Female	4.6	4.6	-	3.1	3.1	-	-1.5 p.p
<30	1.3	1.3	-	1.5	1.5	-	0.2 p.p
30 a 50	1.4	1.4	-	1.2	1.2	-	-0.2 p.p
>50	1.8	1.8	-	0.4	0.4	-	-1.4 p.p
Male	9.6	9.6	-	6.8	6.8	-	-2.7 p.p
<30	4.0	4.0	-	3.6	3.6	-	-0.4 p.p
30 a 50	2.5	2.5	-	2.5	2.5	-	0 p.p
>50	3.1	3.1	-	0.7	0.7	-	-2.4 p.p
Contracting Rate (%)	8.6	8.6	-	8.1	8.1	-	-0.5 p.p
Female	2.5	2.5	-	2.7	2.7	-	0.1 p.p
<30	1.5	1.5	-	1.4	1.4	-	0 p.p
30 a 50	1.1	1.1	-	1.2	1.2	-	0.1 p.p
>50	0.0	0.0	-	0.0	0.0	-	0 p.p
Male	6.1	6.1	-	5.4	5.4	-	-0.6 p.p
<30	4.1	4.1	-	3.5	3.5	-	-0.6 p.p
30 a 50	2.0	2.0	-	1.9	1.9	-	0 p.p
>50	0.0	0.0	-	0.0	0.0	-	0 p.p
Rate of Return (%)	100	100	-	100.0	100	-	0 p.p
Female							
Male							
Taxa de Retenção (%)	100	100	-	100.0	100	-	0 p.p
Female							
Male							
Prevention and Safety	b)						
Total number of accidents	908	830	78	955	838	117	5.2%
Female	236	230	6	224	209	15	-5.1%
Male	672	600	72	731	629	102	8.8%



	2013			2014			CTT
HUMAN RESOURCES	CTT	CTT SA	SUBSIDIARIES	CTT	CTT SA	SUBSIDIARIES	Δ% 14/13
Labour Indicators (number of people)							
Injury rate %	6.4	6.5	6.1	6.8	6.6	9.3	0.4 p.p
Female	4.8	5.1	1.7	5.1	5.2	3.7	0.3 p.p
Male	7.2	7.2	7.6	7.7	7.3	11.3	0.5 p.p
Rate of occupational diseases %	0.04	0.04	-	0.09	0.09	-	0 p.p
Female	0.03	0.03	-	0.13	0.13	-	0.1 p.p
Male	0.05	0.05	-	0.07	0.07	-	0 p.p
Rate of days lost %	268.4	273.0	219.5	259.3	263.9	210.0	-9.1 p.p
Female	208.1	217.5	83.7	175.8	184.6	54.5	-32.3 p.p
Male	296.9	299.8	268.4	300.0	303.4	265.8	3 p.p
Deaths	0	0	0	1	1	0	100.0%
Absenteeism %	b)	6.5	6.3	5.4	5.6	-	-1.1 p.p
Training	b)						
Number of training hours	207 911.3	185 856.8	22 054.5	249 171.6	224 406.3	24 765.4	19.8%
Average training hours	17.7	17.3	22.3	21.6	21.2	25.1	21.8%
Female	23.1	23.0	30.1	28.9	28.9	28.7	25.1%
Male	15.1	15.0	19.4	18.0	17.4	23.9	19.4%
Average hours per category							
Senior personnel	59.2	61.5	38.3	99.5	103.8	57.5	67.9%
Female	59.0	60.7	42.0	104.2	107.2	71.2	76.4%
Male	59.4	62.4	35.4	95.0	100.5	46.9	59.9%
Middle management	23.2	20.4	35.4	22.4	19.3	36.2	-3.5%
Feminino Female	21.3	17.7	47.2	18.7	15.2	47.6	-12.1%
Male	24.4	22.3	31.5	24.6	22.2	33.0	1.0%
Counter service	18.8	18.8	-	19.4	19.4	-	3.0%
Female	18.4	18.4	-	19.4	19.4	-	5.4%
Male	19.7	19.7	-	19.3	19.3	-	-2.2%



	2013			2014			CTT
HUMAN RESOURCES	CTT	CTT SA	SUBSIDIARIES	CTT	CTT SA	SUBSIDIARIES	Δ% 14/13
Labour Indicators (number of people)							
Delivery	8.2	8.6	3.1	7.9	8.1	5.2	-3.8%
Female	10.3	10.7	3.5	10.2	10.5	4.4	-1.4%
Male	7.9	8.3	3.1	7.6	7.8	5.3	-4.2%
Other	18.2	15.3	32.0	18.7	15.4	33.7	2.3%
Feminino	20.7	18.3	29.6	16.1	15.1	19.8	-22.0%
Masculino	17.0	15.3	33.6	19.9	15.6	42.7	16.9%
Wage ratio by gender c)							
Senior personnel	0.78	0.78	0.75	0.78	0.78	0.71	0 p.p
Female (€)	1 982.7	1 986.1	1 935.3	1 966.8	1 971.6	1 893.9	-0.8%
Male (€)	2 539.8	2 535.1	2 580.8	2 532.9	2 519.4	2 659.1	-0.3%
Middle management	1.0	1.0	0.9	1.0	1.0	0.9	0 p.p
Female (€)	1 310.6	1 353.8	979.4	1 318.4	1 353.7	1 013.2	0.6%
Male (€)	1 315.7	1 384.9	1 054.7	1 324.4	1 389.5	1 086.2	0.7%
Counter service	0.9	0.9	-	0.9	0.9	-	0 p.p
Female (€)	1 023.8	1 023.8	-	1 029.4	1 029.4	-	0.6%
Male (€)	1 109.6	1 109.6	-	1 108.6	1 108.6	-	-0.1%
Delivery	0.9	0.9	1.0	0.9	0.9	1.0	0 p.p
Female (€)	767.8	782.1	488.5	781.4	796.5	514.9	1.8%
Male (€)	823.0	847.6	496.7	839.8	866.4	514.7	2.0%
Other	1.0	1.0	1.0	1.0	1.0	1.0	0 p.p
Female (€)	913.0	978.8	640.5	922.5	989.2	648.9	1.0%
Male (€)	924.4	964.7	650.6	945.7	986.3	666.2	2.3%
Labour Relations (%)							
Collective labour agreements	100.0	100	-	100	100	-	0.1 p.p
Union membership (%)	85.5	85.5	-	85.4	85.4	-	- 0.4 p.p

Table 14 - Staff

a) Excluding CORRE data
b) Excluding CORRE and Tourline Express data
c) Data only includes CTT SA, CTT Expresso and Mailtec



2.7.

Environmental management policy

Greenhouse gas emissions, an area where own and outsourced transport accounts for over 2/3 of the carbon footprint of scopes 1 and 2, are the main environmental impact associated to the activity of CTT, a company which is fairly non-aggressive in environmental terms in comparison to other sectors of activity.

When comparing CTT's carbon intensity with its impact in terms of creation of value, we find that the Company's contribution to national GDP (GVA/GDP) stood at 2.3‰, while its contribution to total national greenhouse gas emissions was approximately 0.3‰ (scopes 1 and 2).

Aware of its role in the defence of the environment and with active intervention in this field, CTT has implemented its Integrated Quality, Environment, Health and Safety at work Policies, whose priorities on matters of the environment include the systematic identification, assessment and monitoring of environmental aspects and impacts of postal activity, rationalisation of consumption, promotion of recycling, increased energy efficiency and environmental training and dissemination.

Under the implementation of the centralised compliance function at CTT, in 2013, a review was made of the risk assessment and environmental response strategy of the entire Company. Thirteen processes which carry environmental risks were detected, three of which are considered high and one significant, the mitigation actions were defined and those responsible were identified. Complementing the above, this year the validation was made of the critical processes of the Central Structures and Businesses of CTT and their respective risk projection, with two processes having been identified which carry environmental risks, one significant and the other moderate.

Also in response to the legal framework, CTT has taken out environmental liability insurance which covers all its activities.

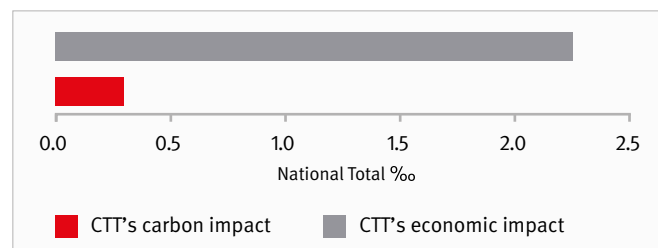


Figure 6 – CTT contributions at national level





2.8.

Environmental impacts of the activity, products and services

As a result of its activity, the Company identifies as the principal potential impacts, direct or indirect, the depletion of energy resources of fossil sources through the consumption of motor fuel and electricity, climate change and depletion of the ozone layer arising from greenhouse gas emissions and other atmospheric pollutants, the indirect impacts associated to the consumption of natural resources (primarily paper and water, where the latter is associated to the daily operation of the facilities), the potential contamination of soil derived from the production of waste in the buildings and the domestic effluents of the facilities where the discharge is made into the municipal network, and noise emission.

The analysis and management of these topics can be consulted in the section on environmental reporting (3.6).

2.9.

Definition of environmental standards for suppliers and partners

ECO-FRIENDLY PROCUREMENT POLICY

The focus on ecologically friendly consumption has concentrated not only on reducing the environmental impact associated to the use of resources but also on the selection of suppliers through the inclusion of environmental criteria in tender procedures, under the National System of Public Procurement.

Therefore, CTT used environmental criteria in 73.5% of pre-contractual procedures and the value of contracts concluded with environmental criteria represented 99.5% of the total, a figure above that of the previous year and largely surpassing the targets.





2.10.

Identification of environmental objectives/targets



In order to promote the alignment of the organisation's management practices with its environmental priorities and targets, from the top to the base, CTT has incorporated sustainability variables in the management scorecards of the operating units, some in replacement of the equivalent monetary indicators. This practice enables placing the environmental agenda within the radar of the managers and other employees, ensuring the follow-up of situations and introduction of any necessary corrective measures.

In this perspective, commitments are defined for the different environmental topics, which are valid for the entire Company (see chapter 4 of this report). In view of these commitments, the overall balance of the degree of accomplishment of the actions implemented over the year and described in the following sub-chapters is positive as a whole, with the main highlights presented below.

For purposes of comparison with the targets of 2014, the respective results are transcribed as follows:

ENDORSEMENT OF THE UNITED NATIONS CARING FOR CLIMATE BENCHMARK
MAINTENANCE OF THE EXISTING ENVIRONMENTAL CERTIFICATIONS
EXPANSION OF THE FLEET OF ALTERNATIVE VEHICLES, WITH 64 NEW ELECTRIC VEHICLES
IMPLEMENTATION OF A SYSTEM FOR ASSESSMENT AND RECOGNITION OF ECOLOGICAL DRIVING
FULFILMENT AND EXCEEDING OF THE ECOLOGICAL PROCUREMENT TARGETS
CONDUCT OF ENERGY AND INDOOR AIR QUALITY AUDITS AT 75 OWN BUILDINGS
REDUCTION OF ELECTRIC POWER CONSUMPTION BY 5.9%, IN LINE WITH THE OBJECTIVE
INCREASED CONSUMPTION OF FUEL OF OUR OWN FLEET BY 4.3%
RENEWAL OF THE CTT SA FLEET WITH 321 VEHICLES
INCREASED SCOPE 1 AND 2 EMISSIONS BY 1%
REDUCTION OF SCOPE 1, 2 AND 3 EMISSIONS BY 9.7%
IMPROVEMENT IN THE INTERNATIONAL CARBON RANKINGS CARBON DISCLOSURE PROJECT AND EMMS-IPC
REDUCTION OF TOTAL PAPER CONSUMPTION BY 21.5%, SURPASSING THE OBJECTIVE
INCREASED TOTAL PRODUCTION OF WASTE AND IMPROVED REUSE RATE BY 1.7%;



2.11.

Environmental certification pursuant to international standards

Management systems provide an important contribution in the management and appropriate valorisation of resources, in the fight against climate change and in the protection of nature and biodiversity.

In 2014, the existing integrated certifications were maintained, which include the Environment aspect ISO 14001:2004, in CTT's four main operating centres (EPA, North, Centre and South) and in almost all its subsidiaries (CTT Expresso, Tourline, Mailtec and PostContacto), as well as the certification of Mailtec's FSC (Forest Stewardship Council) responsibility chain.

The CTT Head Office, in Lisbon, the Company's most important building in terms of number of occupants, approximately 1,300 people, is responsible for 5% to 8% of total consumption/costs related to energy, paper and water and waste production. An environmental management methodology was drawn up in 2014 for this building, which implied a detailed environmental survey, including the preparation of the respective environmental matrix and checklist of legal compliance, the identification of intervention actions and the persons responsible for them. The appropriate management of these variables will contribute to better risk management/legal compliance, cost rationalisation and reduction of the carbon footprint.

OBJECTIVE 2015

DEVELOPMENT OF A COMPUTER APPLICATION FOR IMPROVED ENVIRONMENTAL REPORTING ON THE MANAGEMENT COMMITMENTS





2.12.

Monitoring of the achievement of the established targets and analysis of environmental evolution/ reporting trends

ENERGY

Energy management and efficiency were maintained as a strategic area of CTT in terms of its environmental management in 2014. With a significant carbon footprint, energy consumption is a priority issue with respect to monitoring and the implementation of energy efficiency measures.

CTT's consumption of public grid electricity came to a total of 41,766 GWh⁶, corresponding to 150,703 GJ. CTT also consumes certified green electricity and power produced by the existing solar panels on the Maia building and Lisbon administrative service building. Thermal power consumption for air conditioning amounted to 1,608 GWh (5,209 GJ). At this level, there were savings of 9,470 GJ, equivalent to 2,694 GWh, which, at market prices, can be valued at 13.0 million euros, derived from the implementation of a series of energy rationalisation measures in the buildings identified below, as well as the lower occupation of various facilities.

Fuel, which represents CTT's main energy consumption⁷, recorded a 5,473,986 thousand litres, equivalent to the consumption of 202,304.6 GJ⁸, and corresponding to an increase of this consumption by 224 litres. The Company's fleet efficiency once again showed an improvement at CTT SA (close to 3% accumulated gains in the four-year period).

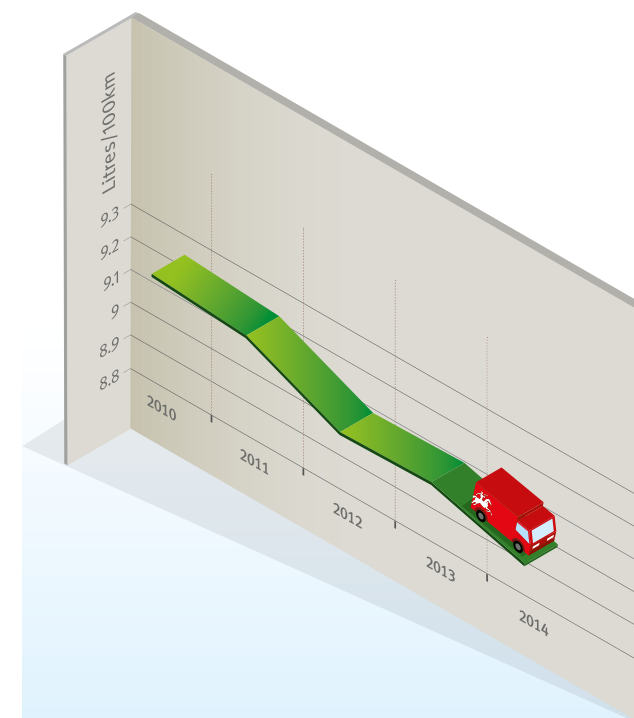


Figure 7 – Evolution of the average fleet consumption of CTT SA



⁶ Value estimated according to the Greenhouse Gas Protocol CO₂ methodology for Indirect CO₂ Emissions from the Consumption of Purchased Electricity, Heat and/or Steam, version 2.2 using conversion factors listed in "Compilation of emission factors used in cross-sector tools"

⁷ Outsourced vehicles are not included

⁸ Value estimated according to the Greenhouse Gas Protocol CO₂ for Emissions from Mobile Source, version 2.2 using conversion factors listed in "Compilation of emission factors used in cross-sector tools" for the different types of fuel used by the fleet, applied to the respective consumption



Gas consumption, essentially used in the canteens, stood at around 59,958 m³, equivalent to 2,468 GJ⁹, reflecting an annual reduction of around 10 thousand m³. However, in spite of the overall reduction, there was an increase in the consumption of the Centre Production and Logistics Centre (CPLC), primarily explained by the increased number of meals in the canteen.

The following table shows the evolution of power consumption in GJ.

GJ	2013	2014	Δ% 14/13
Conventional electricity consumption ¹⁰	153 718.0	144 162.5	-6.2%
Green electricity consumption	6 454.6	6 540.1	1.3%
Total electricity consumption	160 172.6	150 702.6	-5.9%
Solar panel power consumption	127.2	127.2	0%
Thermal power consumption	4 649.1	5 209.5	12.1%
Total fuel consumption ¹¹	193 918.0	202 304.6	4.3%
Total gas consumption	2 813.8	2 467.6	-12.3%
TOTAL	361 680.9	360 811.6	-0.2%

Table 15 – CTT's Energy Consumption

Regarding consumption arising from the activity of the outsourcing companies, as well as that derived from business travel and journeys between home and work by the employees, the resulting carbon emissions from these activities were counted and are reported further below.

This consumption is reflected in energy costs of about 13.5 million euros (only CTT SA).

⁹ Value estimated according to the Greenhouse Gas Protocol CO₂ for Direct Emissions from Stationary Combustion of the GHG Protocol Initiative, version 2.2 using conversion factors listed in "Compilation of emission factors used in cross-sector tools".

¹⁰ Conventional electricity consumption does not include Corre.

¹¹ Fuel consumption does not include Tourline and Corre.

OBJECTIVE 2015

REDUCTION OF ELECTRICITY
CONSUMPTION BY 4%

REDUCTION OF FUEL
CONSUMPTION BY 4%



BUILDINGS

Reinforcing the commitment to reduce energy consumption with direct consequences on cutting greenhouse gas emissions, various measures were implemented in CTT's real estate properties, where the Company focused its intervention on the air conditioning and lighting components, which are the most relevant in terms of the facilities' energy costs.

Mail Sorting Centres

Out of the CTT's total of approximately one thousand buildings, the three production and logistics centres (CPL) are the largest consumers, with the North and South being energy intensive consumers, hence the energy initiatives on these sites are clearly priority.

Since the South Production and Logistics Centre (CPLS) is the largest operational property in terms of area, number of employees and energy consumption, various interventions were carried out here, especially the following:

- **Replacement of window and door** frames and installation of double glazing;
- **Remodelling of the sanitary facilities:** lighting regulated by timers, replacement of the air renovation system and introduction of an economic water consumption system in the toilets;
- **Partial replacement of the roofing of the dock**, improving the climate protection conditions, ambient temperature and lighting performance.

The ARCE (Agreement of Energy Consumption Rationalisation) for the period 2012-2019 was drawn up and approved for the premises of the North Production and Logistics Centre (CPLN), which includes the following measures of improvement:

- Elimination of compressed air leaks;
- Replacement of electric motors;
- Installation of frequency inverters in the air compressor;
- Installation of a photovoltaic plant.



Of these measures, the first and the third have already been implemented, as established in the plan, with an aggregate saving potential of approximately 2,700 euros per year. In addition to the ARCE measures, note should be made of the management conducted in terms of the programming of the DALI (Digital Addressable Lighting Interface) system, as well as the lower cooling needs during the summer of this year (due to the actual temperatures) which contributed to reducing the electricity consumption in this sorting centre.

Thus and in view of the actions that have been implemented, for the three CPL as a whole, the results show clear reductions in the consumption of electricity (-3%) and gas (-9%), which have significantly improved energy efficiency.



Also with a view to cutting consumption, CTT Expresso made adjustments to the power level and operating hours of the air conditioning, installed lighting sensors at various facilities and carried out training and awareness-raising actions on this issue. The evolution of electricity consumption was favourable by -6.1%.

Administrative services building

For this purpose, the building uses advanced solutions for energy monitoring and control, with a continuous effort being made in the parameterisation of the centralised technical management system, so as to optimise comfort levels and identify potential actions to reduce consumption. Particular note should be made of the fact that part of the power consumed in the building comes from renewable sources, through solar power produced by the hot sanitary water and the acquisition of certified green electricity, purchased from the distributor. Notwithstanding this, its electricity and air conditioning consumption grew by 5.8% in 2014, possibly as a result of the concentration of services of the subsidiaries.

Other buildings

In the context of minor remodelling works of Post Offices and Postal Delivery Offices, aimed at reducing consumption, various front walls were replaced by double glazing, with thermal effects and lighting properties, and programmable automated devices were installed in the lighting and air conditioning systems, so that these systems only operate during pre-established hours. The use LED in luminous labels, the progressive replacement of heating, ventilation and air conditioning equipment by more energy efficient models and the remodelling of elevators continued, with the decision to use command motors by frequency inverters and more efficient switchboards. The acquisition and replacement of computers, screens and IT material with more modern features was also assured, thus contributing to greater energy efficiency.

CTT also continued with the energy certification of its buildings, extending the scope to a further 75 buildings in 2014.

At Mailtec, airtight fitting were replaced by electronic ballast and operating shifts were optimised.

OBJECTIVE 2015

PHASED IMPLEMENTATION
OF THE PRE OF THE CERTIFIED
BUILDINGS

EXPANSION OF THE ENERGY
CERTIFICATION OF BUILDINGS
(SCE) TO BE CONTINUED IN 2015

DECISION ON THE EXPANSION OF
REMOTE ELECTRICITY METERING
SOLUTIONS

AUDITS OF INTERIOR AIR
QUALITY IN 15 BUILDINGS



MOBILITY

CTT operates one of the largest and most modern fleets of national companies, composed of 3,491 vehicles under direct operation, with transport services also being outsourced to third parties. In the Group, the most significant fleet belongs to CTT SA, which includes 298 less pollutant vehicles.

(NUMBER)	2012	2013	2014	Δ% 14/13
Total vehicles in operation	2 853	3 036	3 118 ¹²	2.7%
Less pollutant vehicles	239	241	298	23.7%

Table 16 – Vehicles of CTT SA

The CTT SA fleet accounted for an activity of 55.7 million Km (an increase of around 6.8% compared to 2013), added to the 2.6 million Km travelled by the outsourced fleet. The optimisation of the Transport Network continued, with readjustment of the installed capacity according to the flows of the different products. The insourcing of transport services, a measure derived from the cost-cutting programme, led to a significant decrease of its outsourcing, since these services are now provided with its own resources.

Thus, under the process of modernisation of its fleet, CTT acquired 25 heavy vehicles of the Euro 6 standard (the most recent environmental standard), which replaced Euro 2 standard vehicles. It is estimated that this will enable an annual reduction of 33.9 tonnes of CO₂ and the reduction of fuel consumption by 12,650 litres.

251 light passenger vehicles were also renewed, under vehicle operating leases, replacing older vehicles. Regarding light operating good vehicles, under the same leasing scheme, although the initial tender dates back to 2013, the renewal of 822 vehicles was carried out in the first quarter of 2014.

Due to this effort of fleet renovation there was a decrease in the overall average age of the CTT SA fleet to 3.3 years, which places it among the most modern at a national level. The focus on vehicle renovation enables the optimisation of operating costs and reduces the Company's carbon footprint.

LEGAL TYPE	AVERAGE AGE 2012-12-31	AVERAGE AGE 2013-12-31	AVERAGE AGE 2014-12-31
Overall average age	3.3	3.9	3.3

Table 17 – Average age of the CTT SA fleet

The strategy of integrating increasingly more efficient conventional vehicles in energy terms, maintains CTT at the cutting edge of the technological solutions in the automobile industry, enabling the highest possible reduction of the negative impacts of its activity.

¹² Includes tractors



On an experimental basis, 6 electric tricycles were also acquired, which are still being tested. Also as an experiment and during the year, CTT will operate a Fuso Canter E-Cell truck, a 100% electric vehicle, partially developed and manufactured in Portugal.



The search for economically efficient and environmentally friendly solutions led to the expansion of the fleet of alternative vehicles. With the most recent acquisitions, the CTT SA fleet is now composed of 298 less pollutant vehicles, 10% of the total. As a whole, these vehicles involve 10 light electric goods vehicles (operationalised in 2014 and which are foreseen to enable saving 18.8 tonnes of CO₂ emissions and the consumption of 7,000 litres of fuel per year), 23 electric scooters adapted to delivery services, with savings of approximately 21 tonnes of CO₂ and 9,286 litres of fuel per year, and 2 Goupil electric vans.

The fleet also includes 34 conventional bicycles and 223 electric bicycles of the Portuguese brand “Órbita”. These last vehicles constitute the major part of our electric fleet. Equipped with an electric motor, activated by pedalling, these bicycles do not release harmful emissions into the local environment. Considering the emissions upstream, a bicycle emits 5g of CO₂ per kilometre, while a conventional motorbike emits an average of 70 to 100g for the same distance.

TYPE OF ALTERNATIVE VEHICLES IN 2014

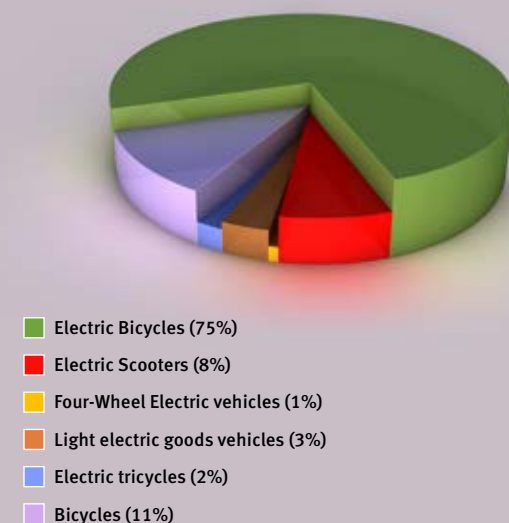


Figure 8 - Type of alternative vehicles



In order to assure high levels of carbon emission efficiency, CTT conducted an energy audit to its fleet of heavy vehicles in 2014 and is implementing the respective PRCE (Energy Consumption Rationalisation Plan) for 2014-2016. This plan involves 9 energy consumption reduction measures and a considerable investment plan, of around 8 million euros, currently underway. With these measures, CTT intends to cut its specific consumption by 5% by the end of 2016, where the replacement of vehicles is its most important measure. The fleet renovation process, planned to take place over a period of 3 years, was started in 2014 and represents potential savings of 70 thousand litres/year, equivalent to 90 thousand euros per year. The other measures involve the adjustment of the vehicles to connections, route optimisation, control of fuel supplies, vehicle maintenance, the redesign of the mail container system, the introduction of GPS and acquisition of electric vehicles. There are also measures related to the human component, particularly the training of drivers.

In this area, reference should be made to the implementation of a system for assessment and recognition of ecological driving. Covering over 4700 employees who perform this type of work at CTT, the system assesses the performance of the teams in terms of consumption and emissions, accidents and customer satisfaction. Around 40 senior teams participate in regional track competitions, which enable identifying the national winners and distinguishing their merit. The energy efficiency differential between these teams and the national average, for identical conditions of use and type of vehicle, is 16.5%, which corresponds, if replicated, to annual savings of around 800 thousand litres of fuel (1.1 million euros).

The daily journey made between home and the workplace (commuting) is increasingly important in the assessment of company carbon efficiency performance. By the end of 2013, the study of the travel profile of CTT Staff, based at the Parque das Nações building in Lisbon, and the respective carbon inventory had been updated by the end of 2013. In 2014 and using the information on mobility presented in the national statistics system (Census 2011), the results of the study were extended to a national level.

OBJECTIVE 2015

EFFICIENCY GAINS IN FUEL CONSUMPTION OF 1.8%

OPERATIONALISATION OF 10 ELECTRIC SCOOTERS AND 6 TRICYCLES

RENEWAL OF THE LIGHT GOODS VEHICLE FLEET

OPERATIONALISATION OF THE VEHICLE SHARING SOLUTION

ENERGY AUDIT OF THE DELIVERY FLEET (WITH PHASED START-UP)

PRCE OF THE HEAVY VEHICLE FLEET – REDUCTION OF SPECIFIC CONSUMPTION BY 1.7%

IMPROVEMENT OF THE SYSTEM OF RECOGNITION OF ECOLOGICAL DRIVING



In the same context, CTT once again joined the European Mobility Week, an occasion that has been used for various years to reiterate its commitment to values related to the environment and corporate civic participation. This year, 4 bicycles were made available to the employees of the head office building, permanent lighting installed in the building's bicycle parking area and light equipment provided for bicycle maintenance. Participation in the Bike to Work Day was fostered through competitions, demonstrations of the use of electric bicycles and a lecture on Urban Mobility and Bicycles. Over 200 employees joined in the various events.

The "Bicycle Friendly Company" stamp, attributed by MUBi (Association for Urban Mobility by Bicycle) in 2013 and renewed in 2014, highlights the cyclability conditions that CTT has progressively created to boost the daily use of bicycles by its employees.

Recognising the Company's positioning on matters of sustainability and the environment, CTT was shortlisted in the "Postal Technology International Awards 2014", in the "Environmental achievement of the Year", with a project on "Environmental involvement with the community". CTT was also shortlisted for the "Green Project Awards", in the "Sustainable Cities" category, with an application relative to CTT electric bicycles.

t CO ₂ e	2013	2014	Δ% 14/13
Direct emissions – Scope 1	14 129.4	14 719.8	4.2%
Indirect emissions – Scope 2 ¹⁴	6 183.0	5 834.1	-5.6%
Indirect emissions – Scope 3	41 627.7	35 376.7	-15.0%
Total Emissions (Scopes 1, 2 and 3)	61 940.1	55 930.6	-9.7%

Table 18 – Carbon emissions of CTT ¹³

¹³ Does not include the own and outsourced fleet of Tourline and Corre

¹⁴ Does not include Corre.



ATMOSPHERIC EMISSIONS

CTT's total emissions stood at 55,930.6 t CO₂e in 2014, corresponding to a significant reduction (9.7% less). Scope 3, associated to outsourced transport, continues to represent the largest portion of emissions, accounting for 63.3% of the overall emissions of the Company's activity, followed by scope 1 emissions relative to fuel and gas consumption (26.3%), and scope 2 relative to consumption of electricity and air conditioning (10.4%).

Direct emissions of greenhouse gas and other pollutant gases into the atmosphere, derived from fuel consumption by the fleet and gas consumption in buildings, represent 14,575 tonnes of CO₂e and 145 tonnes of CO₂e, respectively. Relative to the previous year, there has been an increase of these emissions.

The considerable increase observed in scope 1 emissions of CTT SA (5.8%) are directly derived from the growth of activity of its own fleet (+6.8% kilometres travelled) as a consequence of the insourcing of connections previous outsourced to CTT Expresso, which is reflected on the corresponding decrease of the scope 3 emissions of CTT Expresso, as shown below.

Greenhouse gas emissions (t CO ₂ e)	2013	2014	Δ% 14/13
Fleet ¹⁷	13 980.5	14 637.4	4.7%
Gas	164.1	144.8	-11.9%
Total de Emissões (Scopes 1, 2 e 3)	61 940.1	55 920.6	4.5%
Other pollutants (tonne)			
NO _x	152.6	160.0	4.8%
SO _x	39.1	41.1	5.2%

Table 19 – Direct atmospheric emissions of CTT (tonnes) ^{15 16}

¹⁵ Value estimated according to the Greenhouse Gas Protocol CO₂ for Emissions from Mobile Source using conversion factors listed in "Compilation of emission factors used in cross-sector tools" for the different fuels used by the fleet and applied to the respective consumption.

¹⁶ Value calculated by converting the polluting emissions for CO₂eq based on the emission factors of CH₄ and N₂O.

¹⁷ Does not include the fleet of Tourline and Corre.





The emissions of the outsourced transport of mail, parcels and courier products fell sharply to 13,283.7 tonnes of CO₂e, due to the internalisation of many connections of urgent mail and courier products previously made by outsourced transport.

t CO ₂ e	2013	2014	Δ% 14/13
Electricity consumption ²⁰	6 049.8	5 684.8	-6.0%
Thermal power consumption	133.3	149.3	12.1%
Total indirect emissions (scope 2)	6 183.0	5 834.1	-5.6%

Table 20 – Indirect atmospheric emissions from consumption of electricity and thermal power by CTT

Indirect emissions, arising from consumption allocated to third parties through contractual relations, includes grid electricity consumption by the buildings used by CTT, air conditioning by thermal power at the head office in Lisbon, the outsourced road, air and sea transport, business travel and journeys between home and the workplace (commuting).

The emissions deriving from the grid electricity consumption by CTT buildings represent 5,685 tonnes of CO₂e¹⁸, associated to the national energy mix for electricity production. The consumption of thermal power for air conditioning of the Lisbon building, the only one which uses this form of energy, stands at 149 tonnes of CO₂e¹⁹.

This year, the calculation of the pollutant gases of the outsourced road, air and sea transport and business travel abroad was altered by indication of the GHG Protocol, which updated this tool. This updating was reflected in a heavy reduction of the emissions arising from the sea and air transport of goods due to the updating of the emission factor.

The air transport of mail, parcels and courier products recorded emissions of the value of 15,184 tonnes of CO₂e, corresponding to a 5.9% decrease in relation to the previous year, associated to a reduction of activity of approximately 1.7%.

The sea transport of parcels and courier products, in the inter-island routes of the Azores and Madeira and deriving from occasional international transport to Guinea Bissau to overcome the lack of air connection, led to 51 tonnes of CO₂e, a strong reduction, in spite of the increased activity, of around 9%, arising from greater activity in the transport of bulky objects, courier products and parcels to the islands.

For business travel, only travel abroad was counted, which gave rise to 10 tonnes of CO₂e in 2014, half of the amount of the previous year. This reduction is related to the lower number of journeys made by air. Travel between the subsidiaries is currently not calculated, and is certainly not representative. In order to minimise carbon emissions, the practice of holding national or international meetings by telephone or video-conference was continued.

The updating of the carbon inventory of commuting, this year extended to all of CTT's 12,300 employees nation-wide, enabled calculating the value of their respective emissions, estimated at 6,850 tonnes of CO₂e, for a total of 56 million kilometres travelled annually. Also on this matter, CTT Expresso offers collective transport for its employees based at the MARL building, contributing to the lower use of private transport.

¹⁸ Estimated, based on the emission factor provided by ERSE - EDP Serviço Universal 2013.

¹⁹ Estimated, using the emission factor provided by ADENE in the context of energy certification of buildings, based on the 2002-2005 national energy mix.

²⁰ Does not include Corre.



t CO ₂ e	2013	2014	Δ% 14/13
Air transport	16 131.7	15 184.7	-5.9%
Sea transport	304.4	50.8	-83.3%
Transport by outsourced fleet	18 055.2	13 283.7	-26.4%
Air and rail travel on company business	20.3	10.4	-18.9%
Commuting	7 116.1	6 847.1	-3.8%
Total outsourced transport (scope 2) ²²	41 627.7	35 376.7	-15.0%

Table 21 – Other indirect atmospheric emissions ²¹ of CTT

The carbon incorporation of each postal item is 14.9g of CO₂, considering direct (scope 1) and indirect (scope 2) carbon emissions, which implies a degradation of the unit energy/carbon intensity in relation to the previous year, derived from the internalisation of outsourced routes. Incorporating scope 3 emissions, there has been an improvement of 4.8% in carbon intensity per postal item, in spite of the recorded reduction of mail volumes (-5.2%).

CLIMATE CHANGE

For the fifth year consecutively, CTT has improved its overall score in the EMMS 2014 – Environmental Measurement and Monitoring System, a ranking of carbon management proficiency produced by the International Post Corporation (IPC). Upholding its 6th place among the participants, with a score of 85.2 points out of 100 (2.3 than in the previous year), CTT increased its score in 4 of the 10 criteria assessed, where special reference is made to its worldwide leadership in the “Disclosure and reporting” criterion. Compared to the baseline year (2008), CTT has been the postal operator that has most reduced its carbon footprint at a worldwide level, -51% compared to the sector average of -19%.

CTT participated in the Carbon Disclosure Project (CDP) for the second time, now as a listed company on the stock exchange, after a first experience on a voluntary basis in 2013. The CDP is a worldwide benchmark rating scheme which assesses both the quality of reporting - Disclosure (from 0 to 100) and the performance of companies - Performance (from E to A). CTT's classification has risen to 88 points (86 in 2013) concerning Disclosure, and remains within the B bracket for Performance. In terms of

performance, CTT was a national leader in the “Industry” sector and was ranked in the 4th position at a worldwide level in the postal sector.

Part of these good results are the result of internal efficiency gains, due to technological renovation (fleet and buildings), the expansion of sustainable mobility and the energy management programmes.

CTT joined the “Caring for Climate” (C4C) initiative in 2014, a reference instrument of the United Nations for Climate Change. C4C is endorsed by leading companies at a worldwide level. In Portugal, CTT and REN are the only companies of the PSI 20 which are part of this restricted group of organisations. On these matters, CTT adopts the following formulation of principles:

POLICY ON ENERGY AND CARBON MANAGEMENT AND CLIMATE CHANGE


CREATION OF VALUE FOR THE BUSINESS, AND LIKEWISE GENERATING VALUE FOR SOCIETY

RESPECT FOR THE LEGAL AND REGULATORY FRAMEWORK IN FORCE AND OTHER COMMITMENTS WHICH THE COMPANY ENDORSES

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

ACTIVE INVOLVEMENT WITH PARTNERS, EMPLOYEES, CUSTOMERS, COMMUNITY AND ALL OTHER STAKEHOLDERS AIMED AT THE DISSEMINATION AND PROMOTION OF THESE PRINCIPLES



OBJECTIVE 2015

REDUCTION OF DIRECT AND INDIRECT CO₂ EMISSIONS BY 3% (33% IN THE PERIOD 2008-2020)

REDUCTION OF SCOPE 1, 2 AND 3 EMISSIONS BY 4.8%;

REDUCTION OF CARBON INTENSITY PER POSTAL ITEM (SCOPES 1, 2 AND 3) BY 0.8% (27% IN PERIOD 1990-2030)

REDUCTION OF CARBON INTENSITY PER POSTAL ITEM (SCOPES 1 AND 2) BY 1.8% (20% IN 2015-2025)

²¹ Value estimated according to the Greenhouse Gas Protocol tool for mobile consumption, version 2.2 using conversion factors listed in “Compilation of emission factors used in cross-sector tools”.

²² Does not include Corre.

²³ Relative to the companies CTT, SA., CTT Expresso, PostContacto and Tourline Express.



CTT's total paper consumption has fallen by approximately 21%, essentially derived from Mailtec's activity. The "EasyPrint" products/services and personalisation of colour-printed statements, at this company, have contributed to reducing the diversity of materials consumed, which, together with careful stock and warehouse management, has led to a progressive decrease of the levels of raw materials in stock.

EXTERIOR NOISE EMISSIONS

Although considered an area of low relevance to the business, noise emissions are monitored periodically in accordance with the regulations in force on this matter, with the obtained results being within the legal parameters.

WATER

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

	2013	2014	Δ% 14/13
Consumption (m ³) ²⁴	59 810.0	48 283.1	-19.3%
Value of consumption (€) - CTT SA	237 472.9	211 612.0	-10.9%

Tabela 22 – Consumo total de água dos CTT

As a whole, 48,283.1 m³ of water was consumed by CTT (for CTT SA, the figures only include the consumption of the 3 CPL and buildings supplied by EPAL). Notwithstanding the significant reduction of consumption, derived from the effort made to optimise water use and the lower occupation of buildings, a minor increase was recorded in the consumption of the CPLC and CTT head office building, largely as a result of the increased number of employees in these buildings.

²⁴ Does not include water consumption by Tourline and Corre.

²⁵ The reported figures were obtained via analysis of the acquisitions made through the e-procurement computer 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. However, this situation has progressed towards increasingly more stable consumption.

OBJECTIVE 2015

REDUCTION OF WATER
CONSUMPTION BY 3%

EXPANSION OF THE REMOTE
WATER CONSUMPTION
METERING PROCESS TO
63 FACILITIES

In 2014, CTT adhered to EPAL's Waterbeep service, which provides information in real time on the consumption of network water using telemetering, for 64 buildings of the Lisbon region. This tool shall take effect as of 2015 and will contribute to the optimisation of water consumption and costs.

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.

This year, approximately 2,070.2 tonnes of consumption²⁵ of materials were recorded, involving 1,723 tonnes of paper, 295 tonnes of plastic and 13 tonnes of metal, among others.



However, occasional increases are observed at the CPLS, due to the launch of a new courier product, which is currently dispatched autonomously from the rest of the international mail traffic and the growth of the volume of international and customs mail traffic, whose operating cycle requires documental follow-up. There has also been an increase of paper consumption at CTT Expresso, associated to the increased mail volumes and creation of new products.

As in previous years, the Company pursued actions aimed at reducing the consumption of consumables and paper, with the replacement of fax and photocopy machines by multifunctional equipment and through the dematerialisation of products and services. The actions of dissemination of information on the consumption of materials on the internal TV circuit of the head office were also maintained.

This year also coincided with the start of a new cycle of attribution of uniform articles for most of the employees, which boosted an increase of these materials and, consequently, the overall consumption of materials. Nevertheless, it is expected that the consumption of this material should become more regular over the following years, since the procurement process was conducted for a period of two years.

The practice of incorporation of materials derived from recycled products has been maintained, with the percentage of incorporated recycled paper currently representing 5.3% at CTT SA and 3.7% at CTT Expresso.

OBJECTIVE 2015

REDUCTION OF PAPER
CONSUMPTION BY 2%
(EXCEPT MAILTEC)

SUSTAINABLE MARKETING

CTT continues to focus on boosting the ECO Direct Marketing range of services, available for campaigns which assure good environmental practices. This measure sought to project the use of the channel of mail with ecological merit, through the responsible use of material that is biodegradable, recyclable and manufactured based on renewable resources. In spite of the reduction of mail volumes which occurred this year, for the first time since its launch, the eco range continued to show increased weight in the overall volume of Direct Mail, currently representing 22.8% of this total figure.

Two campaigns were carried out for the new range of Correio Verde ("Green" Mail), aimed at increasing the sales and use of sustainable products. The attributes of this category of products consist of the use of environmentally friendly materials (paper and ink) and their carbon neutrality. The evolution of their revenue and mail volumes showed the same situation referred to above for Direct Mail, i.e. decreases in absolute terms, albeit with increased relative weight of the range in addressed transactional mail as a whole.



Postal operators have shown growing interest in demonstrating their commitment to the environment. The EPD/PCR - Environmental Product Declaration/Product Category Rules, whose production was co-led by CTT, aims to define a common reference framework to support the environmental claims and labelling of the existing diversity of so-called “green” postal products at an international level. This is a new standard for environmental certification of eco postal products and services, which establishes the requirements for the development of an analysis of the life cycle in postal companies and defines the minimum criteria to create environmental product declarations pursuant to ISO 14025 and 14067.

An innovative process for participatory carbon emission offsetting has been approved and is under implementation for Correio Verde (“Green” Mail), which, through the social networks, provides the public with various choices of offsetting projects in Portugal and abroad.

In recognition of the focus of business development on environmental concerns, CTT was distinguished as an “Environment Brand of Trust 2014”, following studies conducted by the Reader’s Digest Selections.

WASTE

CTT continued with the internal management practices and final sending of waste to the most suitable destination, preferably via recovery

solutions, instead of landfills. The overall waste recovery rate recorded in 2014 stood at 82.2% (compared to the national average of 27%), representing a minor improvement in the recovery rate, of approximately 1.7% relative to the previous year.

The following table shows the different types of waste and their quantities produced at CTT.

TONNES ²⁶	2013	2014	Δ% 14/13	DESTINATION
Paper and cardboard	360.7	329.0	-8.8%	Recovery
Plastic	57.1	77.5	35.7%	Recovery
Wooden pallets	131.1	84.7	-35.4%	Recovery
Undifferentiated waste	136.5	134.4	-1.6%	Disposal
Other	122.3	256.1	109.3%	Recovery/Disposal
Total National	807.7	881.6	9.2%	

²⁶ The quantity of waste in Portugal does not include Tourline Express and Corre

Table 23 – Waste

OBJECTIVE 2015

PARTICIPATORY CARBON
OFFSET MODEL

STUDY ON LAUNCH OF REVERSE
LOGISTICS SERVICES

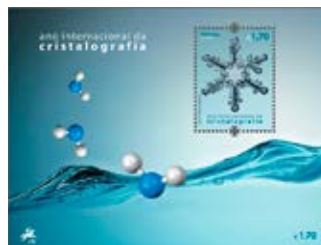
EXPANSION OF THE CARBON
NEUTRAL LETTER MAIL
PORTFOLIO (TO BE COMPLETED
BY THE END OF 2016)

EXTENSION OF THE ECO
PORTFOLIO TO PARCELS/
COURIER PRODUCTS





Veículos postais



Ano internacional da Cristalografia



150 anos do Instituto Geofísico da Universidade de Coimbra



Livro filatélico "Jardins de Portugal"

There was an increase in the overall quantity of waste produced by the Company, essentially at CTT SA, associated to the dismantlement of materials and reorganisation of services, although a 5% improvement was recorded in the waste recovery rate.

TONELADAS	VALORIZAÇÃO	ELIMINAÇÃO	TOTAL
Resíduos perigosos	94.7	19.5	114.2
Resíduos não perigosos	630.0	137.5	767.5
Total	724.7	156.9	881.6

Table 24 – Waste by hazard level and destination²⁷

In view of the legal obligations in this area, CTT maintains the enrolment and registration of data for 9 buildings in the integrated registration system of the Portuguese Environment Agency. CTT's adherence to the integrated system of the Sociedade Ponto Verde was also maintained, for the management of waste derived from non-reusable packaging placed on the market through CTT Post Offices.

OBJECTIVE 2015

EXTENSION OF WASTE
MANAGEMENT TO POST OFFICES
AND POSTAL DELIVERY OFFICES

REDUCTION OF WASTE
PRODUCTION

INCREASED RECOVERY RATE

BIODIVERSITY

While not considered a critical topic, the Company manages its impacts on biodiversity in an active manner and in line with its management framework. The use of paper and land associated to the scale and location of its real estate properties, situated in urban and industrial zones, are the main identified risks. There is no known evidence that CTT develops activity or operates facilities situated inside protected zones or in areas of high biodiversity indices.

The use of paper, as the most representative format used in postal communication, has a relevant effect, albeit indirect, on forests and biodiversity. CTT has focused on the use of paper derived from sustainable forests and the promotion of the use of certified paper in its products and services.

As in previous years, we involve employees and their family in our events organised to mark the International Biodiversity Day, namely the field trip to Sintra Natural Park for observation and identification of amphibians in their habitat, games, competitions and a scientific lecture held at the Company's premises. Voluntary actions for environmental conservation are another regular activity, which is the case of the event held in partnership with the ICNF at Paul do Boquilobo Natural Park, for the clearing and pruning of a hectare of young cork oak trees. Patronage support to the V Iberian Ichthyology Days, held in Lisbon, under the motto "Knowing to enable preserving".

Keeping to a tradition that is decades old, various philatelic issues were launched and books published on environmental themes. Special reference is made to 4 philatelic issues dedicated to the topics of "Gardens of Portugal", "International Crystallography Year", "150 Years of Coimbra Geophysics Institute" and "Coffee", covering a total of 3.0 million stamps, Postal Stationary commemorating the "World Water Congress" (14 thousand copies) and a thematic book dedicated to the Gardens of Portugal (4 thousand copies). The production of "meuselo" personalised products with FSC (Forest Stewardship Council) certified and fully chlorine free paper was maintained.

²⁷ The quantity of waste for CTT companies in Portugal does not include Tourline Express and Corre.



CTT continued its adherence to the Print Power programme, which receives the support of almost all national companies linked to the paper chain, under which awareness-raising campaigns on responsible communication using paper were promoted, through press advertisements and mailings to the persons in charge of Marketing and Advertising. Activity started up in the area of the fight against greenwashing and in defence of the right to communication using paper (Keep me posted campaign). We also maintained our endorsement of and participation in the Business&Biodiversity initiative, promoted by the ICNF.

A partnership was also signed between CTT and Quercus in 2014, with the objective of involving the community in the creation of forests with greater capacity to prevent fire destruction, promoting high biodiversity indices. The “A Tree for the Forest” initiative seeks to boost the afforestation, with indigenous species, of areas particularly devastated by fire. Close to 4 thousand symbolic trees were sold at CTT Post Offices, which correspond to real specimens for planting in the spring of 2015.



OBJECTIVE 2015

PRODUCTION OF PRESS
RELEASES, ADVERTISEMENTS
AND MAILINGS

SPONSORSHIP OF INITIATIVES
AIMED AT PROMOTING
BIODIVERSITY

LAUNCH OF 3 STAMP ISSUES
AND 1 THEMATIC PUBLICATION

TRAINING AND AWARENESS-RAISING

CTT has regularly developed, both internally and externally, a large number of awareness-raising initiatives aimed at boosting knowledge, 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.

Internally, CTT maintains the publication of the Magazine “Aposta”, publishing approximately 25 thousand copies per month, which regularly presents articles on environmental concerns. Likewise, CTT Expresso uses its internal newsletter to disclose initiatives and raise the awareness of the employees. Also for purposes of awareness-raising,



OBJECTIVE 2015

ENVIRONMENTAL TRAINING FOR
RETAIL NETWORK AND DELIVERY
OFFICE EMPLOYEES

ENVIRONMENTAL EFFICIENCY KIT
FOR LOCAL MANAGERS

SERIES OF THEMATIC LECTURES

CTT SA has an internal TV channel, which broadcasts various contents of environmental topics on a daily basis (data on consumption and emissions, information about events, environmental curiosities and quizzes), among others. The training plan continues to include training actions on ISO (9001, 14001 and OHSAS 18001), which covered 416 employees in 2014.

CTT also participated in events and partnerships, where reference is made to its presence at the “Green Day”, an ecological festival aimed at inducing the adoption of ecological behaviour and healthy life styles, and at “GreenFest 2014”, where it carried out environmental awareness-raising activities for the participants. From this last event, CTT brought home the “B-Green Action Award”, attributed for the series of actions it organised during the days of the festival.

At the invitation of different entities, CTT participated in conferences and workshops dedicated to environmental topics with a view to sharing good practices and raising the awareness of the participants, among which the following are noteworthy: “CDP Spring Workshop 2014”, Workshop on Sustainability of the IPC, “Driving Sustainability through Leadership” Workshop at bpost; “Environmental Management in the Value Chain” Seminar of PT, event to relaunch the Business Sustainability Observatory of BCSD-IST, “Electric Mobility” at the III Conference of the Green Project Awards on “Cities for People” and presentation of CTT’s experience with soft mobility to the delegation of the international selection panel of VeloCity.

CTT also disclosed various articles in external publications. These publications include a case study in the IPC’s Postal Sector Sustainability Report 2014 on electric bicycle project; two articles, about the ceremony presenting CTT’s new eco fleet and on the results of the Annual Report for 2013, in the IPC’s Green Issue newsletter; one article on sustainable mobility and community at CTT, in the book produced by EPOMM (European Platform on Mobility Management) entitled “Mobility Management: The smart way to sustainable mobility”; and another case study on electric bicycles, in the 2014 edition of the brochure on CSR best practices, by PostEurop.

ENVIRONMENTAL INVESTMENT

In 2014, environmental investment amounted to approximately 5,895.98 thousand euros. In terms of the distribution of the investment, the majority associated to undertakings at CTT SA, there was a significant focus on prevention measures, with a view to improving the overall performance of CTT.

We highlight the following:

Works for maintenance and conservation of buildings, redesign of elevators, replacement of air conditioning equipment and lighting, of the value of 1,777,873.53 euros

Renovation of the fleet of motorcycles, trailers and light goods vehicles, of the value of 3,075,157.48 euros

Acquisition of electric scooters, bicycles and tricycles, of the value of 170,518.52 euros

Integrated Management Systems in the Environment and FSC (Forest Stewardship Council) areas, of the value of 14,257.01 euros

Certification of energy and indoor air quality of buildings, of the value of 23,818.24 euros

Acquisition and replacement of computers, screens and IT material, of the value of 736,100.00 euros

Sponsorship of environmental events of the value of 65,677.21 euros

External consulting services in the preparation of the last REP in the context of the energy intensive consumption management system, at the South Production and Logistics Centre, of the value of 2,577.31 euros

Packaging waste management in the context of adherence to the Sociedade Ponto Verde system, of the value of 686.08 euros

Production of mailing items for the campaigns of the Print Power programme of the value of approximately 2,000.00 euros

Participation in the Carbon Disclosure Project, of the value of 2,962.50 euros

Levy paid to the APVE (Portuguese Association of Electric Vehicles) of BCSD Portugal and IPC, of the value of 12,740 euros

Renewal of the insurance policy against environmental damages of the value of 2,916.00 euros

Management of waste, monitoring of liquid and gaseous effluent, of the value of 8,694.88 euros



ENVIRONMENT		2013			2014			ANNUAL VARIATION (GROUP)
ENVIRONMENTAL INDICATORS	UNIT	CTT	CTT SA	SUBSIDIARIES	CTT	CTT SA	SUBSIDIARIES	UNIT OR %
Energy consumption	(GJ)	361 680.9	316 234.1	45 446.8	360 811.6	317 546.9	43 264.7	-0.2%
Total electricity consumption a)	(GJ)	160 172.6	133 915.2	26 257.5	150 702.6	124 580.7	26 121.9	-5.9%
Conventional electricity consumption a)	(GJ)	153 718.0	127 576.7	26 141.3	144 162.5	118 385.0	25 777.5	-6.2%
Green electricity consumption	(GJ)	6 454.6	6 338.5	116.1	6 540.1	6 195.7	344.4	1.3%
Solar panel power consumption	(GJ)	127.2	127.2	0.0	127.2	127.2	0.0	0.0%
Thermal power consumption	(GJ)	4 649.1	4 649.1	0.0	5 209.5	5 209.5	0.0	12.1%
Total fuel consumption b)	(GJ)	193 918.0	175 022.4	18 895.6	202 304.6	185 161.9	17 142.7	4.3%
Total gas consumption	(GJ)	2 813.8	2 520.1	293.7	2 467.6	2 467.6	0.0	-12.3%
Average fleet consumption	(lt./100km)	8.9	9.1	7.3	8.9	9.0	7.6	-0.2%
Less pollutant vehicles	(unit)	241	241	0	298	298	0	23.7%
Total direct atmospheric emissions of CO₂ (scope 1) b)	(tonne CO₂)	14 129.4	12 748.0	1 381.3	14 719.8	13 481.6	1 238.3	4.2%
Fuel consumption b)	(tonne CO ₂)	13 965.3	12 600.5	1 364.9	14 575.4	13 337.1	1 238.3	4.4%
Gas consumption	(tonne CO ₂)	164.0	147.5	16.5	144.5	144.5	0.0	-11.9%
Total indirect atmospheric emissions (scope 2) a)	(tonne CO₂)	6 183.0	5 150.4	1 032.6	5 834.1	4 805.0	1 029.1	-5.6%
Electricity consumption a)	(tonne CO ₂)	6 049.8	5 017.2	1 032.6	5 684.8	4 655.7	1 029.1	-6.0%
Thermal power consumption	(tonne CO ₂)	133.3	133.3	0.0	149.3	149.3	0.0	12.1%
Total other indirect atmospheric emissions (scope 3) b)	(tonne CO₂)	41 627.7	21 354.5	20 273.3	35 376.7	20 217.1	15 159.6	-15.0%
Air transport	(tonne CO ₂)	16 131.7	11 757.3	4 374.5	15 184.7	11 119.1	4 065.6	-5.9%
Sea transport	(tonne CO ₂)	304.4	139.2	165.2	50.8	24.1	26.7	-83.3%
Road transport by outsourced fleet	(tonne CO ₂)	18 055.2	2 321.6	15 733.6	13 283.7	2 216.4	11 067.3	-26.4%
Air and rail travel on company business	(tonne CO ₂)	20.3	20.3	0.0	10.4	10.4	0.0	-48.9%
Commuting	(tonne CO ₂)	7 116.1	7 116.1	NC	6 847.1	6 847.1	NC	-3.8%
Offset CO₂ emissions	(tonne CO₂)	0.0	0.0	0.0	0.0	0.0	0.0	-



ENVIRONMENT		2013			2014			ANNUAL VARIATION (GROUP)
ENVIRONMENTAL INDICATORS	UNIT	CTT	CTT SA	SUBSIDIARIES	CTT	CTT SA	SUBSIDIARIES	UNI. OU %
Carbon incorporation by postal item (scopes 1 e 2) b)	(g CO ₂ /item)	13.9	20.1	4.0	14.9	21.8	3.8	6.6%
Carbon incorporation by postal item (scope 1, 2 e 3 b)	(g CO ₂ /item)	42.8	44.1	40.8	40.7	45.9	32.6	-4.8%
Water withdrawal by source b)	(M³)	59 810.0	47 110.0	12 792.0	48 283.1	37 747.4	10 535.7	-19.3%
Well	(M³)	4 010.0	4 010.0	0.0	1 922.4	1 922.4	0.0	-52.1%
Public network	(M³)	55 800.0	43 100.0	12 792.0	46 360.7	35 825.0	10 535.7	-16.9%
Spillage	(unit)	9	8	1	7	7	0	-22.2%
Consumption of materials a)	(tonne)	2 483.7	1 206.6	1 277.1	2 070.2	1 141.6	928.6	-16.6%
Paper	(tonne)	2 193.5	1 008.6	1 184.9	1 723.0	923.3	799.7	-21.5%
Plastic	(tonne)	256.9	166.2	90.7	294.9	175.3	119.5	14.8%
Metal	(tonne)	18.5	17.6	0.9	12.7	12.0	0.7	-31.4%
Other materials	(tonne)	14.8	14.2	0.6	39.6	31.0	8.6	168.2%
Waste sent to final destination b)	-	-	-	-	-	-	-	-
Total waste	(tonne)	807.7	484.5	323.1	900.9	625.5	275.4	11.5%
Recovery Rate	%	80.5%	75.9%	87.3%	79.7%	77.3%	85.2%	-0.8%
Environmental Certification	-	-	-	-	-	-	-	-
ISO 14001 certified Units/Companies	(number)	4 + 4	3 CPL + EPA	4 Companies	4 + 4	3 CPL + EPA	4 Companies	0.0%
FSC certified Units/Companies	(number)	1	0	1 Company	1	0	1 Company	0.0%
Environmental Investment and Costs b)	(1000 euros)	1 153.9	1 152.5	1.4	5 896.0	5 882.0	14.0	411.0%

Table 25 – Environment

a) Does not include Corre.
b) Does not include Corre and Tourline Express.

3 COMMITMENTS



■ Accomplished (≥ 95%)

■ Not accomplished

■ In progress

→ New

TARGETS	2014 (ONLY CTT SA)		CTT TARGETS FOR 2015 AND FOLLOWING
	PROGRESS	ACCOMPLISHMENT	
Policy and Strategy			
Adoption of international standards	■	Caring for Climate	
Endorsement of Global Compact	■	Postponed	For assessment in 2015
Endorsement of DJSI		➡	New. For assessment in 2015
Evolution of reporting to GRI version	■	Preliminary study	2015 reporting pursuant to version GRI4
Relations with Stakeholders			
Review of the strategy of involvement with Stakeholders	■	In preparation	Completion in 2015
Redesign of the Sustainability area - CTT website and social networks		➡	Completion in 2015
Ethics			
Updating of the Code of Ethics	■	Updating	-
Dissemination of the Code of Ethics (training under e-learning)	■	In preparation	Dissemination in 2015
Environmental management			
Improvement of environmental reporting for the Management Commitments	■	Greater reliability	Computer application
Energy efficiency			
Implementation of the PRE of the certified buildings	■	One-off actions	Continues in a phased manner
Reduction of electricity consumption by 4%	■	5.9% reduction	-4%
Expansion of energy certification of buildings (SCE) ²⁸	■	Further 75 buildings	To be continued in 2015
Energy audit of the delivery fleet		➡	New. Phased start-up
PRCE of the heavy vehicle fleet – reduction of specific consumption		➡	New. 1.7% reduction
Reduction of fuel consumption by 4%	■	4.3% increase ²⁹	-4%
Efficiency gains in fuel consumption of 1.5%	■	0.2% reduction ³⁰	-1.8%
Implementation of remote electricity metering solutions	■	Inconclusive tests	Decision on expansion

²⁸ SCE - System of certification of buildings

■ Accomplished (≥ 95%)

■ Not accomplished

■ In progress

→ New

TARGET	2014 (ONLY CTT SA)		CTT TARGETS FOR 2015 AND FOLLOWING
	PROGRESS	ACCOMPLISHMENT	
Sustainable Mobility			
Beginning of use of ten electric vehicles in Lisbon	■	In operation	-
Expansion of the fleet of electric motorcycles	■	8 scooters in operation	scooters and 6 tricycles in operation
System of recognition of ecological driving	■	Covers 4,800 employees	Improvement of the system
Acquisition of heavy vehicles	■	Acquisition of 25 vehicles	-
Renewal of the light goods vehicle fleet		→	New
Updating and extension of the scope of the commuting study	■	Expanded to the entire country	-
Vehicle sharing solution	■	Market study	Operationalisation in 2015
Climate Change			
Reduction of direct and indirect CO ₂ emissions by 3%	■	1.0% increase	-3% (33% in the period 2008-2020)
Reduction of scope 1, 2 and 3 emissions	■	9.7% reduction ³¹	-4.8%
Reduction of carbon emissions by postal item (scopes 1, 2 and 3) by 1.5%	■	4.8% reduction ³²	-0.8% (27% in the period 1990-2030)
Reduction of carbon intensity per postal item (scopes 1 and 2)		→	New. -1.8% (20% in 2015-2025)
Consumption management			
Improvement of the water metering process	■	Start-up of remote metering	Extension to 63 facilities
Reduction of water consumption by 4%	■	19.3% reduction ³³	-3%
Reduction of paper consumption by 4%	■	21.5% reduction	-2% (except Mailtec)
Waste management			
Extension of waste management to post offices and Postal delivery offices	■		To be carried out in 2015
Reduction of waste production	■	9.2% increase	Reduction of waste production
Increased recovery rate	■	1.7% increase	Increased recovery rate
Biodiversity			
Production of press releases, advertisements and mailings	■	Print Power initiatives	Continues
Sponsorship of initiatives aimed at promoting biodiversity	■	Various actions carried out	Continues

³¹ Excluding Tourline and Corre.

³² Excluding Tourline and Corre.

³³ Excluding Tourline and Corre.

■ Accomplished (≥ 95%)

■ Not accomplished

■ In progress

→ New

TARGET	2014 (ONLY CTT SA)		CTT TARGETS FOR 2015 AND FOLLOWING
	PROGRESS	ACCOMPLISHMENT	
Training and awareness-raising			
Environmental training for Retail network and delivery office employees	■	In preparation	To be carried out in 2015
Launch of 3 stamp issues and 1 thematic publication	■	11 issues and 1 publication	3 philatelic issues and 1 publication
Environmental efficiency kit for local managers	■	In preparation	To be completed by 2015
Series of thematic lectures	■	3 lectures held	Continues in 2015
Quality of Service			
Full certification of the entire retail network	■	100% Retail Network	Maintenance of the target
Certification of the BEC (included in Certification of Counter Service)	■	100% of BEC	Maintenance of the target
Certification of Postal Agencies	■	Certification of 25 units	Extension to a further 75 units
Certification of Quality Systems	■	8 quality indicators	Maintenance of the target
Maintenance of the average times of response to claims	■	4 & 34 days (nat. & inter.)	10 days nat. & 38 days inter.
Maintenance of the QS international ranking position	■	Lowered position	Improve the target
Surpassing of quality targets agreed with ANACOM (100 points)	■	236.5 points	Maintenance of the target
Procurement			
At least 50% pre-contractual procedures with environmental criteria	■	Reached the value of 73.5%	Maintenance of the target
At least 50% contracts concluded with environmental criteria	■	Reached the value of 99.5%	Maintenance of the target
System for recording, assessment and qualification of suppliers	■		Implementation of 3 modules by 2015
System for SR assessment/qualification of suppliers		→	New
Average payment period (40 days)	■	Payment in 42 days	60 days
Hygiene and Safety			
Level of satisfaction with working conditions above 80%	■	80% satisfied employees	Increased satisfaction level
Audits to interior air quality		→	New. 15 buildings
Zero work-related fatalities (own liability)	■	1 death, 3rd party liability	Maintenance of the target
Reduction in the number of work accidents by 5%	■	5.2% increase (955)	5% reduction
Reduction in the number of days lost by 5%	■	9% reduction (25,256)	5% reduction
Qualifications			
Training effort rate of 1.36%	■	Training rate of 1.2%	Effort rate of 1.3%

■ Accomplished (≥ 95%)

■ Not accomplished

■ In progress

→ New

TARGET	2014 (ONLY CTT SA)		CTT TARGETS FOR 2015 AND FOLLOWING
	PROGRESS	ACCOMPLISHMENT	
Training in eco-efficient driving		→	New. 220 drivers in 2016
Absenteeism			
Reduction of overall absenteeism to 6.0%	■	6.1% (0.4 p.p. reduction)	Reduction to 6.0% (CTT)
Sustainable Marketing			
Extension of the eco-friendly portfolio to parcels/courier products	■	In preparation	To be completed in 2015
Expansion of carbon neutral letter mail portfolio	■		To be completed in 2016
Participatory carbon offset model	■	Under completion	Implementation in 2015
Study on launch of social business services/inverse logistics	■	Analyses conducted	Implementation in 2015
Community			
6 voluntary work actions in social and environment areas	■	11 actions carried out	10 actions
Establishment of protocolled SR partnerships	■	In preparation	To be implemented in 2015
Pilot experiment concerning long-term voluntary work	■	Mentorship with EPIS	To be maintained and reinforced
Opening of Citizen's Areas at CTT post offices	■	24 Citizen's Bureaus	Extension to 200 (2015) and 300 (2016)
Diversity			
Professional occupation for 20 disabled persons	■	17 people	17 people
Training on equal opportunities	■	Under completion	To be completed in 2015
Preparation of a Gender Equality Plan	■	Under completion	To be completed in 2015

Methodological notes

This document contains information provided by the representatives of every division/department, through a sustainability information management system. All GRI indicators were calculated according to the GRI methodology, version 3.1.

Other indicators are based on the international calculation methodologies listed below: incidence index (number of accidents/Average Staff/1,000), the number of injuries leading to one or more working days lost, and the Greenhouse Gas Protocol for:

- Direct Emissions from Stationary Combustion of the GHG Protocol Initiative, version 2.0 using conversion factors listed in “Emission Factors From Cross-Sector Tools”;
- Indirect CO₂ Emissions from the Consumption of Purchased Electricity, Heat and/or Steam, of the GHG Protocol Initiative;
- GHG emissions from transport or mobile sources and respective emission factors listed in “Emission Factors from Cross-Sector Tools”, of the GHG Protocol Initiative, for the various fuels used by the fleet;
- World Resources Institute (2008), GHG Protocol Tool for mobile combustion - Version 2.2. and respective emission factors listed in “Emission Factors from Cross-Sector Tools”, for the various categories of outsourced transport and business travel;

The calculation of direct emissions derived from electricity consumption was based on the emission factor provided by ERSE – EDP Serviço Universal 2013. The calculation of emissions derived from thermal power consumption for air conditioning was based on the emission factor recommended by ADENE under the certification of energy efficiency and quality of the interior air of buildings.

Survey

Your opinion is very important to us. Help us to improve.

1. To which stakeholder group do you belong?

Shareholder ☐ Customer ☐ Supplier ☐ Employee ☐

NGO ☐ Media ☐ Other ☐ Which _____

2. Please grade the various aspects of this Sustainability Report according to the scale below:

[Scale: 1 = Poor; 2 = Mediocre; 3 = Satisfactory; 4 = Good; 5 = Excellent]

Relevance/materiality	1	2	3	4	5
Credibility	1	2	3	4	5
Clarity	1	2	3	4	5
Size	1	2	3	4	5
Graphic design	1	2	3	4	5

Please add your comments and suggestions below

Indicate your name and electronic address, or other, if you wish to be contacted.

Thank you for your contribution!

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Assurance Report



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Independent Limited Assurance Report

(This Report is a free translation to English from the Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail.)

To the Board of Directors of
CTT - Correios de Portugal, S.A.

Introduction

1. We were engaged by the Board of Directors of CTT - Correios de Portugal, S.A. ("CTT") to provide limited assurance on the sustainability information included in the Sustainability Annual Report as a whole ("the Report") of CTT for the year ended 31 December 2014.

Responsibilities

2. 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 (G3.1) of the Global Reporting Initiative (GRI), for the level A, as described in the "Methodology notes" of the Report, and the information and assertions contained;
 - Determining CTT objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, in accordance with the principles of inclusiveness, materiality and response of AA1000APS (2008); and
 - Establishing and maintaining appropriate performance management and internal control systems from which the information is derived.
3. Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our assurance 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 of the International Federation of Accountants. This Standard requires that we comply with the applicable ethical requirements, including independence requirements, and that the work is planned and performed to obtain limited assurance if nothing came to our attention that causes us to conclude that the sustainability information included in the Sustainability Annual Report for the year ended 31 December 2014, is not free of material misstatement.

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KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A., a Portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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Membro da Comunidade de Registo Comercial de Lisboa sob o N.º 822 161 676



Scope

4. A limited assurance engagement on a sustainability report consists of inquiries, primarily of persons responsible for the preparation of the 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 information presented in the Report to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in 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.
5. The extent of evidence gathering procedures performed in a limited assurance engagement is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with International Standards on Auditing, and therefore a lower level of assurance is provided. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit or in a reasonable assurance engagement. Accordingly, we do not express an audit opinion and do not express a reasonable assurance conclusion on the Report.

Independence

6. In the course of our work we complied with the standards applicable in the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.
7. We consider that the evidence obtained is sufficient and appropriate to support our conclusion.

Conclusion

8. Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the sustainability information included in the Report of CTT for the year ended 31 December 2014 is not presented, in all material respects that affect its conformity with the Sustainability Reporting Guidelines (G3.1) of the Global Reporting Initiative (GRI) for the level A, as described in "Methodology notes" of the Report and with the alignment of CTT with the principles of inclusiveness, materiality and response of AA1000APS (2008).

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Assurance Report



9. Our limited assurance report is made solely to CTT in accordance with the terms of our engagement. Our work has been prepared only with the objective of reporting to CTT those matters for which we were engaged in this limited assurance report and for no other purpose. We do not accept or assume responsibility to any third party other than CTT for our work, for this limited assurance report, or for the conclusions we have reached.

Lisbon, 10 November 2015


KPMG & Associados, -
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Maria Cristina Santos Ferreira (ROC n.º 1010)



SUSTAINABILITY REPORT

2014

Design: CTT/MC/ATG/Samuel Trindade

Photos: CTT archive