

2010
Sustainability
Report



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Sustainability Report 2010



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REPORT SCOPE AND BOUNDARY

Since 2005, when CTT issued its first Sustainability Report, we have endeavoured to progressively add more detailed information on the Group companies. It should be noted, however, that Group companies are rather diversified in nature, not only in terms of size but also of the nature of their business. Hence, their contribution towards the Group's overall social and environmental performance may significantly vary. This Report covers data reported to financial year ended 31 December 2010. On 1 July, the composition of the CTT Group changed. The subsidiary company "CORRE" - Correio Expresso de Moçambique, S.A. started its operation. This is a partnership between the CTT Group and the Post of Mozambique, each party holding a 50% interest (this report does not cover the operation of this company). Nevertheless, when compared to the previous year's Report, no changes to contents or interpretation apply. Besides, on 30 November the Chairman of the Board resigned as from the 1st of January 2011. Until the election of the new managing bodies for the next term of office, his duties are performed by the Deputy Chairman Pedro Amadeu de Albuquerque Santos Coelho, as per the company's statutes.

COMMITMENT

This is the sixth Annual Sustainability Report (SR) issued by CTT - Correios de Portugal, S.A. It reports on the activities of the Group, i.e., the parent company (CTT) and its subsidiary companies, although the activities of the latter are not reported on in great detail. The data included in this Report is based on data extracted from CTT's information systems and conforms to accounting principles generally accepted in Portugal, applicable Portuguese labour legislation, the Group's Code of Ethics, and performance indicators protocols to calculate GRI 3 indicators. As in previous years, this Report is attached as Annex II to the 2010 Annual Report and Accounts and it should be perused in conjunction with the main body of the Annual Report, its Annex I – Corporate Governance thereto, and information published on CTT's website (www.ctt.pt).

The report structure and contents follow instructions issued by the shareholder – "CTT Group management committed to excellence" and equally conform to GRI (Global Reporting Initiative) guidelines, namely those regarding the compilation of Sustainability Reports, version G3 (and their respective protocols to calculate indicators). The report was independently assured by PricewaterhouseCoopers, for conformance with

the principles of the ISAE 3000 and GRI Directives as concerns the credibility and reliability of its contents. Taking into account the quality of work that went into its preparation, the Group believes that its degree of compliance with the aforementioned standards is coherent with a A rating.

As concerns its materiality, the report incorporates input obtained from a stakeholder survey conducted in conformance with the guidelines contained in the provisions of AA1000SES standard, whereby its critical stakeholders were identified as well as the issues deemed to be of relevance to them.

In essence, transparency, relevance, comprehensiveness and completeness principles were followed when defining the contents of this SR in order to produce an objective document that can be easily read by the stakeholders who might use it (refer to Table 3 – Interested parties). The company can be contacted by e-mail at: sustentabilidade@ctt.pt with regard to the contents of this report. This report is only published online and is therefore carbon free.

	C	C+	B	B+	A	A+
Mandatory	Self Declared					✓
	Third Party Checked					✓
Optional	GRI Checked	Report Externally Assured		Report Externally Assured		Report Externally Assured



Chairman's statement

Despite an unfavourable economic framework with a heavy impact on the postal traffic, the company's income and overall operation, as well as the continuing effect of technological substitution, we are proud to announce that in 2010 as in previous years we have once more closed the year with highly positive results, with no need to resort to the State Budget. This occurs in a context where the degree of coverage of the territory is maintained above the European average and the universal postal service is provided with high quality of service levels, thus exceeding the company's commitments to the Regulator and translating into very favourable customer satisfaction levels.

The year was unquestionably marked by the environmental repositioning of CTT, with a strong focus on a highly relevant issue for our common future. Among four dozen initiatives on such diverse fields as environmental certification, energy efficiency or sustainable marketing the launching of the Eco postal portfolio – the world's

first to cover both the individual and the business segments – is to be highlighted. It includes eco-friendly packages/materials, green certification and special rates for sustainable customers, associated with a carbon compensation system.

“...we are proud to announce that in 2010 as in previous years we have once more closed the year with highly positive results, with no need to resort to the State Budget.”

Also in environmental terms, the year was marked by the expansion of the alternative vehicles fleet – currently with a total of 43 electric and hybrid vehicles –, energy certification of the company's 53 largest buildings, replacement of HVAC and lighting systems at the Lisbon mail sorting centre with eco-efficient equipments, and the participation in international ratings to reduce CO₂ emissions. At national level, our efforts were rewarded with

the 1st place ex aequo in the ACGE 2010 Index of Climate Responsibility and, internationally, we were considered as world benchmark within the postal sector in the criteria Disclosure & Reporting and Value Chain Management of the 2010 EMMS

survey on carbon proficiency of the International Post Corporation.

In 2010 we continued to modernise our post office counter network, to increase the mail mechanisation rate, and to offer a more flexible range of products and services to meet the needs of both the smaller and major customers.

As examples of this evolution are the conclusion of the new Maia mail sorting centre – built in

accordance with the latest environmental requirements – the acquisition of digital franking machines, the certification of the business delivery unit and several other Group units and subsidiaries.

We monitored the employees satisfaction regarding working conditions and continued to invest in the prevention of labour accidents. Although there was a 10% increase in accidents and incidents, an average decrease of 14 days of absence per occurrence was recorded, which indicates a lower degree of severity of those accidents. This leads us to believe that the local training on eco-efficient and safe driving has had positive results. Unfortunately, we recorded one death, an indicator with a zero target. Accidents, sickness and maternity indicators contributed this year to a 0.9% increase in absenteeism, which reached an overall rate of 7.6%.

The accession process of the employees to the Company Employment Agreement is almost complete, 99.7% of those being already covered by collective representation. To note is also the 25% increase in training in the areas of quality, hygiene and safety, management, combating money laundering, as well as in skills validation of the employees by the New Opportunities Centre of CTT, which has certified over 191 employees this year.

In the field of social integration, our Project to Combat Poverty and Social Exclusion proceeded on a national basis. We delivered almost 12 thousand solidarity boxes free of charge to 36 welfare institutions which joined this initiative and after the storm that affected the island of Madeira we launched a solidarity campaign that conveyed to the island 411 tonnes of donations. The in-house programme “Adding to Divide” raised over 8 tonnes of donations, eight volunteer initiatives were conducted and the Group companies also implemented their own social impact initiatives.

At the end of the year, following Government guidelines, the company planned and defined its set of budget reduction measures to be implemented in 2011. Despite the anticipated difficulties ahead, we intend to keep contributing effectively to further improve the engagement with our stakeholders, specifically the shareholder, CTT Group employees, society and our country.



Pedro A. Coelho
Vice-Chair of CTT Board of Directors

The following highlights summarise the 2010 most relevant events and achievements.

HIGHLIGHTS OF THE YEAR – CORPORATE SOCIAL RESPONSIBILITY

- In the scope of the “Committed to Excellence” programme, the benchmark for top level performance evaluation was maintained and the targets were deployed to cover operational units such as post offices, postal delivery offices and mail sorting centres.
- CTT institutional repositioning by launching its new environment-friendly portfolio: ECO direct mail, new line of correio verde (“green mail” - items that don’t need to be weighed) and new digital franking machines.
- Purchase of 43 electric and hybrid vehicles.
- Certification of energy and indoor air quality at 53 largest offices and facilities.
- Conclusion of the process to remodel the air conditioning system and fully replace artificial lighting in the operational area of the mail sorting centre of the south.
- Organisation of the World Philatelic Exhibition - “Portugal 2010”.
- Organisation of employee focus groups on gender equality and on work-life balance.
- Start of the operation of the new mail sorting centre in the north, the 2nd largest of the country, built in accordance with the latest environmental requirements.
- Entry into force of the collective Employment Agreement – AE 2010, signed in December 2009 by the company and the Unions SNTCT and SINCOR, which did not sign or adhered to the AE 2008. In 2010, 99.7% of the employees were covered by collective representation.



START
OF THE OPERATION
OF THE COMPANY
CORREIO EXPRESSO DE
MOÇAMBIQUE – CORRE,
IN MAPUTO,
MOZAMBIQUE.

CENTRALISING MOST
ADMINISTRATIVE SERVICES IN
THE NEW CTT HEADQUARTERS
BUILDING IN LISBON AND
DESIGN ITS MOBILITY PLAN.



- Signature of the revised AE 2008 by the 12 Unions which had signed it.
- EAD and CTT Expresso (Group companies) abidance by the Global Compact principles.
- Extension of the Project to Combat Poverty and Social Exclusion until December 2010 (started in October 2008). This year, 36 welfare institutions adhered to the Project, which promoted the free of charge delivery of 11,800 parcels and training for long-term unemployed people.
- Construction of 36 more ramps for the disabled to access post offices.
- Promotion of agreements between Payshop and 18 welfare institutions to collect donations and hold temporary campaigns with other institutions through its network of 3,800 agents.
- Signature of collaboration agreements between Tourline Express (in Spain), the NGO Save The Children and the welfare initiative Play4Africa, and launch of the “Social Action Plan”, to provide discounts to poor fringes of the Spanish population.
- Solidarity campaign “Adding to Divide” (in-house collection of 8.3 tonnes of clothing, books, school material and toys to donate to 21 social welfare institutions in mainland Portugal and Islands), held for the 5th time in a row.
- Organisation of 8 corporate volunteer initiatives of an environmental and social nature.
- Increase employee training by 25% (293,600 hours in total).
- Skills validation and certification for 191 employees who obtained their 3rd cycle diploma (9th grade of the Portuguese basic schooling system) and high school certificate (12th grade) at CTT New Opportunities Centre, which is responsible for 854 certified employees so far.
- More 415 employees were trained in prevention of money laundering and the funding of terrorism.
- Free preventive screening of employees at their work place (for heart diseases, stress, sleep disorders and obesity).
- 4th edition of the Project “Promotion of Writing and Reading” which involved 168 schools and 11,407 students. The motto of this edition was the incentive to more environment-friendly practices.



SOLIDARITY CAMPAIGN
TO SUPPORT THE VICTIMS OF
THE STORM THAT HIT MADEIRA
AUTONOMOUS REGION. OVER
84,000 PARCELS WERE
CONVEYED TO LOCAL CÁRITAS,
CORRESPONDING TO 411 TONNES
OF GOODS.

Certifications of the CTT Group						
Site	ISO 9001	ISO 14001	OHSAS 18001	POCO-73 Certification of post offices	POCO-10 Certification of postal delivery offices	International Post Corporation (IPC)
CTT (parent company)						
• Postal delivery offices					286 CDP	
• Test mail system						
• Post offices				435 EC		
• Mailmanager						
• Corporate Delivery						
• Mail sorting centre of the north						
• Mail sorting centre of the centre						
• Mail sorting centre of the south	transports					
• Office of exchange of Lisbon						
• Office of exchange of Oporto						
Subsidiary companies of the CTT Group						
• CTT - Expresso						
• Mailtec						
• EAD						
• Tourline						

ISO 9001 – Quality management system; ISO 14001 – Environment management system; OHSAS 18001 – Health and Safety management system; POCO – Certification of services in conformance with the technical specification (Postal & Courier); IPC – International sector association that holds its own certification systems

Figure 1 - CTT Group Certifications

AWARDS

- 1st place (ex aequo with two other companies), in ACGE 2010 Index “Climate Responsibility”, which ranks the way how the Portuguese companies tackle the challenges of climate change and carbon restricted economy.
- World benchmark in the postal sector regarding the criteria “Disclosure & Reporting” and “Value Chain Management”, in the EMMS 2010 carbon proficiency rating, organised by the International Post Corporation.
- “Best Annual Report & Accounts and Corporate Governance Information issued by Public Sector Companies” award in the 2009 edition of the Investor Relations & Governance Awards 2010 (for the 4th consecutive year).
- Rating A awarded to CTT brand by Brand Finance. CTT stands out as one of the most important national brands.
- CTT ranked 3rd in the “APCC Portugal Best Awards” - Portuguese Association of Contact Centres - in collaboration with IZO Portugal Grupos Serviços. They award the organisations that stand out with their Customer Relations Centres.
- “Quality Service Award in Customer Service through other Channels” for the Phone-ix customer service mailbox. An initiative of the Call Centre Magazine Online and IFE - International Faculty for Executives.
- “Silver” Award to the interactive postcard “meu-postal Christmas 3d”, in the category Innovation in Digital & Interactive Media, awarded by CCP - Creative Club of Portugal.
- “Gold” Award in the category «Health and Solidarity» to the action regarding Children’s Day in CTT’s web portal Irrequietos. Welfare initiative in cooperation with UNICEF, to raise vaccines against poliomyelitis.
- “Bronze” Award in the category « Sustainable Campaigns », given by the «El Ojo» Awards (Buenos Aires), to CTT’s institutional campaign on the company’s repositioning.
- ASIAGO International Award of philatelic art in the category “Special Tourism Award 2010”, regarding the 2009 stamp issue dedicated to the five senses.
- “Gold Level” awarded to CTT Expresso in the EMS Certification Awards of the UPU, for the high quality performance in 2009. It was the first operator in the EU to be awarded this prize.
- The “commitment” campaign of CTT Expresso was awarded two Lions (gold and silver), in the Media section of the Cannes Lions International Advertising Festival.
- Tourline Express (Group company) was awarded the “Company with the children” prize by the organisation Save the Children.
- Quality Award “Páginas Amarelas 2009” (Yellow Pages) attributed to the company of the Post-contacto Group.
- “Trusted Brand” Award attributed by Reader’s Digest Portugal. For the 10th consecutive year, CTT was distinguished as one of the brands most trusted (image, brand and business performance) by the Portuguese.
- “Seal of Excellence at Superbrands 2010” Award. CTT is part of a strict list of brands selected countrywide based on a survey by the company MyBrand.
- Three awards at the 2010 Gala Grand Prix APCE – the Portuguese Association for Corporate Communication: merit diploma in the category “Best Internal Magazine” – Aposta; merit diploma in the category “Video and Webcast” – Second Life; and winner in the category “Best Cover” – for Aposta magazine.
- “Grand Prix 2010” Award – CTT ranked 1st in the category “Best Internal Communication Event: Single Event”, attributed by FEIEA – Federation of European Business Communicators Association, for the internal communication article to participate in the casting for the film “Zero carbon emissions”.

COMPANY PROFILE

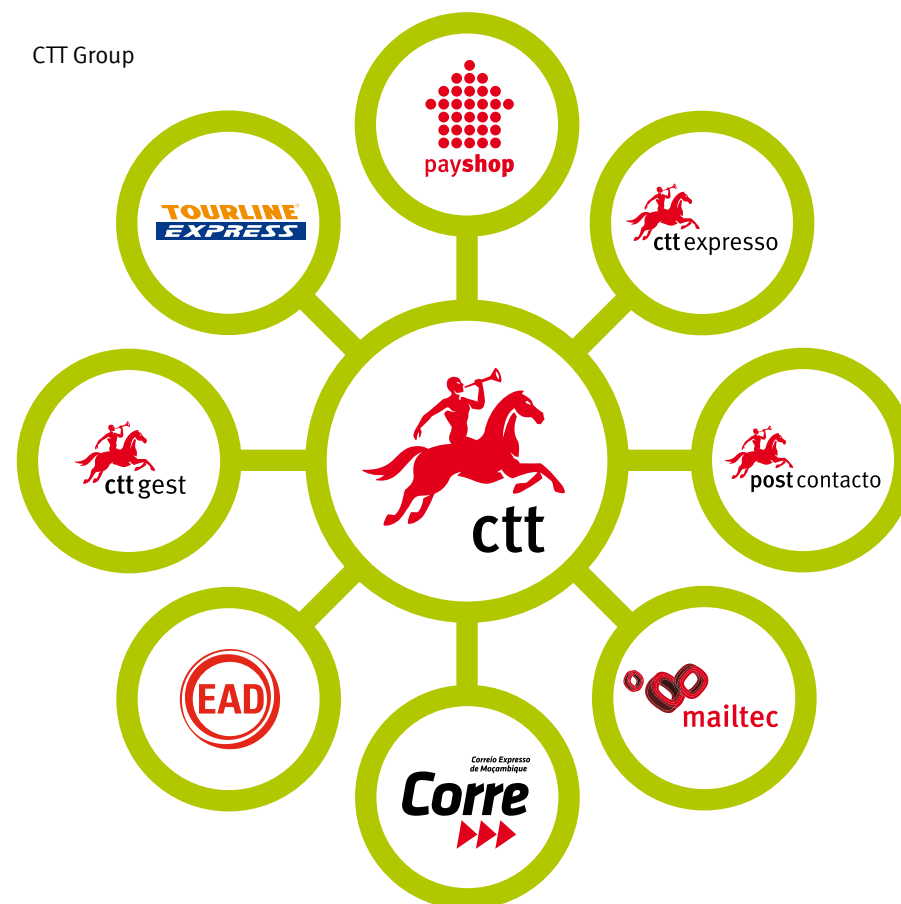
CTT IS A LIMITED COMPANY SUBJECT TO PRIVATE LAW WITH THE LEGAL STATUS OF A LIMITED LIABILITY COMPANY THAT IS FULLY HELD BY THE PORTUGUESE STATE. THE COMPANY IS ONE OF THE COUNTRY’S LARGEST EMPLOYERS, WITH OVER **14,400 EMPLOYEES**, OF WHOM 34% ARE WOMEN AND 49% HAVE A HIGH SCHOOL CERTIFICATE OR A UNIVERSITY DEGREE. EVERYDAY, IT **SERVES 167,000 CUSTOMERS AT THE COUNTERS OF ITS 884 POST OFFICES** AND 2,013 AGENCIES COUNTRYWIDE, IT HANDLES DAILY OVER 6 MILLION POSTAL ITEMS, DELIVERED TO 5.6 MILLION ADDRESSES BY 5,840 POSTMEN OVER 6,295 DELIVERY ROUNDS ORIGINATED IN 353 DELIVERY OFFICES. IT OCCUPIES OVER 1,100 PREMISES AND FACILITIES, OF WHICH 58.3% ARE RENTED. IN 2010, ITS CONSOLIDATED OPERATING INCOME TOTALLED 794.4 MILLION EUROS AND ITS RATIO OF RENOVATIONS TO AND RELOCATIONS OF PREMISES EQUATED TO ABOUT 5%, INVOLVING EXPENDITURE OF 12.2 MILLION EUROS. **ITS TOTAL INVESTMENT EXPENDITURE REACHED ABOUT 31.4 MILLION EUROS** FOR THE FINANCIAL YEAR UNDER ANALYSIS.

The main CTT – Correios de Portugal, S.A. Group subsidiary and associate companies in 2010 are listed below:

Subsidiary companies	% holdings
CTT - Correios de Portugal, SA (parent company)	
CTT EXPRESSO - Serviços Postais e Logística, SA	100%
CTT GEST - Gestão de Serviços e Equipamentos Postais, SA	100%
EAD - Empresa de Arquivo e Documentação, SA	51%
Mailtec Group	100%
PayShop (Portugal), SA	100%
PostContacto - Correio Publicitário, Lda.	100%
Tourline Express Mensajería, SLU	100%
CORRE - Correio Expresso de Moçambique	50%
Associate companies	% de Capital
Multicert	20%
Payshop Moçambique	35%
AB ADA Courier (Spain)	50%
Mensajería Urgente Rioja Portalada	25%
Urpacsur	30%
Mafelosa (Spain)	25%

Tabela 1 - CTT Group

CTT Group



01

Sustainable company



- 1.1 Corporate vision and strategy
- 1.2 Corporate ethics
- 1.3 Corporate governance
- 1.4 Governance model
- 1.5 Risk and crisis management

1.1 CORPORATE VISION AND STRATEGY (BUSINESS SEGMENTS; MARKETS; STRATEGIES)

1.1.1 BUSINESS SEGMENTS AND MARKETS

The main business purpose of CTT – Correios de Portugal is to provide, manage and operate the public postal infra-structure; to provide mail services, namely the collection, processing, conveyance and delivery of documents, goods and other postal items domestically and internationally; to provide information technology services, including electronic communications networks and services; and to provide financial services.

On 1st September 2000, CTT was granted a concession agreement for the provision of Universal Postal Service for an original term of 30 years, renewable for successive additional terms of 15 years.

CTT continues to operate in the so-called traditional business segments which include its core products and services, such as addressed mail (ordinary mail, priority mail, registered mail, *correio verde*, editorial mail), direct mail, express mail, parcels and unaddressed mail.

Furthermore, and either directly or through Group companies, CTT operates in a number of business segments, such as: printing & finishing services, document management and logistics services, electronic payment services, sale of postal solutions, mobile telecommunications, provision of public services and of general interest, as well as close relationship services to the population.

Through the multiple services it offers and the platforms it provides, CTT Group has currently a very interesting presence in the field of digital business aiming to guarantee growth through innovation. As examples of that are MDDE (electronic postmark), the PayShop e-payments platform, the hybrid mail produced at Mailtec, the digital custody of documents, the postal geographic information systems, the geomarketing services, the postal electronic post box service (Via CTT), the mailmanager service, and Phone-ix.

With the full liberalization of the postal market, to occur at the beginning of 2011, as well as the current economic environment and the reduced size of the domestic market, CTT – leader in all business segments it operates in Portugal – decided it was imperative to invest in internationalization to continue to grow. CTT operates in Spain and Mozambique and intends to intensify its presence abroad in the new few years by expanding its activity in the Spanish market and entering new markets (Angola, among others). In the consultancy business, CTT operates in a number of markets in Europe, Africa and Latin America.

CTT's typical postal chain begins with acceptance and collection of mail and parcels, which are subsequently processed, routed and delivered to each addressee.



1.1.2 COMPANY STRATEGY

At the Annual General Meeting of CTT' General Assembly, held on 28 April 2008, The Shareholder approved a set of "specific guidelines for the CTT Group's 2008-2010 term of service".

Those guidelines include the guiding principles regarding the management's commitment, strategic guidelines and specific guidelines.

The specific guidelines were translated into a set of quantified annual and multiannual overall objectives, which are included in the management agreement signed in April 2009 between the Portuguese State and each member of the Board of Directors.

The following are the **guiding principles** of CTT's **Management commitment**:

- **Implementation of a professional management approach**, based on adequate management skills and increased productive capacity. This approach shall be in conformance with the highest quality standards as applied towards the fulfilment of its mission, which shall include ambitious yet attainable quantified objectives measured on an annual and multi-annual basis (for the duration of the term of service);
- **Implementation of best management practices**, in conformance with best corporate governance practices for public companies;
- **Fostering the development of a corporate culture oriented towards excellence in performance**, through the implementation of a set of corporate practices of a high standard that enable the company to succeed in achieving sustainable

development, which basically relies on a novel management approach that includes economic, environmental and social action.

STRATEGIC GUIDELINES

CTT is bound to follow a set of strategic guidelines issued for all companies included in the country's Public Corporate Sector (the "SEE"), in conformance with the provisions of the Council of Ministers Resolution no. 70/2008, of 22 April, as follows:

- The company shall set **financial objectives** in conformance with best practices employed by European peer companies and report on the degree of achievement of such objective by means of appropriate performance indicators;
- The company shall submit to the Portuguese State Shareholder **proposals regarding concession agreements for the provision of the public postal service**; such proposals shall include quantified targets associated to auditable expenditure and shall also reflect an on-going effort of benchmark with best market practices. The agreements in question shall be fair and set mutual rights and obligations for both the State and the company, as well as the associated penalties for breach of any of those obligations;
- The company shall implement methodologies that enable it to continuously monitor the **quality of the service it renders** and the **degree of customer or user satisfaction**, while analysing the profile and volume of customer complaints, and conducting surveys that enable it to monitor its progress in those matter;
- The company shall design and implement **human resources policies** that are geared to promote personal improvement, strengthen motivation, and foster productivity growth within a framework of balanced but strict control of the associated costs. These shall be commensurate to the size and economic and financial situation standing of the company. The company shall also design and implement equal opportunity initiatives which tend to promote equitable treatment and equal opportunity for male and female employees, while eliminating discrimination and allowing employees to reconcile their personal, professional and family life;
- The company shall proceed to implement plans to transfer its liabilities for **employee pension** benefits where it has not yet done so, including the scheduling of their respective funding. For that purpose, it shall submit the required proposal to the Minister of Finance and the Ministers responsible for the governance of the different business sectors together with the applicable funding instruments to effect such transfers;
- The company shall implement consistent **scientific and technological innovation policies**, promote and encourage research on new ideas, new products, new processes and new approaches to markets. This shall be conducted in pursuit of the corporate mission and the satisfaction of public needs, while equally securing its economic, financial, social and environmental sustainability;

- The company shall implement **management information and internal control systems** that are suitable to their dimension and complexity and cover all relevant business risks. Such systems shall be auditable by the competent authorities, namely the Inspectorate-general for Finance and the Court of Auditors;
- The company shall endorse the principles of the 2008-2010 **National Strategy for Ecological Procurement**, as approved by the Council of Ministers Resolution no. 65/2007, of 7 May, in coordination with the Agência Nacional de Compras Públicas, E. P. E. (National Agency for Public Procurement) and the Portuguese Environment Agency.

SPECIFIC GUIDELINES

Given its impact on Portuguese society and its presence throughout the national territory, reaching the remotest places, together with its considerable weight as a major domestic employer and its contribution to domestic wealth generation, and as a vehicle for enhancing the competitiveness of the national corporate sector, the **mission** of CTT – Correios de Portugal is set out as follows:

To provide both **physical and electronic connections** among citizens, the Public Administration, companies and social organisations in general. The company's postal tradition shall be progressively strengthened and broadened to business segments and activities where its logistic and communication expertise can be put to the service of its customers.

In the **domestic market**, CTT is to remain a market leader in every business it already operates or may come to enter;

Internationally, the company is to develop a policy of strategic business alliances and acquisition of holdings in related companies, thus tapping into or strengthening its presence in relevant foreign markets with a view to securing growing shareholder returns.

In the conduct of its business, CTT endorses the following **vision**:

CTT – Correios de Portugal shall provide a powerful **multi-service platform**, aiming to meet the needs of citizens, consumers and economic stakeholders through a sales and logistics network offering high-quality, efficient, neighbourhood services to customers;

The Company shall be a key driver of the country's social and economic development and thereby contribute to enhance the standard of life of its customers and staff through dynamic growth and irreprehensible, service-oriented culture, and a strong sense of corporate social responsibility.

Group CTT will abide by the following main **specific guidelines**:

- **Ensuring the provision of the universal postal service** with a view to granting the citizens high-quality postal services at affordable prices, universally and equitably delivered on an on-going basis.
- **Fostering growth and consolidating leadership in the current businesses.** The key drivers of core businesses are quality of service; a corporate image of trust; productivity and cost control; expansion of the range of services and increased use thereof; marketing and customer service; Product and service portfolio; and balanced pricing policies.
- **Developing new business segments**, namely mail printing & finishing, electronic payment solutions, sale of postal solutions, provision of public services and services of public interest, and conducting international business in markets of influence or relevance.
- **Generating growth through innovation**, by launching products that relate to its core expertise and seizing the opportunities afforded by development and innovation in electronic communications (e.g. electronic postal communications hub,

the postal electronic post box, the mailmanager service, and any other physical communication services that tend to migrate to digital media).

- **Assuring the postal service liberalisation process** while ensuring that the company is in a position to meet the challenges of a deregulated, competitive market.

Vision

CTT – CORREIOS DE PORTUGAL SHALL PROVIDE A POWERFUL **MULTI-SERVICE PLATFORM**, AIMING TO MEET THE NEEDS OF CITIZENS, CONSUMERS AND ECONOMIC STAKEHOLDERS THROUGH A SALES AND LOGISTICS NETWORK OFFERING HIGH-QUALITY, EFFICIENT, NEIGHBOURHOOD SERVICES TO CUSTOMERS;

THE COMPANY SHALL BE A KEY DRIVER OF THE COUNTRY'S SOCIAL AND ECONOMIC DEVELOPMENT AND THEREBY CONTRIBUTE TO ENHANCE THE STANDARD OF LIFE OF ITS CUSTOMERS AND STAFF THROUGH DYNAMIC GROWTH AND IRREPREHENSIBLE, SERVICE-ORIENTED CULTURE, AND A STRONG SENSE OF CORPORATE SOCIAL RESPONSIBILITY.

Mission

TO PROVIDE BOTH **PHYSICAL AND ELECTRONIC CONNECTIONS** AMONG CITIZENS, THE PUBLIC ADMINISTRATION, COMPANIES AND SOCIAL ORGANISATIONS IN GENERAL. THE COMPANY'S POSTAL TRADITION SHALL BE PROGRESSIVELY STRENGTHENED AND BROADENED TO BUSINESS SEGMENTS AND ACTIVITIES WHERE ITS LOGISTIC AND COMMUNICATION EXPERTISE CAN BE PUT TO THE SERVICE OF ITS CUSTOMERS.

GENERATING GROWTH THROUGH INNOVATION

CTT is faced today with various critical challenges where the company is both agent and target. Despite its market leadership, full market opening will have an effect of erosion to its market share which will be aggravated by the declining trend of the future postal market. Parcels services (logistics and delivery) will therefore assume greater relevance in terms of development opportunities. Hence, the Group will have to offer customised online, outsourcing and value-added services to meet customer expectations of higher quality service at adequate prices. This means that CTT has to permanently bank on the trust that the citizens and the national economic stakeholders have on the company although it is one of the Portuguese companies labelled as most reliable and trusted. It has been very innovative as regards new technologies and new businesses in order to tackle the inexorable transition from “physical to electronic” media and to stand out as electronic communications services provider (e.g., ViaCTT, mailmanager, MDDE – Electronic postmark, meuselo (mystamp), meupostal (mypostcard), virtual postal store, etc.) offering “cleaner” services from an environmental impact perspective.

This year, the company strongly invested (1.3 million Euros) in environmental sustainability by launching a campaign to reposition CTT brand – Project Earth. It included the launch of the new portfolio of eco-friendly products and services at special prices and associated to a carbon offset system, as well as the attribution of a green certification seal for sustainable customers (see details

in chapter Environmental activity). Furthermore, investment in innovation and development totalled 2.1 million Euros and covered the following initiatives:

- Actions in the scope of CTT’s participation in the road map of the initiative Electronic License Plate promoted by the Portuguese Government:
 - Offer of toll payment solutions;
 - Sale of electronic toll tags, inter alia, associated to various payment solutions, i.e. Pre-paid tags and ViaVerde.
- Preparation and submission of CTT’s candidature to the 2009 tax incentives programme SIFIDE - Tax Incentive System for Business Research and Development (covering Project in the areas of postal operations, corporate solutions and payment means);
- Acquisition of the technological platform Max BILL, which will enable to offer a solution for the business management of utilities, integrating CTT products and services;
- Chair of PostEurop’s Working Group “*Posts: (re) inventing the future with Advanced Electronic Solutions*”;
- Participation in the activities of COTEC / CEDT (Centre for Excellence in Dematerialising Transactions),

projects related to the dematerialisation of transactions, as follows:

- Project MobiPag (National Initiative for Mobile Payments), aiming to study and create a national Project in the field of payments using personal mobile devices as automatic payment station;
- Project to give legal value to different types of scanned documents.
- Approval, in the scope of the collaboration with AMA (Agency for Administrative Modernisation) and with the SIMPLEX’10 Programme, of measures proposed by CTT, particularly:
 - SMS –Registered Mail (notification by sms);
 - Simplification of the payment of rents to the Housing Institute – payment through Payshop.
- Development of mechanisms to foster creativity and innovation through the **Permanent Innovation and Creativity Forum**:
 - Implementation of specialised sub-committees for an in-depth analysis of the feasibility of the proposals submitted to the Forum. Introduction of procedures to encourage the submission of proposals and give the authors of the proposals visibility and recognition;

- Three sessions to submit proposals were held, one of which was dedicated to environmental sustainability;
- Eighty-four proposals were received, of which 10 were selected for presentation and debate at the session;
- This year, 2 proposals were implemented: *Interface WEB 2.0* - social networks mediator to monitor the information flow regarding CTT Group; and Ecomail - mail produced sustainably.

The company continued to plan investment on mail automation having programmed important purchases for 2011 (e.g. new machines and upgrade of the existing ones) which will further reduce time-consuming tasks and manpower, that is, automated street sorting according to the postmen’s rounds following the mail order of delivery within each round. At the end of 2010, sorting of 94% of small formatted mail was completely automated and 50% of middle sized mail started to be street sorted according to the postman round, which represents a total of 82% of all delivery related activity (1.5 million items per day, 7% more than in 2009).

SIGNIFICANT MEMBERSHIPS AND PARTICIPATIONS

Besides abiding by the obligations arising from the Portuguese State's signature of international treaties, conventions and agreements, as well as those resulting from the company's voluntary membership of international associations or institutions, CTT Group is governed by applicable international, EU and national legislation with which it strictly complies as a structural feature of its corporate culture. In addition to its irrefutable legal obligations, in the field of human resources CTT endorsed policies and guidelines which are translated in the Code of Ethics, in the Company Employment Agreements, in the Charter of Professional Values and Skills, and in CTT Plan 2012.

In the scope of the company's sustainability strategy, CTT is an active member of BCSD Portugal (Business Council for Sustainable Development), APEE (Portuguese Association for Business Ethics) and the Portuguese Association of Electric Vehicles (APVE).

As founding members of the Universal Postal Union (UPU), CTT abides by the principles espoused by this specialised agency of the United Nations. We highlight its abidance by the principles of the UN Global Compact since 2004 in that regard, which principles bind all the members.

During 2010, in institutional terms, CTT continued to participate actively in the work of the international organisations it is a member of, especially the UPU, PostEurop, PUASP and IPC, among others.



POSTEUROP -Association of European Public Postal Operators

Association of 48 European public postal operators, which represent 2.1 million employees and serve 800 million citizens daily. Given the great impact of the postal sector on social and environmental issues, there is a clear concern regarding social responsibility and this is one of the four pillars of its activity. The three remaining pillars are Operations, Markets and Regulatory, CTT having chaired the International Affairs Committee of the latter until the end of 2010.

In 2010, CTT served its last term of Office in the Management Board of PostEurop, which acted as a think-tank on the present and future activities of the Association. The focus was on sustainability and social responsibility and the Social Responsibility Committee, chaired by France, was in charge of leading the activities on social dialogue, occupational health, training and environment undertaken by its working groups. Furthermore, projects with EU funding such as Leonardo da Vinci in the field of training, NEPH (New Electric Postman Helper) to study and develop innovative electric power vehicles for postal delivery, and the Green Fleet Forum were successfully carried out and counted on CTT's participation.



UPU - Universal Postal Union

Intergovernmental agency of the United Nations of which Portugal is a founding member, i.e. since 1874. This organisation with 191 member countries has a structure with several bodies, among which is the Postal Operations Council (POC) integrated by 40 postal operators from the 5 continents, incumbent of the universal postal services in their countries. CTT is one of its members.

As an elected POC member, CTT took actively part in the annual session of this body in which it chaired the World Assembly for the Development of Philately and participated as member of the Board of Trustees of the Quality of Service Fund. CTT also focused inter alia on the areas of Reform of the Union, Development Cooperation and Postal Payment Services.

International Post Corporation

IPC - International Post Corporation

Established in 1989, this cooperative association of 23 postal operators from Europe, North America and Asia-Pacific which, in total, deliver over 330 billion letters a year, i.e. 80% of the world's total mail volume. IPC is committed to improve international mail quality of service, to manage remuneration systems among postal companies, and to disseminate business information among postal CEOs. It counts among its Board members with CTT CEO, who participates in regular meetings representing the South of the Alps operators.



PUASP - Postal Union of the Americas, Spain and Portugal

Of an intergovernmental nature, this Restricted Union's structure doesn't include a specific body to deal with the issues of social responsibility. There is, however, great concern with human resources, given that among its members there are countries with major needs in this area, hence human resources training and exchange among member countries are fostered through technical cooperation projects where CTT plays a very active role.

Besides chairing the group "Preparation of the 25th UPU Congress" and co-chairing the group "Reform of the UPU and PUASP", CTT carried out the Human Resources Development Plan that was attended by 5 trainees of the PUASP area. In the scope of the cooperation with this Union, a training course on "Organisation of the postal activity" was also held in Lisbon and was attended by 7 participants from the PUASP region.



AICEP - International Association of Portuguese-Speaking Communications (including East Timor and Macao)

Established in 1990, this Association counts CTT among its founding members and currently also as its Chair. As far as social responsibility is concerned, the aspects of cooperation and training are essential, hence CTT strives to contribute to the upgrade of the human resources of the member postal operators by offering training courses on different postal topics every year.

Seminars and training modules of an operational or commercial nature were held for the top and senior managers of those operators.

1.1.3 COMMITMENT TO EXCELLENCE IN MANAGEMENT WITHIN THE CTT GROUP

CTT Group 2008-2010 annual and multiannual objectives were set up at the General Assembly and associated with the commitment to excellence in management of the companies under the Ministry of Public Works, Transport and Communications' scope. They were also included in the Management Contracts for the term of office signed between all the Board members and the Portuguese State.

As was the case for the previous Board's term of office, the annual objectives incorporate profitability, growth and quality of service targets: operating income, EBITDA margin, net profit, return on invested capital (ROIC) and quality of service index. Two additional performance indicators have been introduced, namely level of budget performance achievement and average delay of payment to suppliers. Overall, multiannual performance takes into consideration both quantitative and qualitative indicators such as: return on capital employed (ROCE), EBITDA margin compared to benchmark peers, sustainability index, corporate climate, ability to change and adapt to new market demands, and achievement of strategic goals.

The sustainability index has a very relevant weight in this scorecard (20%), which provides a solid basis to integrate social responsibility in the company's management and to focus it on the pillars of sustainability.

Therefore, the Group's objectives were transposed into Management Contracts for the term of office and signed by each Board member. Besides,

the company entered into Performance Contracts (2009) with the subsidiary companies and with 1 line and 2nd line managers reporting directly to the Board of Directors, and will progressively expand to the operational units. Currently, the scorecard of postal delivery offices, post offices and mail sorting centres includes variables with respect to human resources and occupational accidents. Additional variables are also expected to be included next year.

The remuneration of each Board member includes a fixed and a variable component, the latter changing according to the achievement of targets. In turn, the variable remuneration has two components: an annual one and a multi-annual one. At the end of each year, depending on the performance obtained in the appraisal of multiannual indicators, the Board members will be rewarded with a component of variable multiannual incentives, which will be paid at the end of the term of office as long as it is fully completed. The achievement of annual targets is also measured and rewarded with a year bonus, if they are achieved.

Though the Performance Contracts stipulate that achievement of results is rewarded through the implementation of a programme of variable incentives (as was the case in 2008), the Annual General Assembly held on 20 May 2010 approved that the Board members would not be awarded performance bonuses in 2010 and 2011, whether or not they achieved the targets. The net fixed

remuneration of Board members was reduced by 5% since 1 June 2010 in conformance with Law 12-A/2010, of 30 June.

The objectives for the 2008-2010 term of office were very ambitious, even more given the current macro-economical framework, which demands accrued efforts and mobilisation of the whole company. By meeting these objectives the Group could measure its performance against the performance of peer companies such as: Correos (Spain), Deutsche Post (Germany), La Poste (France), TNT (Netherlands), Poste Italiane (Italy), Royal Mail (United Kingdom), An Post (Ireland), Itella (Finland), Post Denmark (Denmark), De Post/La Poste (Belgium) or Austrian Post (Austria).

In previous years, CTT's performance with respect to sustainability goals, assessed on the basis of the Sustainable Development Prize methodology and through the Sustainability Report, was appraised annually by the Shareholder who ranked the company against a pre-established goal, which has been attained or even overcome. So far, the Shareholder has not yet communicated the result of its appraisal (for an objective of 8,000 points) regarding last year.

Among the guiding principles underlying the aforementioned commitment, the implementation of a corporate governance model that renders the company more sustainable from an economic, environmental and social perspective deserves

particular highlight. Its economic pillar includes customer relations management, risk management, the implementation of codes of ethics and rules of conduct and the implementation of a corporate governance model that conforms to domestic and international best practices. The environmental pillar encompasses the definition and implementation of an environmental reporting system that renders the achievement of environmental management objectives transparent. Lastly, its social pillar involves the definition and implementation of a strategy to adequately manage human resources and the company's social responsibility.

1.2 CORPORATE ETHICS

Since February 2006 CTT has a Code of Ethics covering the whole CTT Group which became a standard of reference on the values and standards of conduct by which all Group employees must abide. Particular highlight deserves the rule on “gifts, presents, invitations”, whereby “the employees, and managers in particular, of the Group companies shall abstain from any practices which might compromise the irreprehensible image of their conduct, namely as concerns the offer to or acceptance of gifts from third parties, including customers and suppliers”. Further ahead the rule adds that “the employees are precluded from accepting commissions or payments as well as from seeking to obtain favours from any third parties in exchange for which such parties may come to expect any treatment of favour in their relations with the Group”. Lastly, a limit is set for the amount of the offers from third parties (not above 150 Euros). Upon approval of the Code of Ethics, an Ethics Committee was appointed to implement, monitor and interpret the Code of Ethics, as well as to clarify any doubts that might arise, or omissions.

In 2010 upon proposal of the Ethics Committee, the Board of Directors approved a diploma with the procedures to follow for the communication of irregularities regarding the failure to comply with the rules of conduct. Ethics Officers were also

appointed within each company of the CTT Group to make the connection between the company and the Ethics Committee. The diploma attributed to the Department of Audit and Inspection the responsibility to give expert support to the Ethics Committee in implementing that system of communication of irregularities. A communication refresh is under way to raise awareness on existence, the duties and responsibilities of the Ethics Committee.

The company has internal procedures to identify who might actively or passively be involved in bribery and corruption, with a view to legally prosecute such persons. In this context, all complaints and allegations of such practices are investigated and any internal procedures which might permit of facilitate the perpetration of unlawful practices are thoroughly reviewed. Any processes that internal audits might detect as being open to the perpetration of fraud, or that may be internally denounced as such, are the object of disciplinary action and prosecution with a view to recover any amounts for which the company might have suffered damage.

In its fifth year of existence the Ethics Committee was asked for advice on three occasions. Following the audits (286 post offices, 179 agencies and 182 postal delivery offices were audited, representing 33.9% and 52% of the total, respectively)

and internal communications, 324 disciplinary hearings were conducted, 21 (6%) of which led to subsequent dismissal of the employees in question, and to one compulsory retirement. The company recovered approximately 56,000 Euros.

The conduct of Business Practices in full conformance with Ruling Legislation and Regulations equally deserve highlight, as the Code of Ethics also calls for strict compliance with all legislation and regulations applicable to the business of all Group companies. In this scope stands out the activity of the Corporate Compliance division of the Audit and Inspection Department, having as mission to ensure that the activities of all Group units conform to rules of deontology and are conducted in full conformance with the ruling legislation and regulation governing all financial activities.

During the year under analysis, following the definition and implementation of the procedures meant for the post office network regarding the prevention and identification of operations suspected to involve money laundering and funding of terrorism, especially the activities and procedures related with the communication of suspicious operations 120 communications were made to the bodies in charge of those issues as per the ruling legislation (the Central Department

of Investigation and Prosecution and the Financial Information Unit of the Judiciary Police). Those communications referred to financial operations which totalled approximately 7.6 million Euros.

Following a recommendation passed by the Council for the Prevention of Corruption aimed at the bodies managing public funds, estate or assets, the Ethics Committee was charged with monitoring the implementation of the Plan for the Prevention of Risks and Corruption and Related Offences, which includes an annual report that identifies facts that may be considered as criminal or disciplinary infraction, their perpetrator and the criminal or disciplinary proceedings to be adopted.

CTT is subject to periodic audits of the Inspectorate-General of Public Works, Transport and Communications, of the Inspectorate General for Finance and the Court of Auditors. Such audits are part of the ordinary and extraordinary activity plans of those institutions, as a result in some cases of complaints or news issued by the media.

COMPLIANCE WITH ETHICAL OBLIGATIONS

CTT neither had to defend 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. Similarly, it was not fined for any failure to comply with ruling legislation or regulations regarding the provision of products and services. However, the company was applied non-monetary sanctions in two instances related to its failure to comply with ruling legislation and regulations (on the matter of employees appointments to permanent employees, by court order), and paid 35,357.69 Euros in tax fines and 25,875.29 Euros for non-fiscal fines. It was not the object of any legal fines for non-compliance with environmental and with occupational safety and health legislation.

As a member of the Portuguese Advertisers Association - APAN- and through the advertising agencies and media the company deals with, CTT is indirectly represented in the Civil Institute of Self-Discipline in Advertising (ICAP), thus ensuring that the company's legal interests are duly safeguarded while equally conforming to the provisions of the International Code of Advertising Practice (ICAP) of ICC, the International Chamber of Commerce.

CTT abides by the following codes and regulations: Code of Conduct for Advertising, Code of Loyal Practices on Environmental Advertising; Regulations of the JEP - Jury of Ethics in Advertising of ICAP, Regulations of the Technical Legal Office of ICAP, and Regulations of the Mediation Office of ICAP.

CTT abides equally by the self-discipline that the industry imposes on itself, with a view to quickly and effectively ensure compliance with advertising communication rules as an area with a high sense of social responsibility.

To be noted as well the compliance with the rules of conduct of CTT Code of Ethics with respect to marketing and advertising practices that impose compulsory dissemination of the correct information on the products and services provided, particularly their technical features, after-sales assistance, prices and payment terms.

Similarly, advertising messages must be correct, truthful and respect the rights of third parties. The Code of Ethics itself refers the obligation to comply with the Advertising Code by stating that institutional or advertising campaigns to promote CTT products and services must respect the rules in force in this field. As mentioned above, this is already secured by the participation of CTT in

related organisations with strong self-regulatory codes.

The sale of databases fully complies with ruling data protection legislation, whereby the rights to information, access, correction and elimination, opposition, and other rights in conformance with notifications and authorisations of the National Commission on Data Protection (CNPd) have been fully complied with and did not give rise to any sanction. Currently, RCM legislation 47/2010 stipulates the introduction of control mechanisms and the communication of data on the advertising activity, whereby CTT must inform annually on any action using means over 15 thousand Euros.

Objectives 2011

Consolidation of procedures and production of indicators

Training and dissemination of the procedures, functions and competences of the Ethics Committee

1.3 CORPORATE GOVERNANCE (refer to the Corporate Governance Report)

The statutory bodies of the company were appointed for a three-year term of office from 2008 to 2010 at the Annual General Meeting of 28 April 2008.

- The **General Assembly** comprises all shareholders entitled to voting rights, meets once a year or and upon request to its Chairman by the Board of Directors, the Audit Committee, or shareholders representing at least 5% of share capital. At present it is formed by two male members and one female in the following age groups: 1 male aged between 30 and 50; and the remaining two members (1 male and 1 female) aged over 50.
- The **Board of Directors** may comprise five or seven members appointed by the General Assembly for a term of office of three years. A Director may serve up to successive appointments to the Board up

to the limit of four terms. The General Assembly Meeting which appoints the Board of Directors shall also appoint the Chairman and may also appoint a Vice-Chairman from among the remaining Board members.

The present Board of Directors has five members: the Chairman, Estanislau José Mata Costa; the Vice-Chairman, Pedro Amadeu de Albuquerque Santos Coelho, and the remaining Directors, Marcos Afonso Vaz Batista, Carlos de Jesus Dias Alves and Duarte Nuno Lopes Reis d'Araújo. They are all male and fall within the following age groups: 1 member aged between 30 and 50 years and the remaining ones aged over 50 years.

Estanislau José Mata Costa presented his resignation on 30 November 2010, with effect as of January 1st, 2011. Until the appointment of the

statutory bodies for the next term of office, the duties will be performed by the Vice-Chairman Pedro Amadeu de Albuquerque Santos Coelho.

- In accordance with the provisions of the Portuguese Companies Act, the **Supervisory Board** and the **Chartered Accountant** are responsible for supervising CTT's business operations. The Audit Committee comprises three members, being one member a female and the two other members male. They are of the following age groups: 1 member aged between 30 and 50 years and the remaining ones aged over 50 years.

It is the Portuguese State (the sole Shareholder) that appoints the Board members and determines their qualifications and expertise. As sole Shareholder of the CTT Group, at the General Assembly Meeting the State determined the

specific guidelines for the Board of Directors for the 2008-2010 term of office. These guidelines are the essential principles for the actions of the Board managers, translated into the commitment to the management excellence programme that those managers entered into with the shareholder as part of their management contracts signed when they were elected.

The Corporate Governance Report, attached as Annex 1 to the 2010 Annual Report and Accounts (R&A2010), contains a detailed description of the duties and responsibilities of the company's corporate governance bodies.

1.4 GOVERNANCE MODEL

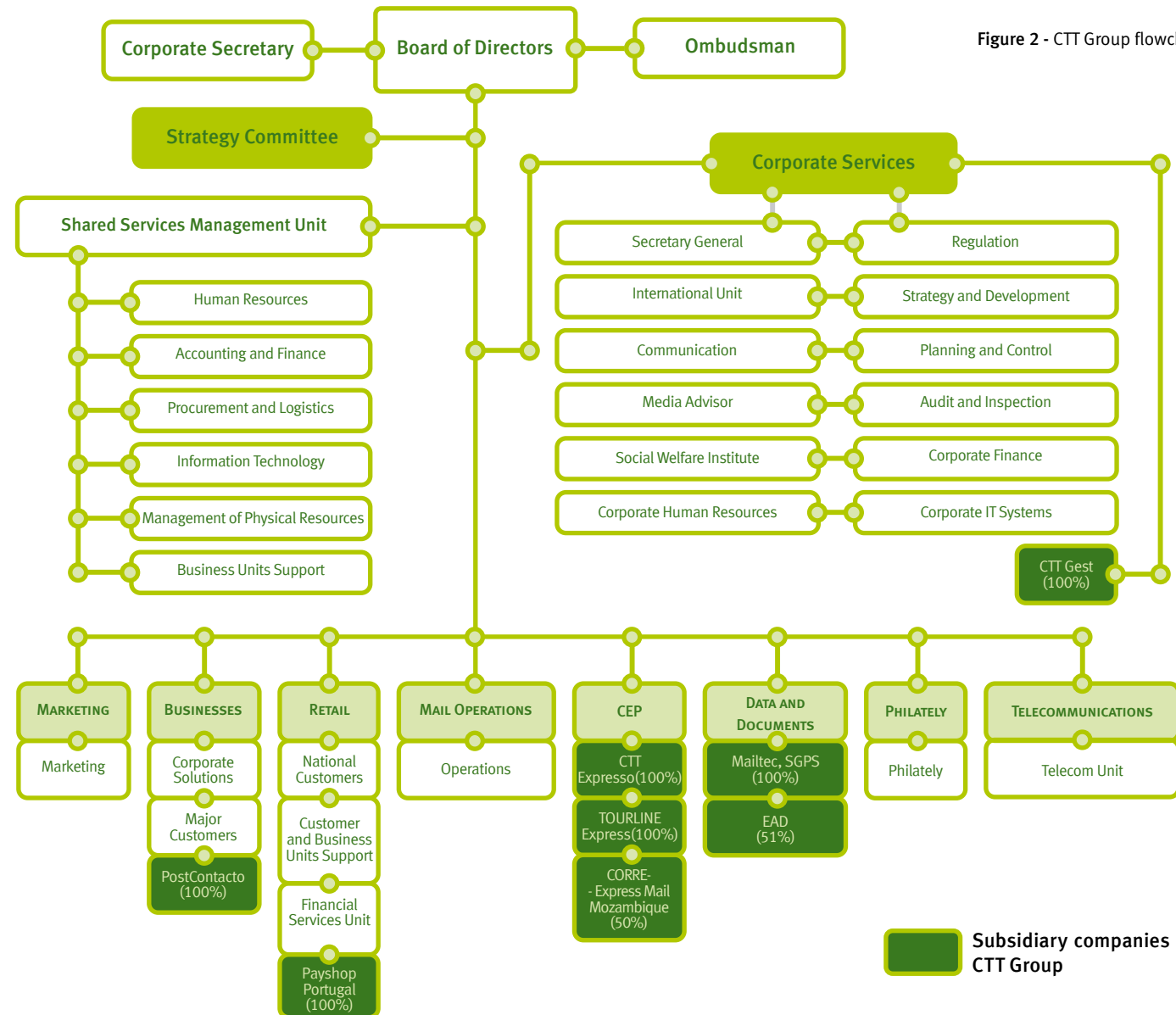
The CTT Group organisation chart (see below) is customer-oriented through dedicated structures that separately cater for marketing, sales, and the provision of customer services to each customer segment. Group business is organised along key segments that frame its subsidiary and associate companies.

The Shared Services Management Unit provides support services to all Group companies and the Corporate Services Unit acts in an advisory capacity to the Board of Directors to support its duties to manage, control and supervise all Group companies and activities.

CTT (parent company) is responsible for ensuring its compliance with the terms of the concession agreement for the provision of the universal postal service. The other Group companies operate in fully open markets.

All the members of the Board of Directors of CTT act as Executive Officers who have been assigned responsibilities to manage specific business segments and units. They are also engaged in administering and managing other Group companies. These are governed by an Executive Committee or a Chief Executive Officer (CEO) that manages the respective business. In order to strengthen management's ability and enhance its accountability for those companies' management, in 2008 the new Board of Directors appointed three-member Executive Committees at two of the main subsidiary companies – namely CTT Espresso and Mailtec Holding. Previously, only Tourline Express Mansajería and EAD (where the Group holds a 51% interest) had Executive Committees.

See responsibilities of the Board of Directors and of the company units in sections 2.2 and 1.1 respectively of the Corporate Governance Report (Annex I of the R&A 2010).



1.5 RISK AND CRISIS MANAGEMENT

Business risk management within CTT Group becomes increasingly important in the face of the dynamics of the activities in the business segments where it operates.

The Group believes that risk management is a responsibility attributable to every unit (namely its Corporate Services Unit, its Shared Services Unit and its Business Units), as well as to the Heads of those units in the first place and then to all the employees in general, in mutual cooperation.

Besides identifying risk factors within its business activities and assigning specific responsibilities ensuring that the necessary actions are undertaken in a timely manner, formal and informal communication and information channels are set up to monitor corporate activity.

In this context, CTT decided to implement a Risk Management System and for that purpose a provider of consultancy services was selected. This project will be completed in 2011. The crucial aspects in the implementation of such a system are a systematic and in-depth knowledge of every material risk that may somehow jeopardise the strategic business goals, and the definition of effective measures to minimise the consequences. For examples of the range of actions undertaken in field of the precautionary approach, the Annual

Report & Accounts on Corporate Compliance and other risk management systems should be consulted in chapter 5 of the Corporate Governance Report (Annex I of the R&A 2010).

The Board of Directors supervises the manner in which the organisation identifies and manages its economical, environmental and social performance, including risks and opportunities, by means of the following tools:

- Group Strategic Plan (medium-term);
- Annual Plan & Budget;
- Annual and Half-yearly Reports and Accounts;
- Quarterly budget performance reports;
- Monthly performance control indicators;
- Monthly control meetings;

Among the key risk factors identified as being inherent to CTT Group business are the following:

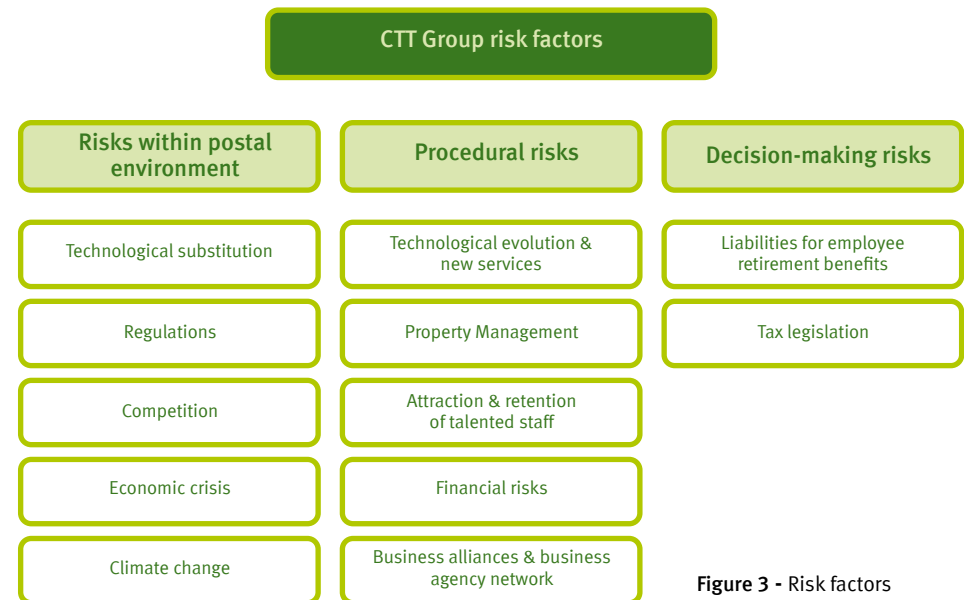


Figure 3 - Risk factors

These risk factors may be associated with the following opportunities and responsibilities of the Group:

Risk factors	Threats	Opportunities	Risk factors	Threats	Opportunities
Regulations and liberalisation	<ul style="list-style-type: none"> Regulatory environment: <ul style="list-style-type: none"> full liberalisation of the postal services in 2011, which constitutes a threat to business competitiveness and may lead to decreased market share market deregulation Decreased market share Need to fully cover the cost of the Universal Postal Service provision A regulatory framework that does not provide for a judicious balance between liberalisation and the safeguard of the sustainable provision of the universal postal service Regulatory model for the liberalisation that fosters inefficient market entries Transposition of regulatory models that do not take into consideration the specific features of the postal industry Regulation based upon benchmarking that does not take into account the specificities of the domestic market <p><i>Responsible Department - Regulations, and Permanent Observatory "Prepare Full Liberalisation"</i></p>	<ul style="list-style-type: none"> Market leadership Improvement in the introduction of mandatory rules concerning unfair competition practices Banking on the trust of citizens and economic stakeholders Review of pricing policies 	Competition and globalisation (contd.)	<ul style="list-style-type: none"> Less favourable terms of employment conditions Unbalanced portfolio not adapted to potential market Dependence on a short number of major customers Low flexibility vis-à-vis the seasonal variation of the postal traffic <p><i>Responsible Department – Board of Directors and Heads of the Business Units</i></p>	<ul style="list-style-type: none"> Brand trust and corporate image consolidation as a relevant factor of differentiation vis-à-vis the competition Transparency and best practices in corporate governance (dialogue, efficiency, etc.) Increased Group efficiency vis-à-vis the pricing Group performance compared with the European peers Greater sales aggressiveness Strong negotiating power as a result of Group size Investment on market diversification
Competition and globalisation	<ul style="list-style-type: none"> Limitation of reserved services (since 1 January 2006 for mail weighing up to 50g and at 2.5 times the priority mail rate) Market entry of new players, particularly major multinational integrators that will expand their operations into traditional postal segments (e.g. mail, parcels and express services) and into domestic markets Competition in large cities and coastal areas Market entry of low-cost operators Narrower margins Low competitiveness vis-à-vis the competitors Internationalisation 	<ul style="list-style-type: none"> Capillarity of the counters and delivery networks (comfort, convenience and accessibility) Rationalisation of operations Convenience and multiservice platform based upon a sales and logistics network offering high-quality, efficient and closeness services to customers Potential for growth in relational marketing, express mail and parcels services 	Economic crisis	<ul style="list-style-type: none"> Increased pressure on prices and narrower margins Decreased economic activity and subsequent lower demand of postal services Higher credit costs Increase in average time to collect payments <p><i>Responsible Department – Board of Directors and Heads of the Business Units</i></p>	<ul style="list-style-type: none"> Reduction in labour market pressures Improved negotiation capacity to improve supply conditions

Table 2 - Risk factors , Opportunities and responsibilities of the Group

Risk factors	Threats	Opportunities
Technological progress and new services	<ul style="list-style-type: none"> • Growing pressure for electronic means of communication, e.g. the Internet, SMS and electronic-banking, which reflect double-digit growth • Progressive substitution of physical mail (transaction mail, direct marketing, editorial mail, social mail) with new means of communication • Low-growth mature products offered in various business segments • Flat supply. Lack of product diversity among market players 	<ul style="list-style-type: none"> • Development of new business segments (document management and closeness services) • Innovation/latest electronic communication technologies • Reinforcement and expansion to activities within its logistics and communications orientation (ViaCTT service, mailmanager digital mail room and MVNO Phone-ix) • Offer of online, customized value-added outsourcing services of high quality at affordable prices • Growing mobile telecommunications services through the Phone-ix brand • Growth in parcels market (integrated logistics and delivery services) • Providing additional payment services at CTT retail network (taxes and Social Security contributions) • Providing financial services supported by CTT retail network • Expanding foreign business and opportunities to sell postal know-how and technology abroad • More flexible IT systems
	Responsible Department – Corporate Strategy and Development Unit	

Risk factors	Threats	Opportunities
Outsourcing	<ul style="list-style-type: none"> • Signature of agreements or entry into business alliances that may jeopardise the Group's competitiveness 	<ul style="list-style-type: none"> • Signature of agreements or entry into business alliances that enhance performance, increase the ability to meet customer needs, or contribute to cost reduction, thus strengthening the Group's competitiveness
	Responsible Department – Procurement and General Services Unit	
Liabilities for employee retirement benefits	<ul style="list-style-type: none"> • Actuarial shortfall estimated at 308 million Euros as at 31.12.10 with adverse impact on interest expense and, consequently, on EBITDA. • Negative discrimination owing to having to pay contributions to fund a set of benefits for CGA subscribers when compared to Social Security contributions in a competitive market 	<ul style="list-style-type: none"> • Repeal of the Medical Aids Benefits Protocol signed between the Ministry of Health and CTT at the end of 2006
	Responsible Department – Corporate Human Resources and Social Welfare Unit	

Risk factors	Threats	Opportunities
Property management	<ul style="list-style-type: none"> Relocation of postal delivery offices due to changes in urban features and road accessibility at those locations; these offices moved further away from post offices, which implied additional logistics requirements and increased building, construction and operating expenses, as well as difficulty to dispose of vacant premises Increased operating costs arising from the need to comply with environmental management legislation Increase of vacant premises due to aggregation of central services in a single building <p><i>Responsible Department – Property Management Committee</i></p>	<ul style="list-style-type: none"> Enhancing accessibility for disabled people and the public in general Improving occupational safety and health conditions Strengthening CTT's institutional image Optimising property holdings
Attraction and retention of talented employees	<ul style="list-style-type: none"> Lack of skilled and motivated employees for the right positions Reduced flexibility in human resources management Change in corporate culture Possible less advantageous location of premises Unattractive career plans Lack of skills in specific areas <p><i>Responsible Department – Corporate Human Resources Unit</i></p>	<ul style="list-style-type: none"> Skilled and motivated employees Improvement in work-life balance Merit reward-based performance appraisal systems Reduction of conflicts and social stability Pool of job opportunities within the Group Multi-tasking, flexibility and employees rotation Implementation of the conclusions of the employees appraisal and satisfaction survey

Risk factors	Threats	Opportunities
Fiscalidade	<ul style="list-style-type: none"> Changes in tax legislation Interpretation of the applicability of tax and tax-related legislation <p><i>Responsible Department – Corporate Finance Unit</i></p>	<ul style="list-style-type: none"> Dialogue with the tax authorities Keen monitoring of these risks Strengthen competences in this field
Financial risk	<ul style="list-style-type: none"> Changes in financial variables (interest and foreign exchange rates) may result in adverse performance of expected return on foreign investments (Spain and Mozambique) Late receipt of customer payments Funding shortage (illiquid markets) Economic crisis Privatisation until 2013 <p><i>Responsible Department – Corporate Finance Unit</i></p>	<ul style="list-style-type: none"> Adoption of IT and internal control systems that fit CTT's size and complexity Improved risk management

Risk factors	Threats	Opportunities
<p>Business alliances and Business agency network Internationalisation</p>	<ul style="list-style-type: none"> • Possible selection of partners or agents that adversely impact the company's reputation and goals, as well as its capacity to compete • Lack of market segments for the sector's business • Quality, performance control capacity of the providers <p><i>Responsible Department – Domestic Customers/ / Third-party Agency Network / Corporate Strategy and Development Units</i></p>	<ul style="list-style-type: none"> • Dialogue with local partners and domestic sustainable development leading organisations • Skills reinforcement and adequate selection of partners that foster CTT's interest • Improved business partner control • Strategic alliances and partnerships, joint ventures, domestic and foreign mergers and acquisitions • Internationalisation by means of business partnerships and acquisitions • Alliances with organisations that strengthen corporate
<p>Environment/ / Climate change</p>	<ul style="list-style-type: none"> • Multinational market operators which have already implemented sustainable policies • Legal and regulatory demands • Increase of energy costs associated with extreme climate change • Operational disruptions caused by natural disasters • Perception as a not very environment-friendly operator, subject to pressure to reduce information on hard copy <p><i>Responsible Department – Corporate Strategy and Development Unit</i></p>	<ul style="list-style-type: none"> • Reputation • “Green” affinity product line • Responsible procurement policy • Energy efficiency and consequent cost reduction • Reduced ecological footprint

SECURITY

Contacts were made and negotiations held with the National, Regional and local command units of the Police and security forces as a means of enhancing the security of premises, assets and employees.

Surveillance by security forces was enhanced in numerous premises, mainly in post offices and in some postal delivery offices, to prevent certain kind of events (robberies and thefts during operation) and positive results were obtained.

Partnerships with national security services were intensified aiming primarily at direct and swift communication from CTT to the relevant security services in the event of safety threats to people and/or property.

Joint actions with the national Police and security services were carried out with respect to exceptional internal and external measures to be taken regarding high-impact international events held in Portugal.

Training courses on security were ministered to all employees working in large premises, namely in mail sorting centres (including other divisions operating in the same premises) and in the new Headquarters building in Lisbon. These training and awareness courses focused on emergency evacuation procedures, fire fighting, local security organisation, inter alia, and enabled a comprehensive theoretical and practical dissemination of the subject. The results show greater awareness at all levels regarding the security issue.

The concept of “safe visit” was introduced to all employees who moved into new premises, namely the new mail sorting centre of Maia and the new Headquarters building in Lisbon.

Plans of Self-protection and Security Measures for CTT premises were designed, which included Emergency and Prevention Plans, action plans for emergency situations, emergency maps, internal and external contacts, among others.

Internationally, CTT continued to participate actively in European and world groups dealing with postal safety matters where it performs leading positions. The company also reinforced significantly its presence in meetings and at the Advisory Committee of a UN body that addresses security issues. This participation is considered as strategic not only for the security within CTT but also for national and international security, as the company is among domestic and international players.

Objectives 2011

Further first-aid and fire fighting training

Completion of the certification of compliance with OHSAS 18001 standard in the Mail Sorting Centre of the centre

02

Creating value for the stakeholders



- 2.1 Shareholder
- 2.2 Suppliers
- 2.3 Customers
- 2.4 Regulatory and supervisory authorities
- 2.5 Society
- 2.6 Employees

STAKEHOLDER ENGAGEMENTS

CTT considers that enhancing the dialogue and engagement with its stakeholders while identifying and understanding their expectations is an increasingly important challenge for the whole organisation, hence it seeks to develop actions that meet their needs.

There are for a long time regular and consolidated forms of contact, such as surveys, meetings, conferences, working groups, panels, newsletters, external and internal communication with the various stakeholders.

In 2008, CTT carried out a structured formal stakeholder engagement process, based upon the AA1000SES Standard. The aim was to identify and map stakeholders and relevant issues of their concern so that the company may define a progressive strategy of engagement with them.

The results of the aforementioned process identified the following as critical topics: satisfaction of stakeholders, competitiveness and the liberalisation of the postal market. In turn, as relevant topics were climate change, occupational health and safety and technological innovation.

The following table presents the answers in this report dedicated to the critical stakeholders with regard to those topics. Colour gradient indicates how critical the topic is for each stakeholder (the darker, the more critical; no colour, not critical).

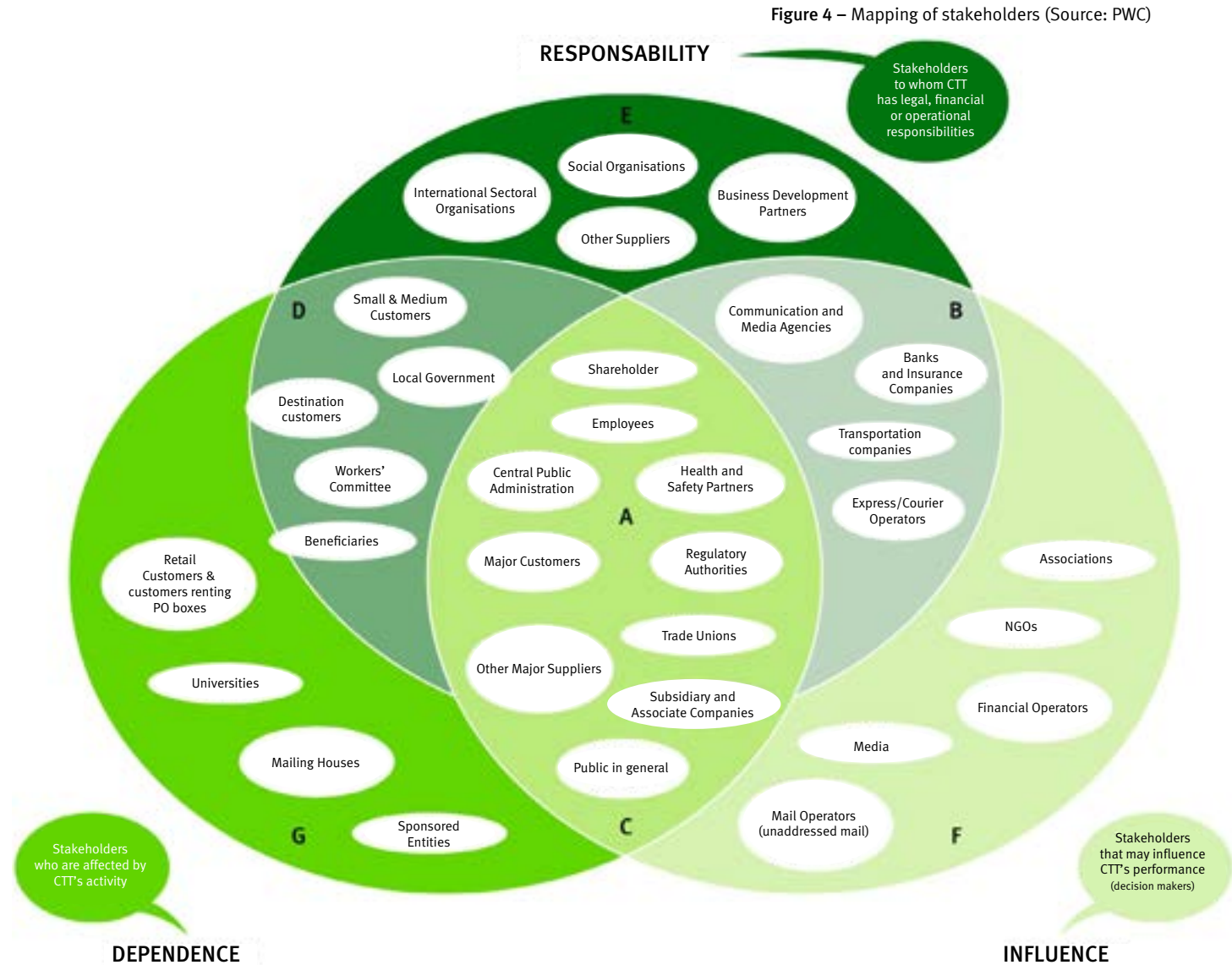


Table 3 – Answers to stakeholders regarding critical and relevant topics

Critical stakeholders	Answers to stakeholders regarding critical and relevant topics					
	Stakeholder satisfaction	Competitiveness	Liberalisation	Climate change	Health and safety	Technological innovation
Shareholder	1. Sustainable company <i>Corporate ethics (p.19)</i> 2. Creating value for the stakeholders 5. Commitments	2. Creating value for the stakeholders 2.3 Customers <i>Customer satisfaction (p. 46)</i> <i>Risk and crisis management (p. 23)</i>	<i>Modernisation of the contact network (p.37)</i> <i>Offer of products and services (p. 42)</i>	3. Environmental management	2.6 Employees	<i>Generating growth through innovation (p. 15)</i> <i>Awards (p. 9)</i> <i>Certifications (p.8)</i>
Major Customers	2.3 Customers 5. Commitments <i>Certifications (p. 8)</i>	1. Sustainable company <i>Corporate solutions (p. 40)</i>		3. Environmental management <i>Sustainable marketing (p. 86)</i>		<i>Generating growth through innovation (p. 15)</i> <i>Corporate solutions (p. 40)</i>
Small and medium-sized customers	2.3 Customers <i>Customer satisfaction (p. 46)</i> <i>Customer Service (p. 45)</i>					<i>Generating growth through innovation (p. 15)</i> 2.3 Customers <i>Offer of products and services (p. 42)</i>
Employees	<i>Awards (p.9)</i> 2.6 Employees 5. Commitments	<i>Certifications (p.8)</i> 2. Creating value for the stakeholders <i>Offer of new products and services (p. 42)</i>	1. Sustainable company <i>Modernisation of the contact network (p. 37)</i>	3. Environmental management <i>Sustainable marketing (p. 86)</i>	<i>Social benefits (p. 66)</i> <i>Prevention and safety (p. 69)</i>	<i>Generating growth through innovation (p. 15)</i>
Unions	2.6 Employees		1. Sustainable company 2. Creating value for the stakeholders		<i>Social benefits (p. 66)</i> <i>Prevention and safety (p. 69)</i>	
Suppliers	2. Creating value for the stakeholders <i>Suppliers (p. 37)</i>			3. Environmental management		<i>Suppliers platform for register (p. 37)</i>
Regulator	1. Sustainable company 2. Creating value for the stakeholders 5. Commitments	<i>Accessibility (p. 51)</i> <i>Density and postal coverage (p. 52)</i>	<i>Compliance with the concession agreement (p. 50)</i>			<i>Generating growth through innovation (p. 15)</i>
Partners	1. Sustainable company 2. Creating value for the stakeholders 4. Subsidiary companies 5. Commitments	2.3 Customers 3. Environmental management				<i>Generating growth through innovation (p. 15)</i>

The benchmark developed within this framework, enabled CTT to obtain a clear picture of the situation among the main international industry peers and to detect significant differences, especially with regard to the low relevance attributed to climate change (probably due to the low awareness and maturity regarding these issues within the Portuguese society), which led the company to take an important step towards ecological repositioning of its brand.

A new “green” portfolio was launched with associated carbon offset, including an incentive

for customers who wish to be more sustainable to whom an environmental certification seal is attributed.

This is a way of stimulating and sensitising the market forces for a new, more competitive era, where innovation and environmental preservation are key issues for the progress of society in a global world.

In another field and with regard to the critical stakeholder “Employees”, focus groups were held this year for a better understanding of the internal perception of the satisfaction topic,

including gender equality and the reconciliation of work and family (for more details see section 2.6.4 – social reporting).

Furthermore, as far as the fine-tuning of its relations with stakeholder strategy is concerned, CTT is preparing a plan to engage further with the stakeholders in the next few years in order to consolidate and integrate the materiality of the issues and their criticality in its corporate model.

The following table lists the communication channels, the most common approaches and the actions taken this year to meet the stakeholders

expectations. Some of these actions simultaneously address the expectations of more than one stakeholder. CTT’s purpose is to maintain an effective, permanent and transparent dialogue with the stakeholders, thus enhancing all available means and channels to communicate and engage with them.

Critical stakeholders	Needs and expectations	Means of communication and engagement with stakeholders	Action taken
Shareholder	<ul style="list-style-type: none"> Results and shareholder return Social stability In tune with Management Management in tune with shareholder policies Fulfilment of Public Service Obligations Demand for responsible social and environmental conduct 	<ul style="list-style-type: none"> Management Contract Institutional communications/ Reports Clear and transparent reporting (Annual Report and Accounts; Corporate Governance Report, Single Report and Sustainability Report) Prospective reporting (Strategic and Annual Plans and Budget) Quarterly reporting 	<ul style="list-style-type: none"> Dividend payments Commitment to Excellence in Management regarding objectives set out in Performance Contracts Performance contracts between CTT and senior managers. Roll-out to operational units Initiatives to enhance engagement with stakeholders Actions and investments of a social and environmental nature
Regulator	<ul style="list-style-type: none"> Quality standards and pricing of products and services Competition 	<ul style="list-style-type: none"> Information on services provided Regular reporting 	<ul style="list-style-type: none"> Universal Service Pricing and Quality Agreements Compliance with agreed quality of service levels

Table 4– Schedule of stakeholders

Critical stakeholders	Needs and expectations	Means of communication with stakeholders for consultation	Action taken
Customers	<ul style="list-style-type: none"> • Better products at affordable prices, i.e., quality/price ratio • Reliability/Trust/Satisfaction • Flexibility and customisation • Security of postal items (accountability) • Geographic coverage • Environmental responsibility • Close relationship services and frequent contact (newsletters, portals, focus groups, customer satisfaction surveys, etc.) 	<ul style="list-style-type: none"> • Information campaigns • On-going, personalised communication • After-sales assistance • Advertising and information accessibility • Pro-active fault management • Call centre /inquiries lines • Key Account Managers, corporate account managers, customer managers and counter employees • Market research on customers • Regular surveys on delivery and counter services • Decentralised meetings between the members of the Board and the customers 	<ul style="list-style-type: none"> • Corporate customers satisfaction surveys • Launch of the new eco-friendly portfolio (products and services) at special prices for “sustainable” customers • Launch of new corporate, customer-tailored solutions (certification of the corporate delivery unit) • Certification of other operational units and Group companies for compliance with quality, security and environmental standards • Renovation of post office facilities • Construction of 36 ramps to facilitate access for the disabled
Competitors	<ul style="list-style-type: none"> • Market entry conditions • Participation in projects and working groups • Attendance of seminars and conferences 	<ul style="list-style-type: none"> • Participation in discussion fora • Representation in organisations of the postal industry 	<ul style="list-style-type: none"> • Compliance with market rules • Intervention in joint projects managed under the umbrella of organisations of the sector
Employees	<ul style="list-style-type: none"> • Adequate, higher remunerations • Stability (job security, salary, social protection) • Growth opportunities and career plans • Good working conditions • Merit reward • Participation in decision-making • Information and debate (workshops, discussion panels and fora, universal internet access) • Equal opportunities • Increased work-life balance 	<ul style="list-style-type: none"> • Timely information • Personalised communication via hierarchy/dialogue • Written internal communication (magazine, thematic newsletters, electronic communications, letters, Intranet) • Fora • Relational communication– visits by the top management to the workplaces countrywide • Meetings within the sector • Suggestion box • Surveys 	<ul style="list-style-type: none"> • Dissemination of information on labour issues • Continuation of Occupational H&S Programme • Assessment of working conditions • Safe/Defensive/Ecological driving training • Additional first-aid and fire fighting training • More free health tests (heart diseases, stress, obesity and sleep) • Increase training by 25% – 293,600 hours • Skills certification and validation for 9th and 12th grades school diplomas • Focus groups on gender and work-life balance • Characterisation of disabled employees • Benchmark and proposals to fight sexual and moral harassment • Performance reward programme for the operations network

Critical stakeholders	Needs and expectations	Means of communication with stakeholders for consultation	Action taken
Unions/ /Workers' Committee	<ul style="list-style-type: none"> • Respect for their views or positions • Transparent negotiations • Consultation on matters of corporate responsibility • Participation in negotiations for collective and individual terms of employment agreements • Compliance with Public Service Obligations 	<ul style="list-style-type: none"> • Monthly and/or extraordinary meetings • Meetings with trade unions and professional associations as and when necessary • Relevant information from management 	<ul style="list-style-type: none"> • Negotiation of new company Employment Agreements – covering a large majority of employees (99.7%) • Continuation of medical aid benefits • Improved working conditions
Suppliers	<ul style="list-style-type: none"> • Transparency (clear rules) • Compliance with payment deadlines and other terms and conditions • Increased company investment generating additional purchases • Closer relations • Supplier qualification (surveys and audits) 	<ul style="list-style-type: none"> • Release of information on company projects 	<ul style="list-style-type: none"> • Ecological Procurement Plan – meeting the objectives • Increased environmental requirements • Preparation of responsible procurement policy • Development of a platform for registration of potential suppliers
Media	<ul style="list-style-type: none"> • Access to reliable and relevant information • Visits/open day events 	<ul style="list-style-type: none"> • Media Office (direct contact with the media) • Press Releases • Press conferences 	<ul style="list-style-type: none"> • Availability of top management for interviews with the media • Speedy release of information on services and other corporate issues
Community	<ul style="list-style-type: none"> • Closeness service (presence of CTT) • Employability • Availability for dialogue with local partners • Public Service Obligations • Focus on community needs • Good corporate citizenship (solidarity, combat against info-exclusion, environmental performance) • Thematic brochures 	<ul style="list-style-type: none"> • Direct/ personalised Information • Website • Presence in local and national press • Direct contact with postmen and counter employees 	<ul style="list-style-type: none"> • Continuation of the Project to Combat Poverty and Social Exclusion until the end of 2010 (in operation) • Free delivery of over 11,800 solidarity packages • Free transport and delivery of 411 tonnes of donations for Madeira • 6 computer courses for long-term unemployed people • 14 curricular and professional traineeships • Sponsorship of solidarity action • 8 corporate volunteer action programmes • Raising among employees of 8.3 tonnes of donations to deliver to 21 Institutions (Adding to Divide) • Launch of ecological packaging products

WE INVESTED 1.3 MILLION EUROS IN THE COMMUNITY

The perception of stakeholders vis-à-vis the company action has been rather positive as evidenced by the responses to the numberless surveys, inquiries and polls addressed to the stakeholders, clients and the general public. Inquired about the citizenship posture of the company and its contribution to society, those groups of stakeholders agreed almost unanimously on the positive role of CTT.

During 2010, the company participated in labour-related surveys from the following institutions:

- National Statistics Institute (INE):
 - “Labour Cost Index “, quarterly figures;
 - “European System of Integrated Social Protection Statistics (ESSPROS)”, annual figures;

- “Simplified Business Information (IES)” – regarding the year of 2008;

- Planning and Strategy Office (GEP) – formerly DGEEP - Directorate General for Studies, Statistics and Planning – of the Labour and Social Solidarity Ministry:

- “Single Report”;
- “Salaries, Wages and Working Hours”, half-yearly figures;
- “Job Vacancies Survey “, quarterly figures;

OPERATING INCOME OF 794.4 MILLION EUROS

Objectives 2011

- New stakeholder engagement process
- Segmentation of reporting by stakeholder
- Conduct of two discussion panels/focus groups

The following Table presents CTT Group’s economic performance in the 2010 financial year:

Table 5 – Direct economic value generated and distributed by the CTT Group

THOUSAND EUROS	2009 (a)	2010	Δ% 10/09
Direct economic value generated	833,614	804,431	-3.5%
Revenue	833,614	804,431	-3.5%
Direct economic value distributed	819,290	780,255	-4.8%
Operating costs	337,357	339,151	0.5%
Employee salaries and benefits	409,845	399,357	-2.6%
Payments to capital providers	47,923	22,178	-53.7%
Payments to Government	22,949	18,262	-20.4%
Community investment	1,216	1,306	7.4%
Cumulative economic value	14,325	24,176	68.8%

(a) 2009 amounts updated for IFRS

Table 6– CTT Group economic performance

THOUSAND EUROS	2009 (a)	2010	Δ% 10/09
Consolidated operating income	823,364	794,361	-3.5%
Consolidated EBITDA	101,930	90,890	-10.8%
Consolidated net operating result	73,646	61,924	-15.9%
Consolidated net result	59,932	56,305	-6.1%
Consolidated VAB	529,740	473,589	-10.6%
Investment (1)	24,214	31,362	29.5%
EBITDA margin	12.4%	11.4%	
Return on equity (ROE)	30.5%	25.7%	
GVA /average number of employees (Euros)	33,940	31,190	-8.1%
Consolidated net assets	1,104,478	1,100,826	-0.3%
Equity	201,188	236,465	17.5%
Share capital	87,325	87,325	-

(1) Including investment in financial assets.

(a) IFRS adjusted amounts disclosed through POC in 2009

2.1 SHAREHOLDER

The **creation of value for the shareholder**, one of CTT's corporate objectives, is considered as a core objective of its corporate governance model, generating key benefits to both the business and the stakeholders.

2.1.1 SHAREHOLDER COMPOSITION

CTT – Correios de Portugal, S.A. (CTT) is a limited company fully held by the Portuguese State.

CTT share capital is represented by 17,500,000 shares of 4.99 Euros each, being fully realised and fully held by the Portuguese State.

2.1.2 SHAREHOLDER RETURNS

In conformance with the provisions of the Company Articles of Association, annual earnings are distributed as follows:

- at least 5% to be transferred to legal reserve;
- a percentage to be determined by the General Assembly to be distributed to shareholders as dividends;
- the remainder is to be allocated as the General Assembly may deem fit of interest to the company.

Up to 2006, CTT did not distribute dividends on account of its need to cover large cumulative retained losses. Following on a written unanimous resolution from its shareholder dated 17 August 2006, the company proceeded to cover a major portion of those losses which amounted to 94,357 thousand Euros as at 31 December 2005, by using distributable reserves.

In June 2010 the company paid dividends to the State in the amount of 21,311,499.20 Euros regarding its 2009 financial year, equating to a dividend per share of €1.2178. In previous years dividends were also distributed to the State. Thus, in four years in a row, the company returned 173% of share capital to its shareholder.

In the past, dividends were subject to a withholding tax of 20%. Under the Law 12 A/2010, which entered into force on 30 June, dividends are subject to a withholding tax of 21.5%.

IN 2010, CTT POSTED A CONSOLIDATED PROFIT OF 56.305 MILLION EUROS, EQUATING TO A NET MARGIN OF 7.09% ON CONSOLIDATED OPERATING EXPENDITURE AND TO RETURN ON EQUITY OF 25.7%.

CONSOLIDATED EBITDA TOTALLED 90.890 MILLION EUROS, REPRESENTING A DECREASE OF 10.8% OVER THE PRECEDING FINANCIAL YEAR AND EQUATING TO A MARGIN OF 11.4%.

2.2 SUPPLIERS

2.2.1 BUSINESS RELATIONS

While in 2009 the company focused on the access to an electronic platform for procurement tenders under the Public Procurement Code, benefiting from the advantages of printing reduction, higher convenience and transparency, in 2010, the focus was on the contracts below the European community limits, for which the submission of proposals in digital format (CD) is since then required.

2.2.2 SUPPLIER SELECTION (QUALITY AND ENVIRONMENTAL CRITERIA)

Regarding qualification and selection of suppliers, a contract was awarded for the development and implementation of a platform to enable the register of potential suppliers' proposals, to whom further information shall be required in order to enable their characterization and subsequent qualification as a CTT qualified supplier.

Thus, a CTT Responsible Procurement Policy was drafted to be promoted among and accepted by the suppliers by means of specific procedures, namely through a Declaration Form.

In 2010, 1,170 procurement contracts were signed in the amount of 50 million Euros, representing a significant contribution to the domestic economy. We highlight that some of these contracts are not subject to environmental management clauses due to their low-value and low-volume (usually spot purchases to meet urgent needs).

Furthermore, procurement contracts were awarded which included environmental criteria where the targets set out by the State were overcome (more detail under section 3.1.2. of the chapter on Environmental Policy). Regarding transport services, e.g. the evaluation criteria of the proposals value the age of the vehicles setting out minimum limits, to encourage the supplier chain to adopt "cleaner" technologies.

Objectives 2011

Implementation of a supplier qualification system

Implementation of a Responsible Procurement Policy

2.3 CUSTOMERS

2.3.1 MANAGEMENT OF CUSTOMER RELATIONS

The operating model of the counter service and mail delivery network has evolved and structured with a view to improve the customer service and develop a relationship of mutual trust and neighbourliness.

The company avails more than 9,000 employees on a daily basis to be "in touch" with the entire population of the country. Besides, it avails detailed information in its website regarding the features of its products and services and sets out as good practice the dissemination of monthly-updated information on quality of service levels of its portfolio, both on Internet, and at the post offices.

CTT strives to constantly modernize its infrastructure and thereby enhance the well-being of employees and customers. The modernisation of the layout of post offices is the most visible evidence of this investment effort. Regarding operations and back office, the company has invested in mail sorting equipment, renewal and expansion of the fleet, which reflected in the quality of service provided, information systems, innovation and development. We highlight the opening of the new mail sorting centre, in the north which represents a firm commitment of the company to successfully meet the challenges of full liberalisation of the postal market in 2011.



FOR LUÍS SIMÕES, CTT IS A STRATEGIC PARTNER. REGARDLESS OF CTT BEING ONE OF THE FIRST CUSTOMERS OF OUR SALES STRUCTURE, WE PERMANENTLY INCREASE OUR COMMITMENT TO GROW TOGETHER IN TERMS OF DEMAND, QUALITY AND SAFETY OF SERVICE PROVIDED, SUPPORTED BY TECHNOLOGICAL EVOLUTION, PROCESSES, AND SYSTEMS. CONSIDERING THE RELEVANT ROLE OF LUÍS SIMÕES IN THE PRIMARY NETWORK OF THE THREE MAJOR SORTING CENTRES – CABO RUIVO, COIMBRA AND MAIA – THE STRICT COMPLIANCE WITH LOADING AND UNLOADING SCHEDULES BECOMES AN IMPORTANT VARIABLE TO GUARANTEE TRUE SUSTAINABILITY AND TO REINFORCE RELIABILITY, AN IMPORTANT ELEMENT IN THIS COLLABORATION.

MANUEL VALENTIM
IBERIAN DIRECTOR GENERAL OF
TRANSPORTS



NEW MAIL SORTING CENTRE IN THE NORTH

THE NEW FACILITY, BUILT FROM AUGUST 2009 TO NOVEMBER 2010, IS LOCATED IN THE INDUSTRIAL AREA OF MAIA, CLOSE TO ROAD JUNCTIONS SPECIFICALLY DEVELOPED, ENABLES IMPROVED FLEXIBILITY IN SORTING, TRANSPORT AND DELIVERY OPERATIONS AND ALLOWED THE ADOPTION OF MEASURES TO EFFICIENTLY USE RENEWABLE SOURCES OF ENERGY - PHOTOVOLTAIC - TO REDUCE COSTS AND TO BE MORE ECOLOGICAL.



CONTACT NETWORK



CTT HAS A STRONG IMPACT ON PORTUGUESE SOCIETY ON ACCOUNT OF ITS PRESENCE COUNTRYWIDE, EXTENDED TO THE MOST REMOTE CORNERS OF THE COUNTRY, AND DUE TO ITS IMPORTANT CONTRIBUTION TO DOMESTIC EMPLOYMENT AND WEALTH CREATION, BESIDES BEING A VEHICLE IN REINFORCING THE COMPETITIVENESS OF THE DOMESTIC TRADE. CTT IS ALSO A POWERFUL CONVENIENCE AND MULTI-SERVICE PLATFORM AIMING TO MEET THE CITIZENS AND ECONOMIC AGENTS' NEEDS, THROUGH A SALES AND LOGISTICS NETWORK OF HIGH-QUALITY, EFFICIENT AND NEIGHBOURHOOD SERVICES TO CUSTOMER. IT IS A KEY DRIVER OF THE COUNTRY'S SOCIAL AND ECONOMIC DEVELOPMENT, CONTRIBUTING THEREBY TO IMPROVE THE STANDARD OF LIVING OF ITS CUSTOMERS AND EMPLOYEES, THROUGH DYNAMIC GROWTH, SERVICE-ORIENTED CULTURE AND A STRONG SENSE OF CORPORATE SOCIAL RESPONSIBILITY.

SALES ORGANISATION MODEL

The CTT Group maintains its orientation to serve the market and the business customer segment by offering CTT branded products that mirror the increasingly diversified range of the Group skills spanning from traditional postal services to financial products, mail printing and finishing, and to document archiving services.

In 2010, the Major Customers Unit continued to follow the Group policy to meet the customers needs and maximise sales and profitability of the companies of the entire CTT Group.

Major customers are segmented according to their volumes and business potential, as follows:

- **Economic Groups and Public Administration**, managed by Key Account Managers who monitor and control the quality of service levels provided to the customers and ensure full compliance with the contract procedures. These KAM are responsible for increasing volumes and profitability of 48 customers portfolio, segmented into the following business segments: Remote Sales, Major Retailers, Publishers, Banking and Insurance, Consumer Credit Banking, Telecommunications, Utilities and Public Administration.
- **Major Customers**, managed by Corporate Account Managers who are also responsible for increasing customer volumes, profitability and for collecting from a portfolio of 379 customers, segmented by 14 business sectors: Public Administration, Utilities, Banking and Insurance, Organisations, Associations and Foundations,

Publishers, Major Retailers, Remote Sales, Trade, Services, Pharmaceutical and Car Industries, Health and Education.

- Both KAM and Corporate Account Managers have the mission to ascertain and perceive the needs and the value chain of each customer, becoming thus able to recommend the most adequate solutions, guarantee high quality of service and provide a global offer of value and of the CTT Group services, through integrated proposals tailor-made to the requirements of each customer.

THE MAJOR CUSTOMERS UNIT GUARANTEES AND BOOSTS THE ELECTRONIC POSTMARK SERVICE (MDDE) WHICH GENERATED A **TURNOVER OF 137 MILLION EUROS** IN 2010 AND COVERED 2,500 CUSTOMERS. IT IS ALSO RESPONSIBLE FOR INSPECTION AND CONTROL OF FRANKING MACHINES, A TOTAL OF 952, WHICH GENERATE 7.4 MILLION POSTAL ITEMS AND REVENUES OF 3.8 MILLION EUROS.

MAJOR CUSTOMERS: CUSTOMISED APPROACH

The method to evaluate the corporate customers' satisfaction levels regarding the services provided by CTT Group changed in 2010. Instead of annual market surveys, now there is a selected panel that invites customers to respond via the internet every six months. Out of the 81 customers who participated, 16 were strategic customers and 65 corporate ones.

Results were good and indicate a positive evolution.



Figure 5 – Evaluation of major customers satisfaction

CORPORATE SOLUTIONS FOR MAJOR CUSTOMERS

In order to provide a service suitable to the specific needs of strategic customers, CTT continued in 2010 to design transversal solutions covering a combination of CTT Group services to benefit from their synergies and create value to the customers, thus enhancing the level of satisfaction and contributing to customer loyalty.

The solutions focused on dematerialisation were the most relevant and in general their purpose is cost reduction and increased alignment with environment preservation policies leading to the reduction of paper and fuel consumption. We highlight the solutions below:

- **Internal mail processing** - business process outsourcing of service mail activities focusing on large mail receivers (banks, utilities, telecommunications, public administration);
- **Transversal solution for returned mail processing** - oriented to customers with high volumes of returned mail (utilities, telecommunications, public administration). Its purpose is to improve revenue assurance of the final customer and enable cost savings with mail that doesn't recurrently reach its destination;
- **Transversal solution to process the acknowledgment of advices of receipt** - designed to meet the needs of large senders of mail with advice of receipt (banks and public administration) requiring the information in the advice of

receipt in order to further handle the process. It is a plug-and-play solution that integrates printing, scanning and return of status information, collection and filing of the processed items;

- **Transversal solution for processing of invoices** - designed to meet the needs of companies receiving high volumes of accounting documents. The purpose is to ensure full dematerialisation of the information, by delivering at one channel (ViaCTT) images and data, regardless of their original format, thus speeding up the whole processing of handling and checking invoices, cutting the costs associated with accounts due;
- **Solution to handle inquiries** - designed to meet the needs of companies and entities with a business activity requiring processing and analysing high volumes of information originated in the response to inquiries made to their customers or any other target market. This solution provides integrated services of printing and finishing, scanning and capture of information as well as its conversion to digital format, which allows to use it for data analysis and statistics;
- **Mailmanager** - During 2010, this service consolidated its innovative features complementing the products and services offer of CTT Group value chain. The service capabilities were strengthened with the acquisition of new software that made it more efficient and competitive.

MAILMANAGER

ENSURES DATA CAPTURE, CLASSIFICATION, INDEXING AND ELECTRONIC SENDING OF MAJOR CUSTOMERS' MAIL. THE BENEFITS ARE:

- **CENTRALIZED PROCESSING** (SCANNING AND INDEXING) OF MAIL AND EASY SEQUENCING OF SUCH DOCUMENTS UNTIL CERTIFIED FOR SHREDDING AND FORWARDING TO RECYCLING;
- EASY RETRIEVAL AND HANDLING OF THE INFORMATION CONTENTS;
- **FULL CONFIDENTIALITY**, GUARANTEEING THE INTEGRITY AND SECURITY OF THE PROCESSED DOCUMENTS;
- **DEMATERIALISATION OF PHYSICAL DOCUMENTS** IN THE SENDER'S DOWNSTREAM PROCESSES, ALLOWING FULL DIGITAL PROCESSING.

IN 2010, 20 CUSTOMERS FROM DIFFERENT ACTIVITY SECTORS, NAMELY PUBLIC ADMINISTRATION, BANKS, UTILITIES AND ON-LINE SALES, RECEIVED 4.7 MILLIONS OF SCANNED IMAGES AND 1.9 MILLIONS OF PROCESSED DOCUMENTS/ ITEMS.

ViaCTT

ONLINE COMMUNICATION. EVERY CITIZEN MAY CHOOSE TO RECEIVE MAIL THROUGH THIS CHANNEL AND ACTIVELY CONTRIBUTE TO REDUCE PAPER CONSUMPTION AND CONSUMPTION OF FUEL SPENT ON PHYSICAL DELIVERY.

ViaCTT is the most digital service in the value chain of CTT. It enables online communication of dematerialised mail in CTT value chain, promoting online connection between corporate senders and any addressee either individual, corporate or public entities and institutions (B2C, B2B and B2E).

Free of charge, the receiver may access the documents through an internet portal, in full security and confidentiality. ViaCTT provides a full range of convenience services for senders and receivers from which we highlight the possibility to settle documents received.

Launched in June 2006, this service has over 222,000 registered users who can receive, organise, and file correspondence received from 32 subscribing entities in total security and free of charge.

In 2010, the following bodies joined ViaCTT: DGCI – Directorate General of Taxes and Duties, together with the new electronic service of Electronic Notifications; CTT Filatelia – philatelic services of CTT; Municipality Sanitation Services of Viana do Castelo; Lousada Municipality.

New functionalities were introduced, namely:

- Multiservice platform
- Hybrid mail
- Integrated procedure of adhesion

MULTISERVICE PLATFORM

IT ALLOWS ENTITIES TO SEND MAIL TO MULTIPLE ADDRESSEES, INSTEAD OF JUST ONE, AS PREVIOUSLY.

HYBRID MAIL

IT DELIVERS DOCUMENTS TO THE ADDRESSEE EITHER IN DIGITAL OR PHYSICAL (PRINTED AND ENVELOPED) FORMAT. THIS CHANNEL SELECTION PROCEDURE IS AUTOMATED. THE LAUNCH OF THIS FUNCTIONALITY IN THE MARKET IS FORESEEN FOR THE FIRST QUARTER OF 2011.

INTEGRATED PROCEDURE OF ADHESION

IT ALLOWS TO MAKE AVAILABLE TO AN EXTERNAL BODY TO ViaCTT THE CUSTOMERS OF A DISPATCHING CORPORATE IN ViaCTT, SAFEGUARDING THE DATA CONFIDENTIALITY, IN ORDER TO FACILITATE THE INTEGRATION OF DOCUMENTS OF THE SENDING ENTITY.

- **Geographic and Postal Information** - It includes several services: **SIGPostal Platform** – infra-structure of geospatial data that is indispensable to all territory postal codification procedure, as well as vehicle of reference for automatic sorting of postal mail and sustainability of current Geoindex products and geographic services of the current CTT portfolio; **Geoindex Products and Services of Geographic Information** – since the launch in 2007, CTT has been positioning its geographic offer in the licensing of geographic databases, in geomarketing services, and in georeference of events in the field. This service allows to evaluate the business potential of a specific geographic area, to calculate areas and distances, optimize routes and resources, that is, to make several analyses that will enhance the customers' core business.

- **Corporate Delivery** - this solution covers acceptance, handling and delivery of mail to strategic customers and was certified with ISO 9001 quality standard. Within the full liberalisation of the postal sector, it is important to implement adequate measures to guarantee the company's competitiveness with regard to its strategic customers. The opening of the Corporate Delivery Centre in Pinheiro de Fora promoted increased capacity and the flexibility of supply as a supplementary delivery operational channel.

SIGPostal

SINCE ITS LAUNCH IN 2008, THIS PLATFORM CONTINUES TO GATHER INFORMATION RELATED TO THE TOPONYMY OF THE COUNTRY AND TO ITS GEOGRAPHIC CHARACTERISATION.

THE DATA BASE HAS MORE THAN 310,000 STREETS AND 38,500 LOCALITIES. THIS INFORMATION COMES FROM MULTIPLE SOURCES, NAMELY: SEIZING OF DATA UPSTREAM THE SEQUENCING OF DELIVERY POINTS, THE QUALIFICATION OF ADDRESSES CARRIED OUT BY CTT WITHIN THE SCOPE OF THE CITIZEN CARD PROCESS AND THE CONSOLIDATION OF INFORMATION OBTAINED THROUGH OFFICIAL NOTICES FROM MUNICIPALITIES AND PARISH COUNCILS.

RANGE OF PRODUCTS AND SERVICES

As a modern company and responsive to the needs of the customers, CTT has been expanding its product range every year, aiming to enhance its portfolio and cover all emergent market niches. The ecological commitment is one of the most relevant in the relationship between businesses and customers, hence CTT strives to better meet its customers needs.

A wide range of products is available all over the national territory at 2,900 sales points to all citizens and companies at competitive prices. We highlight the following:

- **Mail products** - domestic and international mail, including domestic and priority mail; Express Mail Service (EMS); registered mail with track and trace (product offering increased security,

providing a receipt at posting and insurance included in the price for cases of loss, damage or theft); correio verde ("green mail" – items that don't need to be weighed); editorial mail (service for editors, covering deposit, handling, transport and distribution/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 parcel; literature for the blind.

- **Convenience products and services** - packaging products, bags, boxes and stamp booklets; cell phone top up; Siga – forwarding of advised mail at customer request; reforwarding of postal items; cash loading of electronic transport fare cards "Lisboa Viva" and "7 Colinas"; virtual box office; sale of associate kits; CTTnet; Christmas postcards and UNICEF products;

- **Collectors' items** - stamps, books and annual and thematic stamp packs, commemorative postmarks, collectors' club;

- **Financial services** - postal money orders, cash-on-delivery service, tax payments, savings certificates, portfolio of savings and insurance products;

- **Direct Marketing** - domestic and international direct mail (a privileged means to communicate and promote products and services, enabling the mailing of messages that can directly and effectively reach consumers while enabling

the measurement of campaign results. Direct mail can be targeted at specific pre-selected segments of the population and enables the inclusion of reply supports), unaddressed mail, info mail, sampling direct and "chocotelegram" ("telegram" made out of chocolate);



- **Electronic services** - online personalised services for occasional customers – meuselo (mystamp) and meupostal (my postcard) products; electronic certifying services, namely the Electronic Postmark (MDDE - it enhanced the security of electronic messaging), ViaCTT (electronic mail box service); mailmanager (mail document scanning, classification and processing service

for major customers); geographical information services;

- **Telecommunications** - sale of mobile phones and mobile phone services under the Phone-ix brand.

IN NOVEMBER, THROUGH ITS MOBILE OPERATOR PHONE-IX, CTT LAUNCHED THE MOBILE PHONE CEDAR OF THE GREEN HEART RANGE, THE ONLY ECO-FRIENDLY MOBILE PHONE OF THE THIRD GENERATION (3G) AT A PRICE BELOW 100 EUROS ON SALE IN PORTUGAL. THROUGH THE PROJECT "CREATE WOODLANDS" CTT, IN PARTNERSHIP WITH SONY ERICSSON AND QUERCUS, IS CONTRIBUTING TO PLANTING OF A TREE FOR EACH CEDAR GREEN HEART SOLD IN POST OFFICES. THIS MOBILE IS PART OF SONY ERICSSON'S RETURN PROGRAMME, WHICH SENDS IT TO SPECIALISED RECYCLING UNITS TO REUSE MATERIALS AND COMPONENTS, THUS REDUCING THE NEED TO EXTRACT

AND REFINE NEW PRODUCTS. THIS PROCESS PREVENTS THE DISPOSAL OF EQUIPMENTS IN LANDFILLS DECREASING THE ACCUMULATION OF ELECTRONIC WASTE AND THE USE OF CHEMICALS AND ENERGY. THIS MOBILE PHONE HAS AN ECO CHARGER AND ECO APPLICATIONS (WALKMATE™, EcoMATE, Eco CALCULATOR), IT IS MANUFACTURED WITH ECO-FRIENDLY INKS AND HAS AN ELECTRONIC MANUAL WHICH AVOIDS INSTRUCTIONS IN HARD COPY AND REDUCES PACKAGING SIZE. THE OPTIMIZATION OF THE PACKAGING GUARANTEES A DECREASE OF 80% OF CO₂ EMISSIONS IN TRANSPORTATION. WITH REGARD TO WASTE DISPOSAL, THE DEVICE DOES NOT INCORPORATE PVC OR BERYLLIUM. THE ADVERTISING CAMPAIGN OF THIS PRODUCT USED FOREST CERTIFIED PAPER AND VEGETABLE DYES. BY THE END OF THE YEAR (I.E. ONLY ONE MONTH OF SALE), ABOUT 250 MOBILE PHONES HAD BEEN SOLD.

phone-ix

Financial services showed a significant resilience, given the complex economic and financial scenario of the country and the worsening perspectives of the economic agents regarding the evolution of the economy on account of the fiscal and budget measures set up to correct the financial imbalances of the State.

The year 2010 was marked by the implementation of measures to enlarge the portfolio of products consistent to the CTT strategy for its financial services. We highlight the signature of a new Insurance Mediation Agreement with MAPFRE Group, as well as the review of the existing Insurance Mediation Agreement with the insurance company Fidelidade Mundial (Caixa Geral de Depósitos Group), which are respectively the largest insurance companies in the Iberian market and in the Portuguese market.

Within the savings area, also deserve highlight the issuing of Treasury Bonds in July, a new long-term savings product designed for individuals, created under the responsibility of Management Institute of Public Credit and sold exclusively at the CTT post office network.

But, above all, at a time when the planet sustainability is jeopardised and the ecological footprint of companies is decisive to fight climate changes it is crucial to adopt a pro-environmental position to reduce the negative impacts caused by the company's activity (transport, delivery and printing).

To continue this innovation strategy aimed at reducing the ecological impact, better serve

customers and simultaneously fulfil the responsibilities assumed in relation to stakeholders, in general, and to customers, in particular, **were created or reformulate the following products and services:**

- Launching of the **NEW DM ECO-PORTFOLIO** and sustainable direct mail programme (direct mail, Geocontacto and unaddressed mail). This programme enhances and rewards environment-friendly practices, techniques and materials used, granting special rates and green certification stamp to sustainable customers.
- Implementation of the service **DOCUMENT EXCHANGE** service and consolidation of the solution of Exchange of Driving Licences for IMTT using the post office network for delivery of licences and subsequent safe disposal of the former ones by EAD (Group company);
- New technology in **DIGITAL FRANKING MACHINES**, to optimise processing and cost reduction, allowing for greater convenience, simplicity and control for customers;
- **PAYMENT BY REFERENCE** – payment of invoices or institutional services at post office counters using the automated teller machine (ATM) reference.

RENEWAL OF CORREIO VERDE, MAINTAINING THE PRODUCT'S EASE AND CONVENIENCE FEATURES BUT WITH AN ECOLOGICAL IDENTITY AND NEW FORMATS (SUPPORTS MADE WITH ECO-MATERIALS, CO2 EMISSIONS OFFSET AND INTRODUCTION OF THE REUSE CONCEPT);

To assess and select the retail products for sale at the post office network, CTT acts in compliance with health and safety ruling legislation, as is the case when offering toys for children (type of packaging, labelling containing the indication of suitable age and other relevant information).

The safety rules concerning acceptance and delivery of postal items worldwide are defined by the UPU – Universal Postal Union. These rules classify postal items admissible for transport in strict abidance with specific conditions (namely packing), as for instance, radioactive materials, some infectious substances, or live animals,

among others. The UPU also identifies forbidden items for transport: narcotics, psychotropic substances, explosive or dangerous goods, as well as items of a paedophile or pornographic nature using children.

To enhance security and participate in the fight against international terrorism, CTT complies with the security guidelines for national airports set up by INAC – the National Civil Aviation Institute. CTT tracks 100% of cargo and mail, postal parcels and airmail to detect explosives, weapons, drugs and prohibited items (sprays, solvents, paints, and others deemed hazardous to aviation safety). Part of the inbound mail received

in Portugal by air or surface, is also tracked, especially if there are suspicions/alerts or by indication of the competent authorities.

For this purpose, X-ray systems are operated by private security professionals previously trained and certified by INAC for these operations. Whenever requested by authorities legally established, shall be conducted security X-ray surveys for domestic mail addressed to institutional recipients, during specific periods.

Objectives 2011

Consolidation of the company's ecological positioning

Restructuring the portfolio and expanding carbon offset to all convenience products

Approach to international standards in the mailers environmental qualification model



CTT CONTACT CENTRE WAS OFFICIALLY CONSIDERED ONE OF THE BEST AT NATIONAL LEVEL IN THE BUSINESS SECTOR. IT WAS AWARDED TWICE:

- **THIRD** IN THE 5TH EDITION OF DIAGNOSTIC SURVEY AND BENCHMARKING OF CONTACT CENTRES ACTIVITY, PROMOTED BY APCC - PORTUGUESE ASSOCIATION OF CONTACT CENTRES AND BY IZO GRUPÊS SERVIÇOS;
- **QUALITY SERVICE AWARD** IN CUSTOMER SERVICE BY OTHER CHANNELS FOR PHONE-IX CUSTOMER ASSISTANCE MAILBOX, IN THE 10TH EDITION OF THE CALL CENTRE TROPHY, AN INITIATIVE OF CALL CENTRE MAGAZINE ONLINE AND IFE - INTERNATIONAL FACULTY FOR EXECUTIVES.

CUSTOMER COMMUNICATION

There is a number of input channels for customer inquiries and claims and one can witness the trend of replacing the traditional means of communication (complaints addressed to the customer service by mail or fax) by using more facilitating channels, such as the Call Centre, electronic mail (Reclamacoes@ctt.pt), hotline 707 26 26 26 and Nave (complaint in person at post offices), which allows direct interface with the software application that records and controls claim management. About 49% of inquiries and complaints have used these channels.

Intermediation through other channels, such as the CTT's Customer Ombudsman, has been maintained; the Complaints Book received an additional 23% of complaints when compared to the previous year.



Customers are more demanding regarding the quality of service and information provided, both in terms of sales conditions and track and trace of postal items. As the convenience of customers communication channels increases, the pressure to timely respond to the inquiries and complaint addressed to the company also grows.

As far as contract customers are concerned, integrated management of customer relations is carried out in specialized areas, to ensure a unique and personalised relationship.

CUSTOMER SERVICE

The importance of providing quality services that lead to customer satisfaction is the result of the dynamics and demands of increasingly technological society. Thus, CTT has been investing in and developing a service to attract and consolidate customer loyalty through different communication means, namely the Contact Centre (CC).

Similar to what has been happening since last year, 2010 was marked by declining demand from the telephone channel (-15%) and in return for the increase of e-mail use (20%). About 621,000 phone calls were received and 110,600 e-mails/responses elaborated.

Customer satisfaction is measured through surveys made at the end of each phone call. The results show that respondents feel, on average, "very satisfied" (8.5) with the Call Centre service and with the CTT service used (8.1).

This year, CTT implemented new processes and the developments required by law decree 134/2009, e.g. call recording system, legal counselling guide and Callback system. Meanwhile, other measures were introduced to improve customer service:

- Launch of the Customer service and assistance to the CTT post office network regarding the service toll collection (DEM);
- Restructuring of the Contact Centre training model (reorganisation of content, manuals and training plan);
- Implementation of a new quality plan (award of bonuses every 4 months, based on the monthly results and on monitoring tests held quarterly);
- Restructuring the communication platform/ /distribution of CTT content (implementation of mini forums on communication campaigns and new procedures, creation of user-friendly Intranet with permanently updated contents).

2.3.2 CUSTOMER SATISFACTION

Last year was marked by the aggravation of the economic situation, both nationally and internationally, reflected in the decrease of the postal activity, and the pursuit of modernization (the most striking example was the opening of the new mail sorting centre in the north in October with the transfer of operational mail services from Vila Nova de Gaia to Maia), rationalisation and flexibility initiatives, with potential impact on the quality of service.

Operational performances were also influenced by external factors, such as labour disturbances in April/May and November, and meteorological events that occurred in the first half of the year, as the floods in Madeira Island and the disruption of European airspace and airline connections to the Autonomous Regions, motivated by the eruption of the Icelandic volcano which blocked the transport logistics for days or weeks.

Nevertheless, CTT maintained high levels of operational performance in 2010 and the company's Overall Quality of Service Index reached 190.4 points (objective: 100 points), below the result obtained in 2009 (241 points), but still above those verified in 2008 (185) and 2007 (183).

Quality of service performances recorded, concerning the agreed variables are all above the minimum targets set. Only standard mail delivery within 15 days did not exceed its target value. Comparing to the previous year, the company's performance improved as the variable regarding priority mail's within 10-day delivery target was met.

CTT IS LEADER IN "CONTRIBUTION TO THE SOCIETY"

As far as the most relevant products are concerned, standard mail exceeded the 3-day delivery target of 96.3% by 0.5%, while Correio Azul, (priority mail, mainland) exceeded the target of 94.5% delivery on the day after posting reaching 94.7%. In turn, international mail, with 92% up to 3-day delivery, exceeded by far the targets set up by the European Directive for the postal sector.

Good operational performances have translated into positive perceptions of the quality of service by the customers. Nine out of ten customers

enquired at the post offices rate the quality of the counter service as good or very good and three quarters have the same opinion regarding delivery. Even the perception with regard to delivery and waiting queues times, traditionally less successful attributes, has slightly improved when compared to the previous year.

The ECSI-Portugal 2009 benchmark survey confirms this evolution. CTT satisfaction index increased by 4.2% when compared to 2008, being positioned above the average of the former

four years. CTT continues to keep the lead in the sector, regarding the assessing variable "Contribution to Society".

WE EXCEEDED THE QUALITY TARGETS AGREED WITH ANACOM

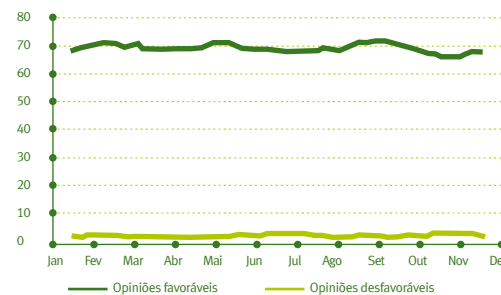


Figure 6 – Opinion on counter service

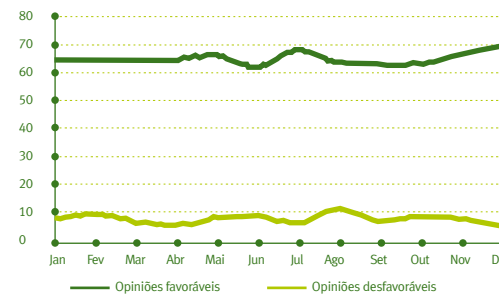


Figure 7 – Opinion on delivery



Figure 8– CTT satisfaction index 2005 - 2009

In 2010 CTT began the renewal of the recognition of its post office network according to the Committed to Excellence level (expanded in 2011 to the postal delivery offices) within the scope of the European Model of Excellence of the European Foundation for Quality Management, promoted by APQ - the Portuguese Association for Quality. We should stress that CTT was the first European postal operator to obtain this recognition.

Service certification is the company's choice of methodology when it comes to certified management systems for counter and delivery services. It combines the advantages of relying on a relatively light support back office structure and the direct focus on service features and customer needs, as per the technical specifications of each service. From that perspective, certification is an important tool in managing customer relations and, as such, it has been privileged by CTT.

In 2010, CTT focus on the certification of services continued and at the end of the year more than 720 operational units among all post offices and postal delivery offices had been certified. This figure reflects an increase of 33% comparing to 2009 and corresponds roughly to 95% of the Delivery activity and to 2/3 of Counter service. Experience has proven that service certification stimulates and consolidates the quality of service provided, harmonises and optimises procedures, values the employees and their participation and improves customer satisfaction, thus enhancing the image of CTT.

Within the scope of Management Systems, we highlight, in 2010, the quality certification of the Corporate Delivery unit, the start of the implementation of the 1st Integrated Management System based on the reference OHSAS 18001 in the mail sorting centre in the centre, and the launch of the project to implement two new reference standards (FSC and ISO 27000 affinity) to one of the CTT Group companies, Mailtec. We continued equally to implement Quality and Environment integrated management systems in the mail sorting centres of Lisbon and Oporto, and successfully renewed the certification of all other existing systems.

As in previous years, during 2010, the Mystery Shopper survey was conducted in 275 post offices. The global result obtained was 81.3%, 4.3% above the target set for 2010. All components (environment, counter service and sales) improved their performance compared to 2009. We highlight the performance level over 85% reached in 86 post offices.



THE IMPACT OF CERTIFICATION

THE CORPORATE DELIVERY SERVICE WAS DESIGNED WITH THE AIM OF DEVELOPING AN END-TO-END OPERATION UNIQUE TO THE MAJOR CUSTOMERS OF CTT. ON THE ONE HAND, ISO 9001 CERTIFICATION OBTAINED ENSURED THE MANAGEMENT THAT THE SYSTEM DEVELOPED AND IMPLEMENTED IS ADEQUATE AND, ON THE OTHER HAND, IT ADDED A COMPETITIVE ADVANTAGE IN A LIBERALIZED MARKET, BECAUSE CERTIFICATION GUARANTEES THE CUSTOMER THAT OUR PROCEDURES MEET BEST PRACTICES AND PROMOTE CONTINUOUS IMPROVEMENT IN SERVICE QUALITY.

TIAGO SALCEDAS - RESPONSIBLE FOR THE CERTIFICATION OF THE CORPORATE DISTRIBUTION UNIT – ON THE ADVANTAGES OF QUALITY CERTIFICATION



AT EAD, "OUR PAPER" (OUR ROLE) PROGRAMME IS ALSO OUR CONCERN WITH THE PRESERVATION OF THE ENVIRONMENT AND THE IMPROVEMENT OF THE PEOPLE'S QUALITY OF LIFE! WITH THIS SPIRIT, WE HAVE WORKED TO OBTAIN THE ENVIRONMENTAL CERTIFICATION, WITH THE COOPERATION OF ALL EMPLOYEES AND THE PRACTICE OF THE INTEGRATED POLICY MANAGEMENT, HAVING THUS REACHED THE COMMITMENT TO SUSTAINABLE DEVELOPMENT.

PAULO VEIGA - MEMBER OF THE BOARD OF DIRECTORS OF EAD (GROUP COMPANY) – ON THE ADVANTAGES OF INTEGRATED CERTIFICATION

QUALITY OF SERVICE ORIENTED FOR MAJOR CUSTOMERS

Considering the need to improve the quality of service, the satisfaction levels of strategic costumers and to ensure compliance with the contractual provisions agreed with major customers, CTT has conducted monitoring actions to determine the performance levels along its value chain.

These actions generate indicators and alerts used to issue quality and operational reports and elaborate proposals to implement corrective measures within the operational areas.

The following indicators and operational quality markers were published in 2010: direct mail tracking campaigns (34 million items); the disclosure of information on major customers' mail campaigns to the value chain, traffic forecast information, operational control of global solutions and reporting of quality of standard mail by customer.

MARKET RESEARCH

CTT conducted brand surveys among external customers and employees of the Group to measure and evaluate CTT brand features in order to define and validate its management strategy and communication policy. New parameters related with environment protection and corporate social responsibility were introduced to enhance the new institutional positioning of the company.

The results obtained in these surveys enable to implement a model of performance evaluation of the brand contact points and set up a reference framework and an evaluation ranking between the actual image (the current one) and the optimal one (the desired one). The objectives set for the brand are:

- New innovation and environment sustainability values to convey a modern, innovative and dynamic brand positioning;
- Emotional and relational concept to ensure customer loyalty in a liberalised scenario where the ecological aspect stands out as a differentiating factor of the CTT brand;
- Cross-organisational emblem, leading the company towards liberalisation and boosting internal mobilisation.

With the aim of identifying customer expectations and increase their satisfaction, surveys were undertaken to identify the issues of importance to the customers and the company's responses or measures for individual and business customers.

Objectives 2011

- Maintaining certifications of the post offices and postal delivery offices
- Certification of PostContacto
- Improvement of the international positioning of CTT
- Compliance with quality targets agreed with ANACOM (100 points)
- Reduction of response time to complaints

INDIVIDUAL CUSTOMERS

Issues identified by the customers

Waiting time in queue

Occasional failures in home delivery

Stagnant image

Poor counter service/ dislike

Measures taken

Increased use of queue management systems in post offices

Certification of postal delivery offices

Implementation of a new image

Training of counter service employees
Certification of post offices

BUSINESS CUSTOMERS

Issues identified by the customers

Price

Slow counter service
(bureaucracy and operational malfunctions)

Measures taken

New pricing for a system of weights and formats
(e.g. new rates per gram for editorial mail)

Pick and Go service (mail collection at customers' addresses)
Installation of digital franking machines (allows direct posting at post boxes avoiding travel to the post offices)

COMPLAINTS

Besides the symptomatic approach of each process regarding complaints and inquiries regarding the company, more time and resources have been invested in the study of the inputs obtained from such processes, as well as in the identification of measures to overcome recurrent anomalies, interacting with the multiple company areas to improve the information to the customer, implementing local monitoring measures or specific solutions to continuously improve services and increase customer satisfaction.

Internally, during 2010, we carried out the integration of the handling of complaints regarding financial services and products in SIAC – Integrated System of Customer Service, the automated bulk reception and filing of processes, and the adoption of several actions to enhance the handling and control of files.

A Manual of Processes was drafted to consolidate and harmonise the procedures for handling of complaints, resulting in a positive impact on the quality of the customer service and responsiveness of operators, thus increasing the number of files handled without increasing the number of employees assigned to this function.

The commitment to minimise the use of paper proceeded, with the consolidation of digital files storage. In terms of quantity the analysis is based on the inquiries and complaints received.

The total number of complaints and inquiries received increased comparing to the previous year (non comparable values 2009/2010).

Complaints on international services represented 40% of the total received in 2010. The number of postal items subject to compensation increased as well as the total amount paid, when compared to 2009.

The analysis of the files resolved shows that 25% of postal items are delivered to the addressees, or returned to the sender. Regarding the remaining ones, the main reasons to complain are loss, delay, and the occurrence of local deficiencies upon delivery; however, no complaints related to mail violation have been received.

About 50% of the compensations paid are due to loss of mail, particularly in the international service. Approximately 70% of the customers complaints and inquiries regard the “registered item” product.

Within the CTT Group companies, the number of complaints increased mainly due to the growth of traffic. The most frequent anomalies are related to items’ tracking, settlement of cash on delivery service or missing advice/notification for the customer to collect the item.

RESPONSE TIMES

In the domestic and international services, the average cumulative response times regarding complaints and inquiries resolved in 2010 improved significantly. Domestic complaints were responded within 7 days, as in 2009, and international complaints within 32 (versus 34 in 2009). There was a higher level of complexity of

Table 7 – Number of inquiries and complaints received and compensation

Volume (parent company)	2009 *	2010 **
Complaints and inquiries received	68,312	71,983
Complaints and inquiries resolved	69,570	72,816
Compensations (number of items)	9,492	9,756
Compensation (Euros)	329,292	357,186

(*) Total number of complaints and inquiries, regarding universal and non universal service

(**) It only includes complaints and inquiries related to the universal service

Table 8 – Volume of complaints and inquiries of the companies of the Group

Volume (Group companies)	2009	2010	% 10/09
Complaints	74,098	90,443	22%
Compensation (Euros)	347,615	545,343	57%

complaints and inquiries and greater interaction with the customers regarding the subjects of complaints.

Among the complaints received, there were over 15,360 ones related to financial services. For those, the average response time was 4.6 days, which corresponds to an average increase of 1 day, due mostly to the standardization of the data recording procedures in the management and handling of complaints application.

2.4 REGULATORY AND SUPERVISORY AUTHORITIES

In conformance with ruling legislation, ICP - National Authority for Communications (ICP - ANACOM) - regulates the communications sector and is responsible for the regulation and supervision of the postal sector as well as for ensuring and monitoring that postal operators comply with applicable legislation and regulations and with the provisions of their respective operator entitlements or concession agreements for provision of services.

According to the provisions of the concession agreement for the provision of the Universal Postal Service between CTT - Correios de Portugal, SA and the Portuguese State, ANACOM is responsible for ensuring due compliance with the obligations to provide the aforementioned concession services.

CTT dutifully co-operates with ANACOM by timely providing it with all information and clarification which it may deem fit to request for purposes of monitoring CTT performance under the concession agreement in a transparent manner.

In accordance with the provisions of the Universal Postal Service Concession Agreement the aforementioned regulator monitors CTT performance thereto by means of two types of audits:

- An audit of the accounting system of CTT, to verify compliance with the applicable standards, the reliability of the information produced therefrom and the organisation's conformance with best domestic and international accounting practices and standards. This took place under the work on the audits of the fiscal year 2008 and has completed the audits of the accounting system

for the fiscal year 2007 and issued its statement that the results were produced in accordance with the laws and regulations applicable.

- An audit of quality of service indicators and CTT's complaints handling system for purposes of verifying the reliability of the results submitted by the company and the adequacy of its quality performance measurement methodologies. The publication of audit results for the financial year 2008 indicated conformance of CTT indicators regarding quality of service.

Supervision of CTT corporate and business operations falls to an Audit Committee that comprises three members, and a Chartered Accountant appointed according to the provisions of the Company's Articles of Association and of the Portuguese Companies Act.

The sole shareholder (the Portuguese State) issues recommendations to the company through its General Assembly via unanimous written resolutions, as well as via the provisions of the legislation, via direct instructions to its Board of Directors and other alternative legislative instruments that are binding on the company, whether in general or in particular. The company is obliged to the Shareholder with regard to its mandatory compliance with the above mentioned instruments concerning its current management. Moreover, it is also bound to abide by Government-driven economic policy guidelines, that is, as a public sector company, it defines its management priorities to achieve the macroeconomic targets set out by the Government.

2.5 SOCIETY (CORPORATE SOCIAL RESPONSIBILITY)

Given its long experience and history, market leadership and nature of the service provided characterized by daily countrywide presence and visibility, CTT is recognised as a trusted brand.

This positioning and reputation dictate that its institutional representation needs to be aligned with principles related to quality, efficiency, convenience, modernity and transparency with a view to strengthen the corporate representation of the CTT brand.

ACCESSIBILITY

CTT renders services that are very much of a social nature and owns the country's largest customer service network. The company plays a role as structuring element and a key feature of the country's social and territorial cohesion.

Every single resident within the Portuguese territory is a potential customer, either with an active (sender of mail) or passive role (addressee). Serving 167,000 customers a day at the post offices and delivering daily an average of one postal item in every household, accessibility is one of CTT's hallmark features.

By the end of 2010, CTT's customer service network comprised 2,897 postal facilities (7 more than as at the close of 2009) made up of 884 post offices (including 11 mobile ones) and 2,013 agencies operated by third parties under a postal services contract with CTT. In addition, 2,794 sales points where stamps may be purchased.

In what concerns access points, at the end of 2010 15 855 postboxes and mailboxes were

available where customers can deposit postal items in the CTT network.

The size of the postal network is determined by two critical issues: the ability to generate business and the obligation to provide a public universal service. To provide a universal service means that CTT is an operator that undertakes to provide countrywide service at all times, from north to south of mainland Portugal and in its island regions, all the way to the most remote corner of the country and always at uniform price.

This obligation is often conflicting when the company's need to remain economically viable clashes with the requirements of its corporate social responsibility towards providing such services to all communities at a cost. In order to reconcile the two goals it is inevitable to adjust its offer, even if in a limited way, bearing in mind that it is possible to change the format in which the service is delivered without necessarily jeopardizing its content and attributes. These adjustments may also be dictated by the changes in demographic distribution patterns throughout the territory and the changes in the levels of economic performance.

The changes to the counter service network may be of the following nature: changes in opening hours at post offices; outsourcing of services replacing post offices where the activity is very low with mail agencies; opening of new post offices or mail agencies. Such changes are always preceded by studies regarding the impact on the local community and taking into account

the accessibility of postal services and the quality of the provision of the universal postal service to the population.

Should changes involve reducing opening hours or replacement of a post office with a mail agency, this action is timely notified to local government, usually a Parish Council, in order to take into consideration its agreement or objection.

Thus, the decisions taken by CTT, following proposals submitted by the company's local managers, are duly justified on the grounds of service requirements, demand for services and the need to satisfy the local communications needs of the population and businesses.

As is the case with its counter service network, home postal deliveries involve over 6,295 delivery rounds covering more than 5,6 million households countrywide. Two thirds of these rounds involve vehicles or motorcycles, while walking and bicycle rounds are more confined to urban areas.

The size of the country's geographical coverage in terms of home delivery relies on regular research of local delivery and collection systems and is based on analysis of a number of variables, namely the route length; number, size and type of mail items; delivery and collection points; degree of concentration of homes; existing transport and roads; and customer segmentation, both concerning individuals and companies.

The company strives to ensure that it provides services to the standards and quality levels

agreed with customers in a sustainable manner, at all times and according to the social nature of the services CTT provides.

In European terms, based on available data, CTT continues to show a good level of penetration of postal service featuring a cover with a density higher than the EU average.

CTT HAS MORE POST OFFICES PER CAPITA THAN EUROPE

Table 9 – Density and postal coverage

Inhabitants per postal facility					Km² per postal facility					
2006	2007	2008	2009	2010	2006	2007	2008	2009	2010	
4,542	4,551	4,673	4,746	n.a	40	40	41	42	n.a	EU average
3,718	3,737	3,715	3,696	3,686	32	32	32	32	32	Portugal

Source: UPU and study of the European Commission “Main Developments in Postal Sector 2008-2010”

Note: Considering fixed postal establishments

Distribuição Postal



Figure 9 – Post Office network



Figure 10– Postal Delivery Offices network

As far as accessibility to its facilities by disabled customers is concerned, the company continues to renovate its premises, having built 36 more access ramps at post offices, at a cost of 127,500 Euros.

COMMUNITIES

The whole company, from top management to employees on the ground, are fully aware of the impact of their actions on the community and aim that such actions are of relevance for their beneficiaries.

Project to combat poverty and social exclusion-

In 2010, CTT decided to further pursue this social national project, among other reasons, because it was the European year with the same designation, but rather because it realized that its support is important to the needy population. More than 11,800 solidarity packs containing donations (food and other) to the 36 institutions under the protocol were delivered free of charge. Within this project, CTT continued to hold computer training sessions for long-term unemployed people (6 more), raise cash donations (totalling 50 thousand Euros) and regional collections of goods.

Solidarity of CTT with Madeira - Immediately after the storm that ravaged the Autonomous Region of Madeira, CTT offered to receive donations from all the population for free delivery to the local Cáritas. More than 84,500 packages, equating to 411 tonnes of goods, were shipped in 92 maritime containers.



PROXIMITY NETWORK

CTT MAKES SUPPORTIVE AND NEEDY CITIZENS COME CLOSER

FROM 9 OCTOBER 2008 UNTIL TODAY, CTT AVAILS ITS COUNTER, TRANSPORT AND DELIVERY NETWORKS TO CONVEY THE DONATIONS THAT ANY CITIZEN DECIDES TO HANDOVER AT A POST OFFICE, TO THE INSTITUTIONS IN THIS INITIATIVE, WHICH IN TURN DISTRIBUTE THEM AMONG THE NEEDY PEOPLE THEY SUPPORT.

IF YOU WANT TO PARTICIPATE, IT'S SIMPLE! YOU JUST HAVE TO GO TO A POST OFFICE ON THE MAINLAND OR ON THE ISLANDS AND ASK FOR A FREE CTT SOLIDARITY PACK, PUT YOUR DONATION INSIDE AND HAND IT OVER TO THE COUNTER EMPLOYEE. WE'LL DO THE REST! SOMEONE WILL BE VERY GRATEFUL.

THE PROJECT IN THE WORDS OF THE BENEFICIARIES

AT THE FUNDAÇÃO OBRA DO ARDINA, WE TEACH OUR CHILDREN AND YOUNGSTERS TO BELIEVE THAT IT IS POSSIBLE TO END POVERTY AND SOCIAL EXCLUSION. WE ALSO TEACH THEM THAT WORK IS A POWERFUL TOOL TO COMBAT POVERTY AND SOCIAL EXCLUSION. WORK IS ONE OF THE MOST IMPORTANT BONDS TO THE SOCIETY FOR THE REWARD IT GIVES US AND THE RELATIONSHIPS IT CREATES.

THUS, WE WERE GLAD TO ACCEPT TO SIGN A PARTNERSHIP PROTOCOL WITH CTT TO HELP PEOPLE, HUMAN BEINGS, BIG AND SMALL, TAKING THE RISK TO ERADICATE POVERTY AND SOCIAL EXCLUSION FROM THEIR EVERYDAY LIFE. WE ENCOURAGE OUR CHILDREN AND OUR YOUNGSTERS TO FIGHT WITH EVERYONE AND SIDE BY SIDE WITH EVERYONE WHO BELIEVES THAT OUR IDEAS GO BEYOND THE DREAM. WE REFUSE TO BE INDIFFERENT.

PAULO EMANUEL ON BEHALF OF FUNDAÇÃO OBRA DO ARDINA

IT IS WITH GREAT JOY THAT WE REGULARLY RECEIVE THE VISIT OF CTT WITH ITS UNIQUE BOXES, WITH CLOTHES, TOYS AND OTHER MATERIAL THAT BRING HAPPINESS TO CHILDREN AND ADULTS OF THE INSTITUTO DA IMACULADA.

LAST CHRISTMAS, EACH CHILD GOT A CTT PACKAGE WITH A GIFT ADDRESSED TO HIM/HER FROM SANTA CLAUS WITHIN THE PROJECT "CARING SANTA CLAUS". IT WAS MARVELLOUS!!

THUS, WHEN WE RECEIVE CTT PACKAGES, IT IS A JOYFUL DAY AS EVERYONE GET CURIOUS AND MANY GET BENEFITED. BESIDES OUR CHILDREN, ALSO OUR EMPLOYEES AND THE CHILDREN'S NEEDY PARENTS HAVE BEEN BENEFITED BY THE CTT PACKAGES.

GOD BLESS YOU FOR YOUR SUPPORT!!!

ANA ROSA MONTEIRO DO ESPÍRITO SANTO – DIRECTOR OF INSTITUTO DA IMACULADA

THE SOLIDARITY BOX PROJECT HAS BEEN A GREAT HELP FOR THE SERVICE THAT AJUDA DE MÃE GIVES BOTH TO PREGNANT WOMEN AND RECENT MOTHERS AND THEIR FAMILIES: IT PROVIDES MORE PRODUCTS THAT MAY BE DELIVERED TO SUPPRESS NEEDS ENABLING THE CONTRIBUTION OF MORE BENEFACTORS FOR WHOM TRANSPORT WAS AN OBSTACLE. FOR US, AJUDA DE MÃE, IT'S A VALUABLE AID IN ANOTHER PROJECT CALLED "FAMILIES, PARENTS AND CHILDREN" ENABLING THE INCREASE OF GODFATHERS AND SUPPORTED FAMILIES. THANK YOU ALL!

MADALENA TEIXEIRA DUARTE – PRESIDENT OF AJUDA DE MÃE



Caring Santa Claus - For the second time, CTT joined national solidarity institutions that support socially disadvantaged children, to provide them a better Christmas. One thousand letters from those children expressing their Christmas wishes were received by CTT that displayed them at 900 post offices, CTT website and facebook to allow any citizen to sponsor one of those children's wishes. In addition, CTT answers annually to 250,000 letters, on average, addressed to Santa Claus.

Donations in cash - During 2010, Payshop (Group company) received donations in the amount of 27,760 Euros at more than 3,800 sales points to distribute to 18 welfare institutions (11 on a permanent basis and 7 under temporary campaigns).

Solidarity in Spain - Tourline Express (a Group company in Spain) signed agreements of logistics cooperation with the NGO Save The Children and with the Play4Africa solidarity initiative. It launched a "Social action plan" to award discounts to those in the Spanish population hit by economic needs.

Adding to divide - For the fifth year in a row, clothing, books, toys, school material and hygiene articles were raised internally. More than 8.3 tonnes of goods were delivered to 21 welfare institutions in the mainland and in the islands.

ADDING TO DIVIDE

FOR THE FIFTH YEAR IN A ROW, CLOTHING, BOOKS, TOYS, SCHOOL MATERIAL AND HYGIENE ARTICLES WERE RAISED INTERNALLY. MORE THAN 8.3 TONNES OF GOODS WERE DELIVERED TO 21 WELFARE INSTITUTIONS IN THE MAINLAND AND IN THE ISLANDS.



TESTIMONIALS OF OUR VOLUNTEERS

CONGRATULATIONS TO THE SUSTAINABILITY TEAM FOR THE ORGANISATION OF THE INTERNAL AND EXTERNAL SOLIDARITY ACTIONS.

IT IS COMFORTING TO BE PART OF AN ORGANISATION THAT LOOKS AROUND AND DOES NOT STAY INDIFFERENT. IT PLANS AND EXECUTES. IT MAKES THE CALL AND MOBILISES.

THOSE WHO SAY NO TO INDIFFERENCE STEP FORWARD. THE DREAM IS FULFILLED. LOTS OF INSTITUTIONS DELIVER TO LOTS OF ADDRESSEES THE FRUIT OF CTT'S SOLIDARITY TREE.

ISABEL DENGUCHO - CTT OMBUDSMAN OFFICE

THE VOLUNTEER ACTIONS I HAVE BEEN IN ALLOW ME TO SELFLESS CONTRIBUTE TO IMPROVE THE LIFE OF A DEPRIVED POPULATION.

THE FACT THAT I DO IT TOGETHER WITH MY COLLEAGUES ENABLES ME TO KNOW THEM OUT THE WORK ENVIRONMENT AND THIS CONTRIBUTES TO CLOSER RELATIONSHIPS AND FAVOURS THE PROFESSIONAL RELATIONS THEMSELVES.

JORGE ALMEIDA - CERTIFICATION AND EXCELLENCE SYSTEMS

MONTEJUNTO MOUNTAIN

PLANTING OF 750 TREES
IN PARTNERSHIP WITH
QUERCUS, TO OFFSET THE
CO₂ EMISSIONS RESULTING
FROM THE SENIOR
MANAGERS MEETING



In 2010, CTT continued to develop its volunteer work programme and to increase its pool of volunteers (360 employees currently). The eight volunteer actions organised this year had 220 participants and a total of 1,000 hours. Rules governing volunteer work were consolidated, as employees who apply to put in volunteer work can participate in initiatives organised under the company's volunteer plan. The company contributes with an allowance of 16 hours working hours per employee.

Shooting of the CTT Consigo advertising campaign (see www.ctt.pt) with zero polluting gas emissions;

Food Bank Against Hunger - Participation of CTT teams in the collection of food in several locations in the country.

Centre of Integration and Rehabilitation of Tomar - Painting of a room and two bathrooms on a Saturday morning.

Christmas Circus of CTT - Invitation to children from institutions to the circus shows in Lisbon and Oporto.

Adding to Divide - Participation of volunteers in several sessions to sort donations received and in the transport and delivery to the Institutions.

Poverty project - Donations delivered to Institutions, mostly through volunteer work. Engagement of all employees in the promotion of the project, accepting donations at the post offices and in sorting and transport operations. Participation of volunteers in the World Philatelic Exhibition "Portugal 2010" and in other fairs to promote the project.

Bread from All to All - Participation of CTT volunteers in the action organised by CAIS, in Lisbon.

Regarding the sponsorship policy, CTT Group analysed more than 700 requests. In the context of social responsibility, CTT elected more than two dozen initiatives that embodied actions of social solidarity and assistance to needy or at-risk groups, in an amount of approximately 1.2 million Euros (includes sponsorship to the CTT Personnel Sports, Cultural and Recreational Centre).

The company's sponsorship policy has given priority to projects associated with poverty and social exclusion, culture, the Portuguese language, sport for disabled people, health, solidarity and innovation.

The following were the most significant initiatives:

SOLIDARITY

- Extension of the Protocol with the CAIS welfare organisation for donations to the Abrigo project;
- Sale of the "Magical Lightening Bug" at post offices for the fifth year in a row, for fund raising and raising awareness to the rights of the disabled people – Fenacerici;
- Sale of Christmas postcards and UNICEF products reversing part of the revenue for programmes designed to create proper and sustainable conditions for the most disadvantaged children around the world.

SOCIAL INTEGRATION

- The Portuguese Federation of Food Banks, the Community "Vida e Paz", Aboim Ascensão Refuge and the Therapeutic Equestrian Centre and the Association benefited from donations or exemption of mail charges;
- Agreement between CTT and API - Association of the Portuguese Press for the free sending of newspapers and/or other publications to the Portuguese School of Maputo, in Mozambique;
- Donation of equipment/videos to 74 Institutions.

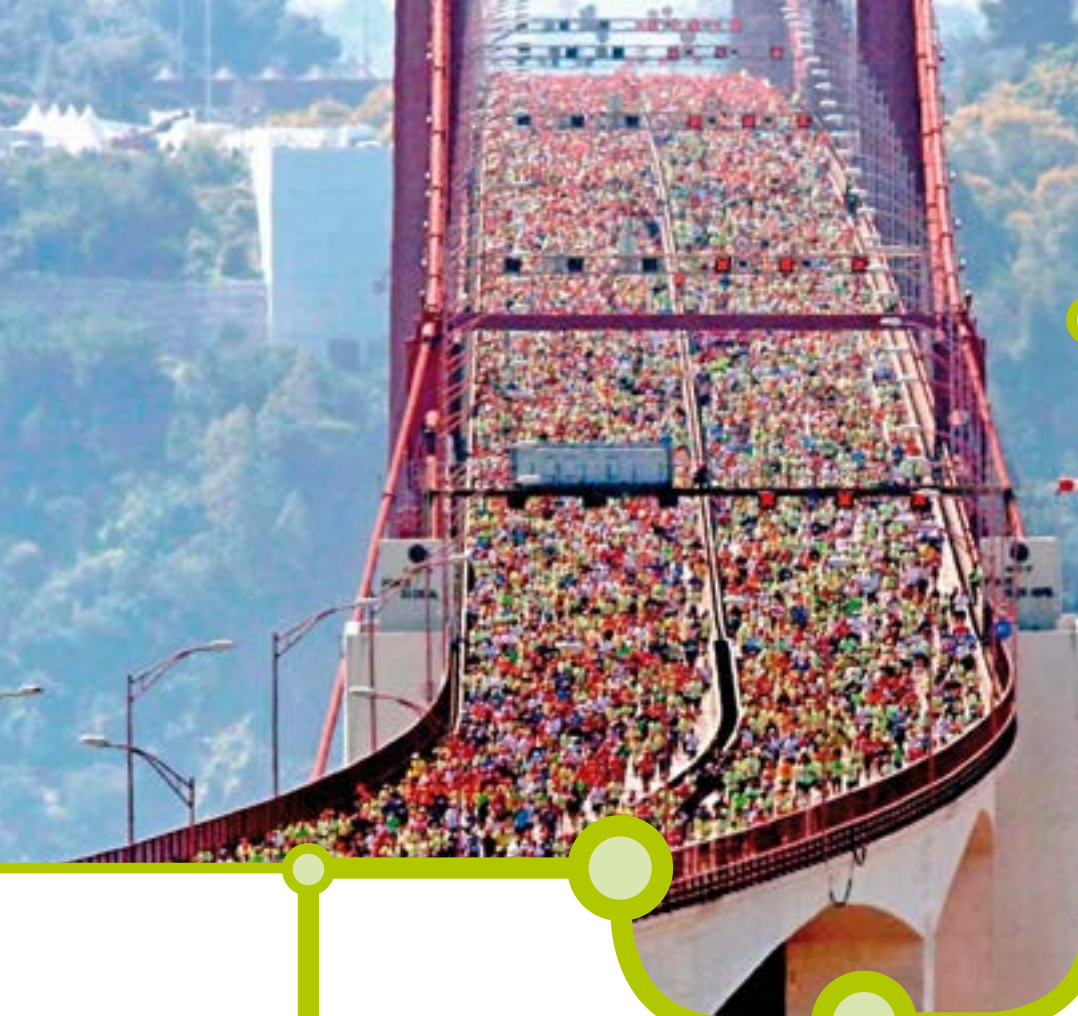
HEALTH AND CITIZENSHIP

- Offer of postage to the Red Nose initiative and donation to the Cancer Patients Humanitarian Union and the Gil Foundation;
- Agreement with the Kidzania Theme Park (project of civic and pedagogical education for children);
- Partnership with the Abraço Institution – sale of the book "The AIDS Scourge" and inclusion of mystamp; donation of part of the revenue from the sale of the Abraço mystamp associated with receipt of postcards addressed to the Abraço Institution;
- Partnership between the CTT portal Irrequietos.com and UNICEF for raising polio vaccines (10,575 vaccines donated);



NATIONAL READING PLAN

THE PARTNERSHIP WITH THE NATIONAL READING PLAN THROUGH THE 4TH EDITION OF THE PROGRAMME "WHERE WILL YOUR IMAGINATION TAKE YOU?", FALLS WITHIN THE SUPPORT TO CULTURE AND THE CREATION OF A MORE ENVIRONMENT-FRIENDLY SOCIETY. THE PURPOSE OF THIS PEDAGOGICAL PROJECT NOT ONLY SHOWS THE REALITY OF CTT, BUT ALSO PROMOTES WRITING AND READING AMONG CHILDREN AND YOUNGSTERS OF PRIMARY AND SECONDARY SCHOOLS, COVERING 168 SCHOOLS, 606 TEACHERS AND 11,407 STUDENTS WHO SUBMITTED 1,401 ASSIGNMENTS. THE MAIN IDEA OF THIS EDITION OF THE PROGRAMME WAS TO PROMOTE ENVIRONMENT-FRIENDLY PRACTICES, AS FOR INSTANCE, TO DRAW A STAMP ON THE THEME "CTT PROTECTS THE ENVIRONMENT".



DEVELOPMENT AID

- Two wheelchair races for disabled athletes integrated in the International Marathon of Lisbon and the Half Marathon of Portugal;
 - Women's race 2010 – Woman and Life;
 - The Fifth Social Inclusion and Integration Games.
- Organisation of 45 visits to operational facilities (mail sorting centres of Lisbon, Coimbra and Oporto) for schools, universities and customers;
 - Organisation and monitoring of training courses regarding development of human resources, management, corporate social responsibility and other issues given to 30 employees of the postal operators from PALOP – the Portuguese-speaking countries of Africa –, and Latin America (in the amount of 143,700 Euros);

PATRONAGE OF CULTURE

- Sponsorship of the “Ciberdúvidas” website;
- Sponsorship of the “Poetry Grand Prix” of the Portuguese Writers Association;
- Sponsorship of the 5th edition of the Social Corporate Responsibility Week hosted by the Portuguese Corporate Ethics Association – APEE.

ENVIRONMENT AND BIODIVERSITY PATRONAGE

- Sponsorship of the “2010 ACGE Index– Climate Change and Corporate Management” survey;
- Contribution to recover Madeira Island ecosystems;
- Contribution to the reforestation in Montejuento mountain;
- Stamp issues: 50 years of Madeira Botanic Gardens; 2010, International Year of Biodiversity; Fish Eagles; 50 years of the Hydrographical Institute; and Azores Marine Invertebrates; School Mail – CTT protects the environment.

- Donation of Christmas cards to Entrajuda Institution within the project “Bank of Donated Goods”.

SPORTS PATRONAGE

- Sponsorship of the Lisbon Bike Tour 2010 (Lisbon and Oporto) jointly organised with the Drugs and Drug Addiction Agency and Sportis to promote a healthy life (tens of postmen participated under the motto “I can ride for a sustainable future”);

Objectives 2011

Continuation of the Project to Combat Poverty and Social Exclusion

Strengthening of environment volunteer initiatives

Pilot experience of long-term volunteer work
Conduct of 4 volunteer initiatives

TWO WHEELCHAIR RACES
FOR DISABLED ATHLETES
INTEGRATED IN THE
INTERNATIONAL MARATHON
OF LISBON AND THE HALF
MARATHON OF PORTUGAL



2.6 EMPLOYEES

The changes imposed on the postal business by the rapid technological substitution and full market liberalisation, oblige CTT to face challenges, particularly with regard to improving competitiveness and productivity. To meet these challenges it is essential to strengthen the strategic focus on value, optimisation, recognition and motivation.

The new management model and the human resources development programme included in the 2012 CTT Plan intend to ensure that CTT Group has got trained and motivated employees in a company that promotes excellence.

This programme is organised into three areas of activity, plus one, for the climate envisaged for its implementation: adequate, attract and bind human resources in social dialogue.

To implement this programme, the processes of rationalisation and adequacy of human resources and budget were improved and adapted to the business evolution within the current framework of reduced demand and great restraint in spending and take practical initiatives to implement the new model of human resources management, such as: the establishment of remuneration policy of the heads of units; the submission to the Board of Directors of the methodology and the outcome of the survey regarding the corporate climate and culture led by the National Observatory of Human Resources (ONRH) for the previous year; the execution of the PostFutureCast programme and the project to create the directory of assessment skills for the marketing and sales areas of CTT Group; the

establishment of a training plan more aligned with the strategic guidelines; the participation in jobshops at universities of reference; the pursuit of social dialogue through frequent meetings with the Structures of Collective Representation of Workers (ERCT); and the wide dissemination of the company Employment Agreements.

In compliance with the measures approved by the Government's Stability and Growth Programme, it was decided to cut the monthly remuneration of the members of statutory bodies of all CTT Group companies. In accordance with the provisions of the State budget 2011 and Government guidelines relating to the public corporate sector, the correct implementation of salary reduction, the prohibition of remuneration allowances and other provisions related to the harmonization of some allowances with the Public Administration regimes were duly prepared.

Similarly, measures were studied and approved to decrease employees costs to be included in the cost reduction programme determined by the government. These measures deepen the work that has been carried out for some years in the field of rationalisation and adequacy of human resources to the business evolution.

Human resources policies have been increasingly oriented to strengthen a corporate culture that privileges motivation and involvement of employees as well as human capital enhancement. These goals are reached by means of the recruitment of transversal skills that enable greater mobility and internal polyvalence, the establishment of professional evolution criteria and policies of fixed and variable remuneration, of permanent training plans and effective communication strategies to inform all on the multiple aspects of the Group's life.

Creating a true corporate feeling means ensuring the personal satisfaction of employees by adopting individual evaluation plans and rewarding good practice, results and achieving the targets set.

The axis adopted for the development of human resources are represented in the next figure.

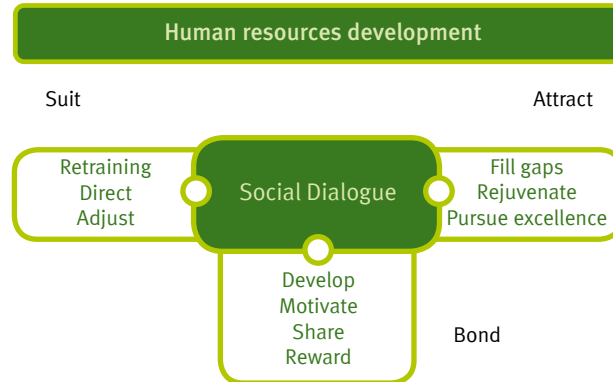


Figure 11 – Human resources development

This model of human resources development is based on a competency management option (CIP model), with a systemic architecture, as summarized in the following figure.



New management style – CIP

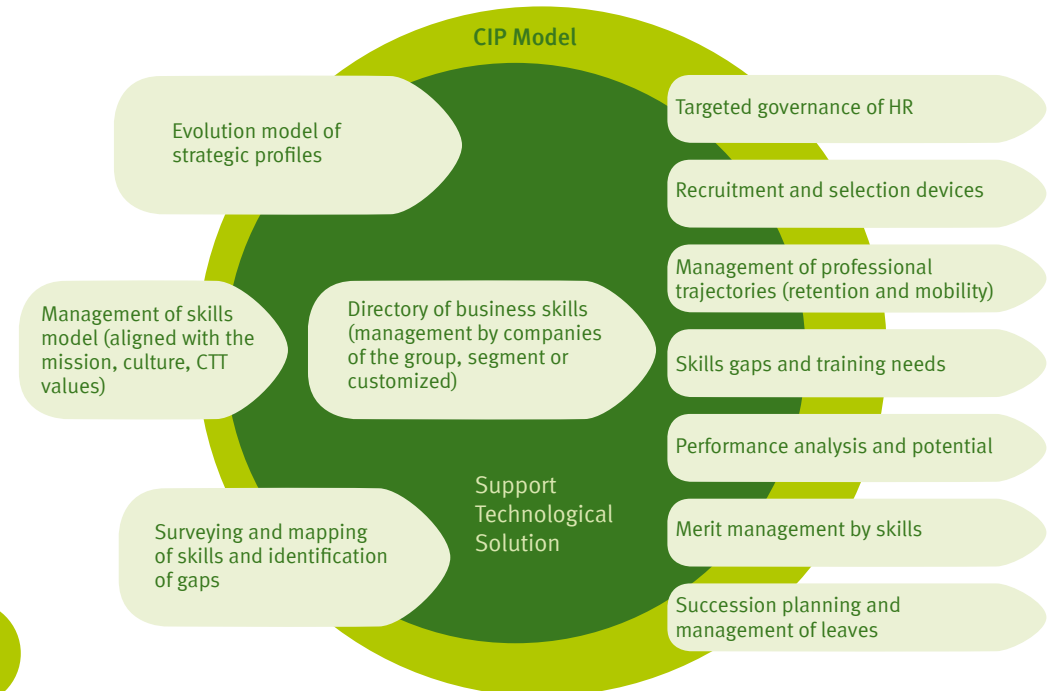


Figure 12 – CIP Model

WE ARE ONE OF THE LARGEST NATIONAL EMPLOYERS WITH 14 414 WORKERS

The professional values and skills chart reproduced below is the reference of the policies and practices to be adopted in the management of employees and teams

Values and professional qualities	
Values	Professional skills
<ul style="list-style-type: none"> • Excellence and quality • Customer satisfaction and other stakeholders • Orientation to efficiency and results • Respect and trust • Sustainability and Innovation 	<ul style="list-style-type: none"> • Initiatives and respect for the values • Ambition and professional development • Integration and adaptation to the challenges • Communication and interpersonal relationships • Management capacity and teamwork

Figure 13 - Values and professional qualities

2.6.1 CHARACTERISATION OF HUMAN RESOURCES (PARENT COMPANY)

In 2010, the workforce decreased, due to the few hires (8) and the high number of employees leaving the company (362 - 276 due to retirement, 62 to the expiry of the employment contract and 24 due to death). The permanent employees turnover rate was 2.9%, broken down in a male turnover rate of 1.7%, and a female turnover rate of 1.2%.

By age group, the employees turnover rate was higher within employees over 50 years old, both male and female, broken down as follows: below 30 years old, 0.06%; between 30 and 50 years old, 0.5%; over 50 years old, 2.4%.

Years	2009	2010
Permanent employees	12,102	11,778
Fixed term contract employees	805	695
Total (parent company)	12,907	12,473
Total (CTT Group)	14,752	14,414

Table 10 - CTT employees distribution (parent company) by employment type and Group totals, as at 31 December

The employee average age (43 years) is relatively high. Regarding postmen, the professional group with the highest relative weight, the indicator is slightly lower (40.9 years).

In order to improve customer service and increase employees qualification and satisfaction while valuing the individual, enhancing motivation and stimulating productivity, the programmes for personal and professional development continued and the completion of the 12th grade has been set as a minimum requirement for new hires.

In 2010, due to the combined effect of employees leaving the company with lower qualifications, the higher level of requirement in new hires and investing in training employees, the level of literacy has improved: employees with schooling qualification below the 9th grade decreased from 19.7% to 18.6% and in turn, employees with qualifications equal or higher than the 12th grade increased from 46.5% to 49.4%.

Education level	2009	2010
University degree	9.5%	10.2%
12 th grade diploma	37.0%	39.2%
9 th grade diploma	33.7%	32.0%
< 9 th grade	19.7%	18.6%
Total	100%	100%

Table 11 - Distribution of employees by education level

Most employees (97%) works for the company on a full-time basis countrywide, as well as in Spain and Africa. The allocation of employees by region is related with the demographic concentration considering the fact that the company provides relevant services countrywide (refer to the Glossary).

2.6.2 LABOUR PRACTICES, RECRUITMENT AND SELECTION

The overall absenteeism rate that includes sick leave, accident leave, absence regarding activity in employee representation structures (Trade Unions and Workers Committee), study leave, strike action, maternity leave and absence for other reasons reached 7.6% in 2010. The absenteeism increased by 0.9% when compared to last year mostly on account of the main reasons for absence such as: sick leave, occupational accidents and maternity leave. Strike action represented 0.3% and trade union activity rose from 0.3% last year to 0.5% in 2010.

During the course of 2010, CTT carried on its job offer policy by providing professional opportunities to youngsters looking for their first job and to long-term unemployed people.

To better promote its job opportunities and reach potentially interested young population, CTT started to use a new communication channel for job offer and receipt of applications: the facebook.

During the year, 2,576 term contracts and 1,062 temporary contracts were signed enabling many young people to contact for the first time with the world of work.

To pursue the objectives of the attract area of its human resources development programme, CTT participated in jobshops at ISCTE, Faculdade de Economia da Universidade Nova de Lisboa, Instituto Superior Técnico and Faculdade de Ciências Económicas e Empresariais of the Universidade Católica, introducing itself as a avant-garde Group, with new products and services, high degree of integration of new technologies, and strong focus on quality and customer satisfaction.

Forty-eight traineeships, 13 of which were curricular, were ministered by CTT as part of the policy that links the company and the schooling and professional training systems and supports the national effort to promote the improvement of academic qualifications and professional skills of young people. Two of the 13 curricular traineeships were granted to young people with special educational needs. In this case, a specific work was carried out between the school and the family of these two young trainees and the CTT advisor responsible for hosting them at the work place.

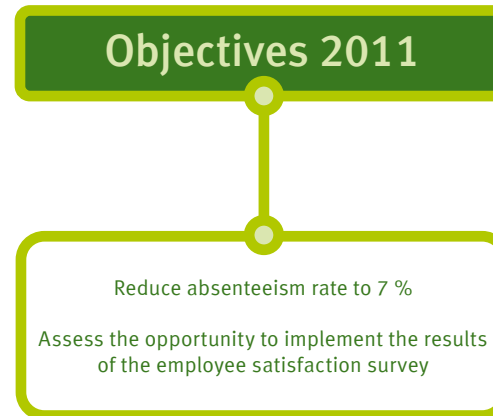
During 2010, CTT provided professional development opportunities for employees who increased their level of academic qualification, thus acknowledging the personal investment they made.

2.6.3 INTEGRATED MANAGEMENT OF HUMAN CAPITAL

The CTT Group's internal potential in human capital and continued resort to more flexible terms of employment that may better adjust to mail volume flows remained the main issues guiding human resources management.

In order to boost the mobility and flexibility required by the company, employees were seconded from subsidiary companies to the parent company, or vice versa, in particular senior employees. Also, opportunities of international mobility in Group companies headquartered abroad were provided to several senior managers.

Within the mobility and progression area, 37 recruitment opportunities (32 internal and 5 external, 34 for recruitment by the parent



company and 4 by the Group companies) were communicated to which 1,362 applicants responded. We point out the offer and the sending of applications for 12 jobs internationally, namely for the Universal Postal Union (UPU) and the International Post Corporation (IPC).

To optimize internal productivity, a set of actions were undertaken to reassign employees whose functions became inadequate due to technology progress or implementation of efficiency projects (24 employees were reassigned in working places and functions where their activity may be optimised) and a flexible working hours system for administrative employees was implemented.

As concerns permanent employees, the company dutifully complied with minimum notices and communication procedures according to the terms of the law and the Company's Employment Agreement. For reassignments for reasons of company convenience, the employee has to be

notified in writing at least 30 days in advance (for distances of more than 50 km) or 15 days in advance (for distances of 50km or less), except in the case of unpredictable events. In the case of company convenience, the employees concerned have to be notified at least 45 days in advance or within the notice periods mentioned above, depending on the Company's Employment Agreement they have signed.

Changes to working hours are to be notified to the employees and the Workers' Committee, communicated to the Authority for Working Conditions and displayed in the company at least 7 days prior to becoming effective. Within the employee adaptability system, changes to working hours are notified at least 15 days prior to becoming effective.

PERFORMANCE APPRAISAL

With a view to foster a culture of management by objectives, talent management, skills development for workers, merit compensation policy and training needs assessment, all company employees were subject to performance review as a means to appraise the skills as well as personal and team contributions to results.

This review process includes a meeting or interview between the employee and the immediate superior to exchange views on the appraisal and identify the skills to be developed. They also avail the employee the opportunity to include comments on the appraisal and to express interest in attending training courses to improve professional skills and job performance.

A number of training sessions on the performance appraisal system and on how to conduct employee appraisal interviews, were ministered to the managers. Performance appraisal of managers of the Group subsidiary companies and of those directly depending from the members of the Board of the parent company are performed under the terms defined by the Board.

REMUNERATION

Considering that salary progression is based on merit reward in combination with length of service, the company pursued the policy of motivation through recognition of personal commitment and contribution to results where the variable component of remuneration is emphasised.

Further to sales commissions based on the results obtained against the objectives, operational productivity and quality incentives were paid within the scope of the "Improve Quality"

programme related to the financial year of 2009, after the company's operational results were known and the set criteria had been met. These incentives were distributed to over 6,700 employees and totalled about 2.6 million Euros.

Considering the results of the 2009 financial year and given the decrease of revenue, the general assembly has not proposed the distribution of dividends to the employees contrary to what happened in the last two years.

REPRESENTATION OF EMPLOYEES

Several bodies represent the employees in communications with the management. A Workers' Committee (CT) and 71 Workers Subcommittees have been appointed and perform their duties in accordance with applicable legislation. As was the case in previous years, CTT is in permanent contact with the Workers' Committee holding meetings when necessary and at the highest level on a monthly basis in order to address issues related to the provision and working conditions. At the information level, relevant management documentation is regularly sent. The company provides facilities to the Workers' Committee for the performance of its duties, as well as the necessary material and technical means to do so.

The company grants the 11 members of the Workers' Committee, 25 hours every month, and 1 day more per month for the meeting with the management bodies and additional credits according to the activities performed, and to each one of the 120 members of the Workers Subcommittee, 8 hours. This represented a total of 6,107.4 working hours in 2010.

The Structures of Collective Representation of Workers (ERCT) exercise the powers conferred on them by law by defending and promoting the social and professional interests of their associates, being namely called upon to intervene in the optimisation of working conditions, the signature and review of collective employment agreements (Company Employment Agreement).

With a view to modernise and adequate CTT and its work environment to the evolution of society, economy and market, as well as to respond to new challenges to be faced with the full liberalisation, during 2010:

- The collective Employment Agreement (AE/CTT Jan. 2010), signed with SNTCT and SINCOR trade unions, was published in BTE no. 1/2010 of January 8. Following the signature of this agreement together with the AE 2008, all trade unions represented in the company are subscribers of collective agreements covering 99.7% (12,441) of the employees. The remaining employees fall under the provisions of the Labour Code (Law 7/2009). The company has 83.8% of its employees (permanent and under fixed term contract) unionized.
- Thus, the review of the collective Employment Agreement (AE 2008) published in BTE no. 14 of April 15, 2008 was concluded with 12 trade unions that subscribed it, and the full text was published in BTE no.34 of September 15, 2010 being renamed AE/CTT Set.2010;

- The trade unions were informed that, in 2010, the salaries paid during the period previously agreed were to remain unchanged, given the guidelines issued by the shareholder.

The legal obligations regarding human resources management information were duly complied with by means of electronic mail communication of the Single Report to the Strategy and Planning Office of the Ministry of Labour and Social Solidarity, as provided for in art. 32 of Law no. 105/2009, of September 14, and regulated by Ordinance no. 55/2010, of January 21.

The Single Report (RU) included information on the social activity of the company during 2009. This annual reporting tool replaced the former personnel charts, quarterly communication on long-term employment contracts, half-yearly listing of overtime work, annual report on security and health at work, social balance sheet and information on strike action. Besides this, the Single Report also includes information on continuous professional training and service providers.

According to ruling labour legislation, the relevant parts of the Single Report were sent to the CTT Workers' Committee and to the employees.

Labour conflicts in 2010 resulted in the holding of 175 staff plenary meetings and 54 strike, which had inevitable consequences in the regular company's operations. Seventeen strike actions were full-day strikes and 37 involved only a part the daily working hours. To be noted that there were 20 prior notices of strike on overtime in the mail processing and delivery areas, which had but a limited impact on service performance.

The absenteeism rate resulting from strike action in 2010 was 0.3%, i.e. 0.29% higher than in 2009. The reasons alleged by the Structures of Collective Representation to resort to strikes were related, generally, to their claims regarding compensation for restructuring of work and working hours and rejection of the salary and career progression restraint measures imposed by the shareholder within the scope of the State Budget.

The most frequent issues communicated or submitted by the Structures of Collective Representation of Workers referred to working regimes and conditions, discipline, interpersonal relationship, compliance or non compliance with legal obligations, performance appraisal, career progression, retirement conditions, etc.

All those issues were analysed internally by the Corporate Human Resources Unit, in conjunction with the managers of the services concerned and obtained response. During 2010, 543 complaints were submitted by the Structures of Collective Representation of Workers on behalf of their members that were analysed, handled and duly responded.

At European level, the company maintained its participation in the European Social Dialogue Committee for the Postal Sector that gathers representatives from trade unions and postal operators of the European Union. Its work programme deals with relevant issues for the future of the postal sector, such as trends in the postal industry, occupational accident prevention, corporate social responsibility, skills training and development, and the adaptation of organizations and human resources to change.

TRAINING

Training is of key strategic importance, since it is a leading factor in achieving sustainability and in ensuring that the company remains competitive, through the increase in professional and academic qualifications of employees, acquisition and development of personal and professional skills, greater involvement, motivation and job satisfaction.

The 2010 employee training plan of CTT Group has been aligned with the five strategic guidelines: ensuring provision of the universal postal service; fostering growth and maintaining market

leadership in the current core business; developing new areas of business; generating growth through innovation; and ensuring the pursuit of postal services liberalisation.

The quantitative objectives set up in the training plan were exceeded, which kept the company on the path of growth and commitment to qualifying and preparing its human resources, by providing them with opportunities to develop their personal and professional skills.

The table below shows the growth rates of employee training in terms of the number of attendances and actions over the last two years. Training activities within CTT Group increased by 56.8% in the last two years.

SUMMARY OF TRAINING ACTIVITY

The strategy to diversify training dissemination channels by using solutions adapted to different work contexts and rhythms was one key factor to increase significantly the company's employee training activities.

IN 2010, 11,488 TRAINING COURSES WERE HELD WITH 83,608 ATTENDANCES, OVER A TOTAL OF 293,663 HOURS OF TRAINING IN ALL CTT GROUP AND SUBSIDIARY COMPANIES. WHEN COMPARING TO THE PRECEDING YEAR, THE TRAINING EFFORT RATE ROSE FROM 0.8% TO 1.1%. IN TOTAL, 95% OF EMPLOYEES RECEIVED SOME FORM OF TRAINING, A 2% INCREASE OVER 2009.

Table 12 – Employee Training

CTT GROUP	2008	2009	2010	Growth rate	
				Δ2009/2008	Δ2010/2009
Number of actions	3,529	6,912	11,488	96%	66%
Number of attendances	27,468	54,855	83,608	100%	52%
Total	187,253	235,080	293,663	26%	25%



Creating value for the stakeholders

02

The student employees of the company were granted more than 25,000 hours to attend school or to study for their exams. The same total of hours was used by the employees attending the recognition, validation and certification of skills actions organized by the NOC (New Opportunities Centre) of the company.

Professional grades	Average number of hours of training
Senior management	52h
Middle management	76h
Delivery employees	10h
Counter employees	11h
Other	32h

Table 13– Average hours of training by employee category /2010 (parent-company) (does not include student employee hours)



GIVEN THE CURRENT CHALLENGES OF COMPETITIVENESS AND POLYVALENCE OF HUMAN RESOURCES, THE COMPANY FOCUSED ON INVESTMENT IN LEADERSHIP SKILLS AND THE ACQUISITION, CONSOLIDATION AND UPDATING OF TRANSVERSAL SKILLS AND TECHNICAL EXPERTISE.

Thematic areas	% of overall training
Basic training	20%
CTT products and services	17%
Quality	14%
IT	9%
Company framework	8%
Health and safety	7%
Behavioural	7%
Management and organisation of production	5%
Human resources	4%
Marketing and sales	4%
Other	5%

Table 14 – Training activities by thematic area

The programmes with the most significant impact on client service performance, employee development and the future sustainability of the company were the following:

Quality management and certification of compliance, this programme comprised 3,188 training courses, 30,604 attendances over a total of 35,499 hours, covering ISO 9001, 14001, 27001, OHSAS 18001 standards.

Development of customer, post office and delivery office managers in the fields of technical and management performance, to update and increase the professional skills, competitiveness, customer and results-oriented, with 38 training courses, 306 participants over a total of 5,766 hours.

Reinforcement of **behavioural skills for managers** with emphasis on the programmes on assertiveness and conflict management, communication, chairing meetings, leadership and team management, workflow organisation and time management, presentation techniques and expressiveness, negotiation techniques. Fifty-seven training courses were ministered to 710 participants over a total of 11,291 hours.

Company framework – participation of 319 managers; integration of 13 senior managers and 14 trainees.

IT Systems - development of technical skills for IT experts, user efficiency of operational and management software applications, promotion of computer literacy among operational employees and improvement of technical workers. In total, 2,839 participants were trained, involving 22,261 hours of training.

Health and safety at work – training of coordinators responsible for first aid, on fire fighting and evacuation of workers, training in defensive and ecological driving for postmen drivers of motorcycles, light and heavy vehicles, in order to change driving behaviour, reduce fuel consumption, greenhouse gas emissions, wear and tear of vehicles and the number of road accidents. It also covered training on personal safety to support the process of relocation into two CTT new buildings (Lisbon and Maia). It involved a total of 883 training courses and 19,168 training hours.

For their importance during the course of 2010, we also highlight the following training programmes:

How to face liberalisation	Training programme for delivery employees to prepare them to face the challenges of postal market liberalisation	35 courses 806 attendances 3,560 hours
Operations are on the way	Promotion of the corporate values	2 organizational pedestrian tours 216 participants 1,512 hours
	Development of management, leadership and tutorial skills	4 courses 48 participants (Team heads) 572 hours
Post Futurecast Lab	Development programme on marketers skills focused on market trends and their impact on the CTT Group, supported by GIEM/ISCTE.	82 participants 4 324 hours
Science, Technology and Citizenship I	University training programme for senior managers by UTL – Universidade Técnica de Lisboa	2 participants
On-site training	Addressed to operational teams <ul style="list-style-type: none"> • Training on products and quality of service for post offices and postal delivery offices • Training on quality or quality/environment management systems for mail sorting centres 	64 268 hours 60 285 attendances 9 200 courses

E-learning and in-house design of contents was strengthened (2,948 participants, over a total of 16,435 hours), from which 5 training projects available at the @formar platform stand out: Managers Kit (319 participations), CTT Building – Moving with You (1,377 attendances); How to Manage Attendance with MyTeleponto (908 participants), Training for Trainers (with final awarding of a professional certificate - CAP) in blended learning format (41 participants), and the Global Management Challenge Discussion Forum.

Participation in the 31st Global Management Challenge, sponsoring 20 teams of CTT Group employees and university students, totalling 84 participants.

Financial support to 8 experts to enrol in post-graduation programmes in strategic areas (management, information technologies, marketing and law), including a PhD programme. Besides those, 10 post-graduations and 3 masters were completed. Eight senior executives took part in events held abroad, selected on the basis of their strategic interest for the business, thus seeking to maintain the connection and the knowledge on the partners, the competitors and world experts who disseminate state of the art knowledge and experience.

The contribution to social inclusion stands out, in the scope of the Project to Combat Poverty and Social Exclusion, with the holding of 6 IT training courses for long-term unemployed people, which counted 34 participations (1,020 hours of external training).

In the field of international cooperation human resources development programmes were undertaken for senior managers of the Portuguese-Speaking Countries of Africa (PALOP), of the

Postal Union of the Americas, Spain and Portugal (PUASP) and for CTT junior managers (2 courses, 23 participants); and a course on the Organisation of the Postal Activity (7 PUASP senior managers).

Access of the employees to various sources of updated scientific and technical information (selective dissemination of information, publication of a monthly Newsletter and magazine articles in the corporate portal, thematic bibliographical exhibitions) was fostered and the bibliographic asset was supplied with 916 publications. Besides, 13,390 requests for consultation of the existing publications were made.

The New Opportunities Centre (CNO), entirely funded by CTT, is another resource for the enhancement of personal and professional qualification of CTT Group employees, which shows the company's will to be associated and actively involved in the national effort to raise the qualifications of the Portuguese active population.

Since the creation of the CNO in 2004, the number of applications has hit 2,623, which represents about 20% of the total workforce of CTT Group. Despite the maturity of the project, 191 employees obtained certification in 2010 (166 at High School/12th grade level and 25 at 3rd cycle level/9th grade of the basic schooling system); 44 employees were transferred to other centres or advised to follow different schooling and qualification projects, but 11 of these employees also obtained a High School level certification. Eight hundred fifty employees will be kept in the project in 2011.

In the framework of partnership and collaboration agreements with certified training organizations, the NOC kept its offer of certified

modular training courses in the fields of IT and Communication (2 courses of 50 hours) and Foreign Languages (3 courses of 50 hours), both at High School level, involving 76 participants.

A protocol for collaboration between CLS – Portuguese-Swedish Chamber of Commerce and CTT was signed and is to be highlighted as it aims at the participation of CTT employees in the Facila Project. This project, promoted by the CLS and supported by the POPH – Human Potential Operational Programme in the scope of the country's development plan called NSRF (QREN) – National Strategic Reference Framework, gives access to a number of certified modular training courses based on the Swedish experience in adult training and qualification. Training courses with a total duration of 250 hours and involving around 50 participants were started in Coimbra, Pombal, Caldas da Rainha and Tomar. Their completion is expected in the 1st quarter of 2011.

In May 2010 the CTT Group Training Forum came into operation. This Forum was provided for in the HR Governance Model to follow-up the implementation of the training plan and to reflect upon and submit proposals leading to the continuous improvement of quality, efficiency, growth and accessibility of training in a framework of cooperation and convergence within the corporation. It is integrated by representatives of the major internal customers (operational units and subsidiary companies), and of the IT and human resources units who seek to adopt a consistent training model within the Group in terms of methodologies, means, procedures and practices.

Objectives 2011

Increase the training volume by 10 %

Reach the 1000th certification (RVCC) by the CNO of CTT

CAREER

The Collective Employment Agreements (AE/CTT Jan.2010 and AE/CTT Sept.2010) set out the mission and job content of each group and professional categories.

Besides these, the progression and professional evolution models are also set out, based upon merit and performance criteria for salary progression. Evolution occurs according to performance levels, as well as to the renewal and capacity building and increase of professional skills focusing on the contribution of each employee for the value chain and on the personal development effort.

ATTRACTION AND RETENTION

CTT has been striving to ensure that it hires and retains highly motivated employees with the necessary skills. Job satisfaction goes hand in hand with increased productivity, and it is a key factor in ensuring the sustainability of a company that operates in competitive markets.

The Skills Assessment Programme in the fields of marketing and sales of the CTT Group is

part of the policy of involvement and workforce development, through, inter alia, support to managers and employees to identify skills gaps and design of individual coaching and development programmes.

With such a positioning the company has endeavoured to develop and enhance the skills of its employees.

In 2010 it conducted a survey on the employees' training needs with a view to prepare the training plan taking into account the individual requirements of each employee.

SOCIAL BENEFITS

The IOS - Instituto de Obras Sociais (Social Welfare Institute) – designation of the organisational unit dealing with social issues – dates back to 1947 and its aim is to provide its beneficiaries medical aid (sickness prevention, treatment and recovery). To the beneficiaries of Caixa Geral de Aposentações (“CGA” – General Retirement Fund) and their families it provides among others the following benefits: family expenses allowance for children and youngsters, bonus disability allowance, allowance for children attending special

educational facilities, monthly lifetime allowance, allowance for support of third parties and funeral allowance. It also provides for social benefits, such as assistance with expenses on mental healthcare, drug addiction, alcohol abuse, old age, social integration, study allowance, nursery school allowance, childcare allowance, maternity allowance, and support to economic hardship.

The Social and Health Care Regulations (ROS) is in force since 1 January 1997 and includes, among other benefits, maternity protection, under which medical examinations and any specialty treatment, surgery, and birth assistance, inter alia, are fully reimbursed; screening for children up to 2 years; growth examination for children up to 6 years and dental up to 10-years old and others.

The regulation applies to the permanent employees, whether employed full or part-time, or on a temporary basis, on duty or retired, retirees and their families under certain conditions provided they have adhered to the regime. Almost the entire workforce of the CTT Group benefits from some form of medical insurance coverage that allows members of the household.

Table 15 – Share of Medical Aid Expenses

Item	CGA*	SNS**
Outpatient Medical Services	80%	
Private Hospital Services	90%	
Special Situations (maternity protection, assistance to children and patients with chronic kidney disease***)	100%	
Share in the Cost of Medicines	CGA = Beneficiary pays 25% of the price of medicines, at the most SNS = 60% of the amount paid by the Beneficiary	

* CGA – Direct subscribers to the General Retirement Fund (CGA) and children entitled to child benefit allowance.

** SNS – Subscribers to Social Security benefits, their children, and family members not covered by CGA schemes.

*** Medical assistance to patients with chronic diseases is fully covered by the NHS (SNS)

IN 2010, IOS IN COLLABORATION WITH PT-ACS MANAGEMENT TEAM IMPLEMENTED A NUMBER OF ACTIONS IN ACCORDANCE WITH THE BEST MANAGEMENT PRACTICES, WHICH HAD A POSITIVE IMPACT ON THE HEALTH PLAN COSTS. HERE ARE THE MAIN MEASURES ADOPTED:

- LIMITATION OF THE ACCEPTANCE DEADLINE FOR BILLS OF AGREED HEALTHCARE PROVIDERS;
- HARMONIZATION OF THE DEADLINES TO DELIVER REQUESTS FOR SHARING OF MEDICAL/HEALTHCARE EXPENSES;
- GREATER CONTROL OF MAJOR HEALTHCARE PROVIDERS' BILLS;
- CONTROL AND FOLLOW-UP OF HOSPITALIZATION FOR REHABILITATION;
- COMPLIANCE WITH ACCEPTANCE DEADLINE OF REQUESTS FOR SHARING OF MEDICAL/HEALTHCARE EXPENSES – 120 DAYS;
- SELECTIVE RESIZING OF THE CONTRACTED HEALTHCARE NETWORK;
- HIGH USAGE OF GENERAL PRACTITIONER'S APPOINTMENTS;
- REDEFINITION OF PROCEDURES REGARDING AIR TRANSPORT IN THE AUTONOMOUS REGIONS;
- REJECTION OF REQUESTS FOR MEDICAL STATEMENTS OF RESPONSIBILITY AND PREVIOUS AUTHORIZATIONS, WHEN THESE ARE ACCOMPANIED BY A SNS/SRS ATTESTATION;
- REJECTION OF PAYMENT OF BILLS, WHEN THESE ARE ACCOMPANIED BY A SNS/SRS ATTESTATION;
- PROCESS TO SHARE DIAPERS' COST;
- MEDICAL TREATMENT OF PATIENTS WITH CHRONIC DISEASES FULLY COVERED BY THE NHS (SNS).

On 31 December 2010 there were 48,362 beneficiaries, of which 23,593 were employees (11,872 on duty and 11,721 Pensioners/Retired employees) and 24,769 family members (17,193 of on duty employees and 7,576 of Pensioners/Retired employees).

In 2010, a total of more than 1.5 million medical care services were performed by 8,317 healthcare providers and service points of various specialties (64). When compared to 2009, there was a global decrease of 10.94% as a result of a general reduction in the demand of services.

SOCIAL SERVICE

In this field and as a result of the company's corporate social responsibility policy, social practices and methodologies were maintained and developed at several intervention levels.

Intervention measures towards the beneficiaries – whether on duty or retired, and their families – had as [main goals the prevention and remedy of social-economic need, dysfunctions or vulnerabilities of various kinds, in order to promote empowerment and capacity building. They were mostly addressed to beneficiaries in more fragile conditions – elderly, children and youngsters with disabilities and/or chronic diseases.

This activity translated into 6,578 instances arising from 1,048 beneficiaries being assisted.

This financial support totalled €28,632, broken down as follows: retired employees, €25,298; on duty employees, €3,334.

It is to be noted the follow-up of 475 new cases and 573 beneficiaries who continued to be assisted as in previous years.

The area dealing with the elderly was the one with more requests, both in terms of their continued need for assistance and of financial support, provided mainly in the form of payment of costs for old age homes and/or stays in healthcare institutions.

Assistance was provided to 370 elderly beneficiaries, 43% of whom made use of the Social Service for the first time. Support given along the year to these beneficiaries involved, among others, 2,140 phone calls and 203 visits of Social Workers.

As far as the elderly population is concerned, payment of remote assistance to 18 elderly was granted. The assistance was provided by the Portuguese Red Cross and was considered a good response mechanism to mitigate the isolation of this population, as a preventive measure that provides prompt assistance in situations of possible risk.

The elderly population was also granted most (88%) of the financial support, essentially in the form of payment for old age homes and house calls (€25,300).

Activities in 2010 (SOCIAL RESPONSIBILITY ACTION)								
Social intervention area	No. of Cases			Interviews	Telephonic assistance	House calls Institutions	Medical appointments	Total / Cases
	New cases	Prior years	Total					
Elderly people	159	211	370	203	2,140	16		2,729
Social assistance	32	60	92	64	415	3		574
Mental health - Adults	10	59	69	122	565	5		761
Mental health - Children	20	82	102	67	419		51	639
Behavioural								
Drug addiction	2	12	14	48	245		83	390
Alcohol abuse	3	12	15	31	116		16	178
PRA (Absenteeism Reduction Project)	159	211	370	98	553	1		951
Other	38	49	87	77	192			356
Total	475	573	1,048	710	4,645	25	150	6,578

Table 16 - IOS social intervention areas

Particular attention deserved also the assistance to children and youngsters with chronic diseases or severely disabled.

Support given to them focused on the allocation and payment of supplementary allowances to the household expenses allowance and financial support in the purchase of equipment to promote inclusion and improve the quality of life.

To maximise existing resources, develop new ways of promoting quality of life that are not exhausted in financial support, as well as to ensure integration and promotion within the community, partnership agreements were entered into with various organisations which manage the social proximity network and promote the satisfaction of citizens' needs (IPSS, ARS, Misericórdias).

Social assistance, psychological and medical follow-up were also provided to employees who had been the victims of violent assault or abuse, mainly in post offices.

The Programme to Reduce Absenteeism (PRA) continued. Social workers focused on identifying the causes and motivations of absenteeism and later monitored the cases seeking answers as appropriate.

HEALTH AT WORK

CTT, as a company that promotes good occupational health practices, took responsibility as an employer, in promoting and ensuring access of all employees, regardless of the conditions set in the employment contract, to occupational health examinations, thus complying with the provisions of ruling legislation.

Procedures to improve adherence to routine medical surveillance examinations were implemented in accordance with the schedules defined by occupational physicians and the necessary general frequency.

This policy's goal is to foster employees' health by systematically and periodically assess the impact of the different types of functions, as well as their repercussion in staff's health, and implement, as appropriate, preventive and/or corrective measures, in order to eliminate or reduce risks associated to the working conditions, promoting healthy workplaces.

Occupational physicians' recommendations were complied with to prevent exposure to risks associated with some tasks, thus fostering adaptation of jobs to workers according to their health condition.

In 2010, 8,041 medical examinations were performed, 6,628 of which were regular examinations, at a cost of 1.04 million Euros.

SOS HEALTHY LIFE

CTT, in collaboration with PT-ACS, continued the "SOS Healthy Life" project in 2010. Health screening started to include always cardiovascular, stress, sleep and obesity assessments.

SUPPORT TO EMPLOYEE ORGANISATIONS

CTT also supports employee initiatives of a recreational nature for associates of such initiatives and their families. The CDCR – CTT Personnel Sports, Cultural and Recreational Centre has been active for over 60 years and has a roster of approximately 11 thousand associates, including both on duty and retired employees as well as pensioners. Besides the logistic support, the company has been supporting about 80% of the Centre's current expenditures.

In addition, CTT sponsors a number of other similar organisations, namely by providing facilities for the headquarters for the development of associative activities. Among these organisations are CDA - Post and Telecommunications Pensioners House, ANAP – National Association of Pensioners of the Posts and Telecommunications of Portugal, the National Association of Post Office Managers, and the Former CTT Museum Friends League. For its history closely connected with the communications, not only those conveyed by postal means, deserves particular highlight the "Porvir da Família Telégrafo Postal" (Future of the Post & Telegraph Family), an arcane association of mutual funds (bereavement) founded during the times of the 1st Republic and currently with a membership of 16,500.

PREVENTION AND SAFETY

In 2010, 308 workplaces were visited by the outsourced services of Health and Safety at Work and 143 workplaces by the internal team of Health, Safety and Ergonomics, in order to check the working conditions, status of resolution of



previously reported non-conformities, and other possible situations of risk for the employees.

Significant improvements in the working conditions in most facilities were reported, particularly regarding conformity with the legislation or situations depending on the local management.

We record a significant investment made in the facilities that had more critical situations, to renovate or relocate them.

We made a statistical study of all the occupational accidents occurred in 2010 in the company and recorded 920 accidents and lesions¹ (10%

Table 17 – Health screening at the workplace

Number of screened employees			
Cardiovascular	Stress	Sleep	Obesity
410	410	410	410

more than in 2009), which resulted, however, in less lost days (20,960 in total) due to Temporary Total Disability (ITA), 3.4% less than in 2009. This corresponds to a rate of lost days of 191 (GRI standard) – which reports to calendar year days, including weekends and national holidays, counted from the day following the day of the accident. The average number of days of absence on account of occupational accidents decreased significantly (14 days) compared to 2009 (22.7 versus 36.53), which reflects a lower rate of severe accidents in 2010. Nevertheless, the incidence rate (70) was higher, i.e. there were 70 accidents per each 1,000 employees (4 more than in 2009). In the Group's subsidiary companies 162 accidents, 113 lesions of different types and 2,314 lost days were reported.

A fatal accident with a delivery employee occurred, due to a road accident, specifically a motorcycle accident, as a result of a frontal collision against an excavator.

Among the company's occupational hazards, accidents during delivery rounds performed on motorcycle represent 39.4% of the total occurred in 2010. The most common reasons are road accidents with a single vehicle (skidding, running over pedestrians or collisions without third-party intervention) totalling 29% of all accidents, followed by falls, car accidents and false moves.

The number of accidents/lesions (677) resulting in temporary absolute inability reflects a standardised rate of incidence of lesions 6.16 (as per the GRI standard – corresponding to 100 full-time employees), 0.7 points more than in 2009.

The dynamics and the policy to tackle occupational accidents were kept, with special emphasis on the efforts of the training and awareness teams and on the commitment of the top management who analyse regularly the occupational and road accidents indicators. The methodology of occupational accidents analysis and prevention becomes more rigorous and comprehensive, aiming both at identifying the prevention needs and making the employees and the management more aware as this factor accounts for 13.7% of overall absenteeism.

The activities within Health and Safety at Work involved several meetings with CTT top management throughout the year. In these meetings key indicators on road accidents and occupational hazards, as well as occupational health, were examined.

In order to comply with the minimum requirements regarding safety of work equipment and to protect the employees that operates machinery, it was suggested to implement an internal control procedure of the security mechanisms of the various types of machinery and other equipment used in mail handling and delivery. To ensure the effectiveness of this procedure awareness activities were carried out in postal delivery offices, post offices, and sorting centres.

Opinions were issued regarding work equipment, mail bags, chairs, electric bicycles, and helmets. In addition, we participated actively in several working groups, particularly in the context of the single building and the reinstallation of the Maia sorting centre, the reformulation of

the delivery equipments and the European Road Safety Charter.

As far as the qualification of occupational diseases is concerned, this year the National Centre for Occupational Hazards Prevention qualified 6 occupational muscle-skeletal diseases of counter and delivery employees, which translates into a rate of 0.05 and 552 days lost (a total of 33 occupational diseases identified in the company).

The employees were consulted twice during the year in terms of health and safety at work with regard to the following issues: accidents at work, use of work and protection equipment, cargo handling and job organization.

Results point to a 72% average level of employee satisfaction, the measures adopted by the company for accident protection and prevention standing out as the best rated item. The response rate was 6.8% (survey sent by mail together with the salary slip) and the survey addressed all company facilities.

Regarding information, awareness and training, 10 newsletters were produced conveying precise and relevant information on aspects that the worker-citizen neglects. The topics touched a number of areas, such as: occupational health (e.g. thermal environment), general health (e.g. obesity, sports, food and hypoglycaemia) and safety/accidents at work (e.g. falls from ladders, manual handling of loads, and road safety).

Within PostEurop we maintained our participation in the Occupational Health Working Group of the Social Responsibility Committee, which held

its 7th meeting in Brussels to debate issues such as Benchmarking and best practices in the management of absenteeism due to sickness and accident, ergonomic workplaces and equipments, ageing and increased length of working life, sickness prevention programmes, new models of organizing mail delivery and corresponding effects in the employees' health, and individual protection equipments, among others.

Objectives 2011

Reduce fatal accidents to nil

Reduce the number of lost days by 5%

Reduce the number of occupational accidents by 5%

¹ Small, not very serious lesions, which did not cause absence from work

² Figures include all lesions causing absence of one or more days, provided they are reported as occupational accident.

- PUBLICATION OF 10 NEWSLETTERS ON SAFETY, ACCIDENT PREVENTION, WORKING CONDITIONS AND HEALTH.
- MONTHLY INFORMATION ON LABOUR ACCIDENTS IN DELIVERY AND COUNTER OPERATIONAL AREAS.
- 451 EXTERNAL (PT-ACS) AND INTERNAL (HSE) VISITS FOR AWARENESS RAISING ON-THE-JOB TRAINING ACTIONS CONCERNING OCCUPATIONAL ACCIDENTS, WITH SPECIAL FOCUS ON THE TEAMS WITH THE HIGHEST ACCIDENT RATES.
- PERIODICAL MEETINGS WITH THE TOP MANAGEMENT TO DISCUSS THE MAIN ACCIDENT INDICATORS AND ANALYSE MEASURES TO BE TAKEN.
- 78 TRAINING COURSES ON ECO-DEFENSIVE DRIVING – MOTORCYCLES, LIGHT AND HEAVY VEHICLES (2,068 HOURS).
- 883 ON-THE-JOB TRAINING ACTIONS ON SECURITY AND TRAINING OF RPIS (FIREFIGHTING COORDINATORS) – FIRE FIGHTING, EVACUATION OF WORKERS, ETC. (6,776 PARTICIPATIONS, 19,168 HOURS).
- PREPARATION OF LEGAL OPINIONS FOR THE PURCHASE OF HEAVY VEHICLES, MOTORCYCLES AND EQUIPMENT TO SUPPORT THE DELIVERY, AMONG OTHERS.



2.6.4 SOCIAL REPORTING

In its conducts, the company fully abides by the rights and guarantees enshrined in the Universal Declaration of Human Rights of the United Nations, the European Union's Fundamental Rights Charter, the Portuguese Constitution, and the ruling legislation, namely labour legislation.

In this context, it promotes values and practices according to the strategic guidelines for the State Business Sector and the guiding principles of the commitment with CTT management (Code of Ethics, Quality Policy of the CTT Group, Health, Safety and Ergonomics at Work Charter, Environmental, Professional Values and Qualities Charter, and provisions of the Company's Employment Agreements aimed at promoting equal opportunities, etc.).

In terms of human resources policies oriented to the promotion of equal opportunities, the following deserve highlight:

- The effort to find the balance between the two genders, since the company is committed, as per the collective Employment Agreement, to develop policies aimed at equal opportunities in admissions, career, promotions and training, taking especially into consideration the circumstances regarding pregnant employees or those with children under 12 years, disabled or with a chronic disease.
- The increase of the number of women in leading positions. At the beginning of this management's term there were only 3, now they are 12, which

corresponds to 40% of the total. There are currently 30 managers reporting directly to the Board (7 under 40 years (23%), 1 of those being under 35).

- As part of a programme of actions for gender equality we analysed human resources indicators in terms of the variable "gender" and decided to go further into the perception of the issues (gender equality and reconciling professional and family life), particularly in operational positions. Six focus group sessions were held with 63 employees and managers of the counter and delivery areas, as well as from the handling and transport operational areas (30 women and 34 operational managers).
- A European-wide benchmark was conducted among peers on legislation, actions and measures taken regarding moral and sexual harassment at the workplace. This situation, apparently invisible, has been identified in various organisations and countries and is currently a topic on the agenda of companies looking to have a more conscious and clear role in the defence of human rights, equal opportunities and non-discrimination.

CTT has internal provisions that forbid such behaviour of harassment and set up a body in the company to be the "channel" for receiving and handling any cases not in agreement with the rules in force, including violations of the Code of Ethics. Proposals have been made

internally and at this point we are addressing the possibility of introducing clear strengthening measures, so that the employees feel assured that the mechanisms for identifying, combating and eliminating these behaviours are in place within the company.

- The implementation of job creation policies for disabled persons and the introduction of measures to support employees who have developed medical conditions that limit (partially or fully) the scope of duties they can perform. The number of workers who has developed a serious medical condition (39 cases) is lower than in 2009. Disabled employees and employees suffering from permanent disability total 168 (52% female) and 23 respectively.
- Measures have been taken to better suit positions to incumbents in functional and organisational terms, so that each employee may productively and fully contribute, in accordance with any possible limitation, to the regular performance of their duties. A pilot study started regarding disabled employees or with some sort of disability, with restrictions to the full performance of their duties, working at the sorting centre in the south, with a view to determine their characteristics and improve their functional integration.

The agreement with CERC Lisboa – Cooperative of Education and Rehabilitation of Disabled Citizens was kept, which provided 16 disabled youngsters work experiences in the production area and another one in the administrative area. Four young people with hearing impairment were also hired and one with some cognitive difficulties was admitted to the company.

The number of foreign employees serving in the company is 51.

As concerns the distribution of employees per age group, most are concentrated in the 30 to 50 age group, both of the female and male genders, with a slight bias towards males (company's mean employee age is 43).

The following figure highlights that the majority of the employees is engaged in the delivery function, most of them males. The second largest category is engaged in counter service, where, contrary to the previous category, these functions are mostly performed by women.

When it comes to senior category, the weight of female employees is almost the double of that of men. In relative terms, women are more represented in higher skill levels. However, based on Figure 15, it appears that managerial positions are mostly occupied by men, although this representation is consistent with the distribution of employees by gender.

Employees	2009	2010
Female	34.2	33.9
Male	65.8	66.1

Table 18 – Workforce by gender (%)

	Gender	2009	2010
Male	<30 years	658	490
	30 to 50 years	5,742	5,554
	>50 years	2,096	2,197
Female	<30 years	371	257
	30 to 50 years	2,615	2,570
	>50 years	1,425	1,405
Total (parent company)		12,907	12,473

Table 19- Workforce by gender and age

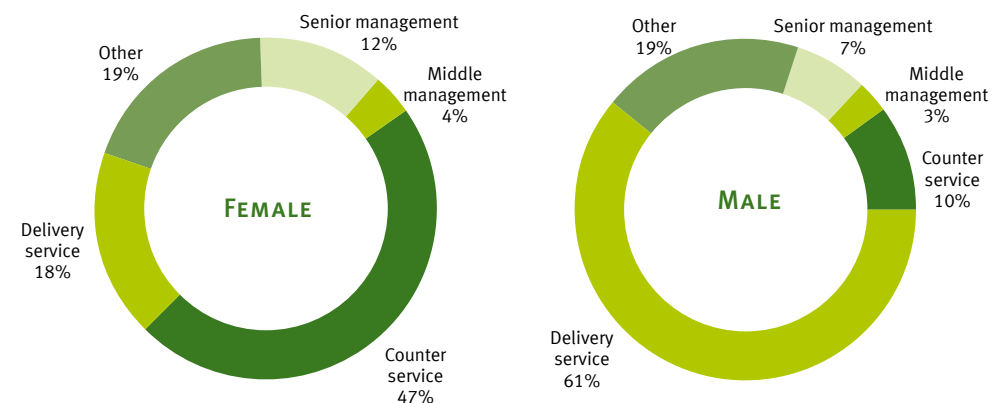


Figure 14 - Workforce by management and gender

FOCUS GROUPS ON GENDER

AN ANONYMOUS QUESTIONNAIRE WAS DISTRIBUTED, INDIVIDUAL AND COLLECTIVE ACTIVITIES PROMOTED, AND ISSUES RELATED TO THE SUBJECT DEBATED.

THE PARTICIPANTS CONSIDERED THAT THE EQUALITY PRINCIPLE IS PRESENT IN THE COMPANY; THEY DO NOT FEEL ANY GENDER DISCRIMINATION. THE MOST RELEVANT RESULTS INDICATE THAT 100% HAVE REPORTED EQUAL OPPORTUNITIES IN ACCESS TO TRAINING AND LEARNING AND 97% DID NOT FEEL ANY TYPE OF DISCRIMINATION IN INTERNAL COMMUNICATION, THOUGH 38% HAVE SHOWN IGNORANCE ABOUT THE COMPLAINT PROCEDURES IN CASES OF DISCRIMINATION.

IT WAS CONSIDERED THAT THERE ARE IMPROVEMENTS TO BE MADE ON WORK-LIFE BALANCE. THE FOLLOWING WAS SUGGESTED: FLEXIBILITY IN SCHEDULES AND FACILITATION IN BOOKING HOLIDAYS, ESPECIALLY WHEN THE SPOUSE IS ALSO EMPLOYED. 56% OF THE PARTICIPANTS FELT THERE SHOULD BE MORE MEASURES TO ENCOURAGE A BALANCED PARTICIPATION IN FAMILY ACTIVITIES.

As far as this issue is concerned, the distribution of managerial positions has been stable during the past two years. Senior management comprises mostly men – all Management Board members are male – and at 1st grade Directors level, men are almost 60% with a slight upward trend (0.6%), and women are 40% with a slight downward trend (0.6%). At 2nd grade Directors level, the trend is reverse, with a slight reduction of male managers and increase of female managers.

According to the provisions of national labour law, there shall be no difference in salaries paid to men and women. However, there has been a history of wage differentials along the professional career and for various reasons. These differentials are unfavourable to women, as can be seen in the table below. The most significant difference occurs in female senior managers' average salary, which can be 27% lower than that of male.

The difference results primarily from the fact that women work predominantly in areas of responsibility more recently created and, at top management level, have less experience in the postal sector.

Figure 15 – Managers per gender

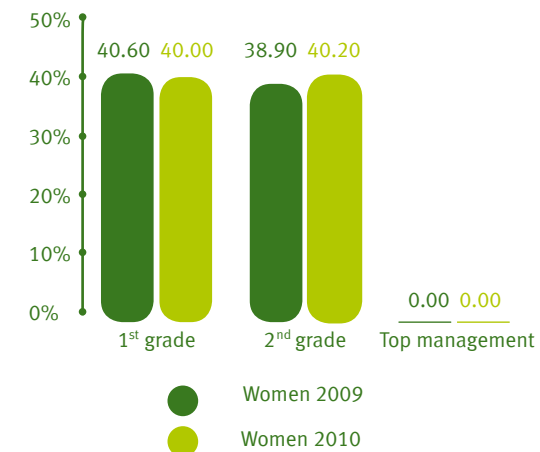
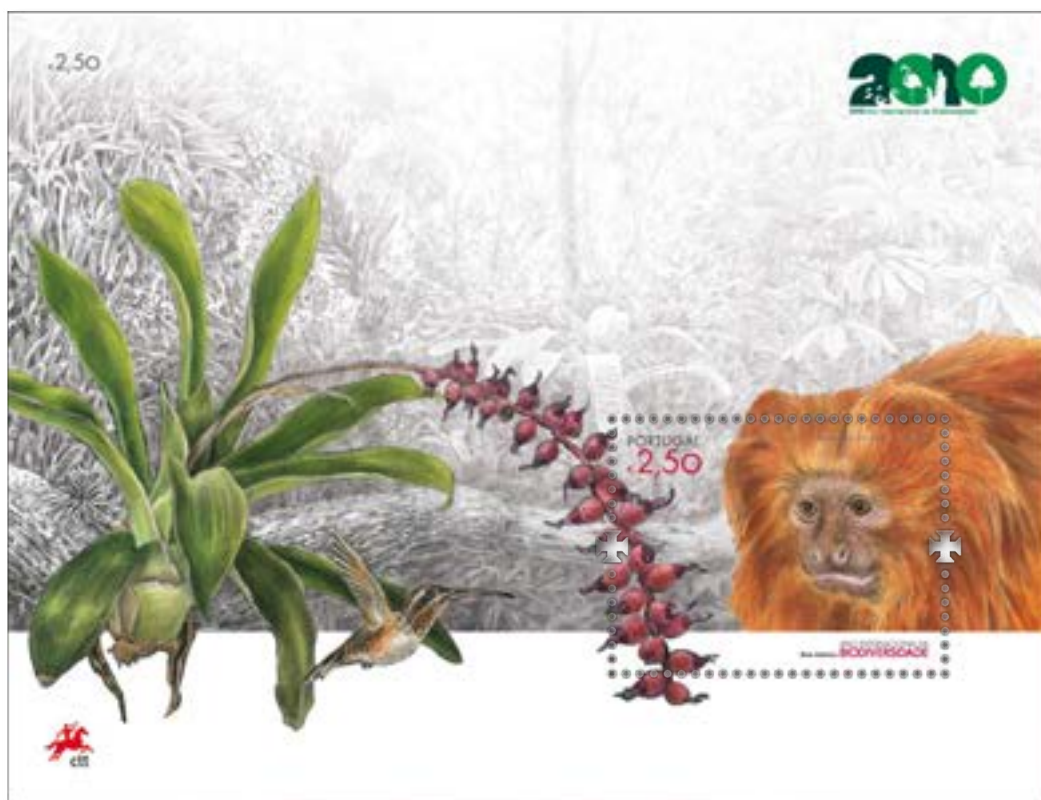


Table 20 – Ratio of salaries of men and women by category

Professional Category	Average salary Women (In Euros)	Average salary Men (In Euros)	Ratio M/W
Senior Management	2,016.13	2,570.38	1.27
Middle Management	1,441.04	1,439.61	1.00
Counter employees	1,054.65	1,126.45	1.07
Delivery employees	761.80	848.29	1.11
Other	1,018.54	991.74	0.97

03

Environmental management



- 3.1 Environmental management policy
- 3.2 Monitoring of the targets set and analysis of trends/
/environmental reporting

3.1 ENVIRONMENTAL MANAGEMENT POLICY

CTT's core business is the establishment, management and operation of the public postal service infrastructure; the provision of collection, handling, transport and delivery services of documents, goods and other postal items, national and international; the provision of information services, networks and electronic services; and the provision of financial services.

CTT's activity is essentially non-industrial, with relatively low incorporation of input materials (raw and intermediate inputs) in its supply processes. Its direct ecological footprint is therefore limited. An empirical comparative analysis using as proxy the greenhouse gas (GHG) emissions allows to estimate the weight of CTT's activity environmental impacts is, in relative terms, well below the company's contribution to value creation within the national economic and social structure.

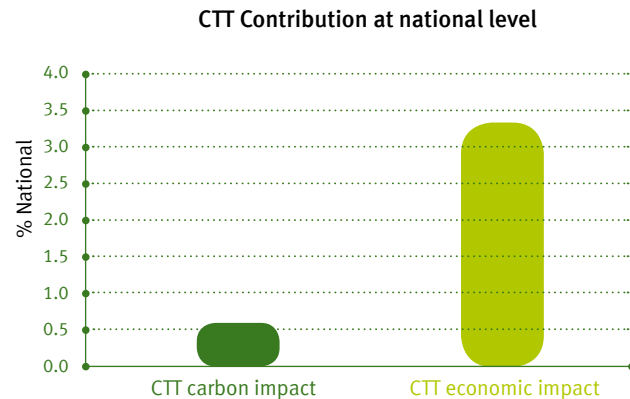


Figure 16 – CTT Contribution at national level

The CTT Group Environmental Policy, approved in late 2007, is a reference to the business. CTT assumes the environmental component as part of its strategy and business practice. It serves as framework for all actions to be developed by the organization.

In environmental terms, the priorities of the company are the systematic monitoring of environmental aspects and impacts of the postal activity, the rationalisation of consumption, the promotion of recycling, the increase of energy efficiency, and the environmental training and dissemination.

3.1.1. ANALYSIS OF ENVIRONMENTAL IMPACTS OF PRODUCTS AND SERVICES PRODUCED BY THE COMPANY

The environmental impacts of the postal sector relates mainly to its operational activities.

The typical chain of postal activity in CTT begins at the post office counter (acceptance and collection of letters and parcels), followed by processing and conveyance and ends with the delivery to the addressee at home or at the counter. Linking together these steps, transport is provided by a large fleet that connects physically the various points of the chain.

From the analysis of CTT Group's activity environmental impacts, we highlight the following as the most significant, which come from:

- depletion of fossil fuel resources through the consumption of fuel and electricity;
- climate change and depletion of the ozone layer resulting from greenhouse gas emissions and other air pollutants produced by the activity;
- mainly indirect impacts associated with consumption of natural resources (mainly paper);
- waste production in buildings;
- noise emission.

The analysis of these environmental variables will be addressed in section 3.2 referring to environmental reporting.

WE EXCEEDED THE TARGETS SET FOR GREEN PURCHASING

3.1.2 DEFINITION OF ENVIRONMENTAL STANDARDS FOR SUPPLIERS AND PARTNERS

GREEN PROCUREMENT POLICY

The positioning of CTT in this matter follows the shareholder's guidelines, as per the resolution of the Council of Ministers (RCM) no. 70/2008, which refers to the RCM no. 65/2008. In the latter is evident the role of public procurement in the "Sustainable Development Strategy of the European Union", with the inclusion of environmental criteria in public procurement.

To the effect, environmental indicators and targets were introduced in CTT's purchasing process, the two indicators below being calculated every six months, reflecting the extent of the implementation of such criteria in the procurement process. The objective in 2010 was 50% and the goal was surpassed in both cases.

- ICPEco1 indicator (Number of pre-contractual procedures with environmental criteria) x 100 / (Total number of pre-contractual procedures) = **66.30%**
- ICPEco2 indicator = (Value of contracts with environmental criteria) x 100 / (Total value of contracts) = **97.0%**

It is important to mention that out of the 1,170 procurement tenders completed with award of the respective contract, there are some where environmental criteria are not applicable such as the renegotiation of contracts and the processes of low commercial value and small amounts (usually spot purchases to meet urgent requests). Environmental criteria are used such as energy efficiency, reduction of greenhouse gases (GHG),

prevention of emission of pollutants, incorporation of recycled materials, mitigation of direct and indirect impacts on conservation, and specific environmental criteria regarding vehicles, light bulbs, energy, and computer equipment, among others.

3.1.3 IDENTIFICATION OF ENVIRONMENTAL OBJECTIVES AND TARGETS

CTT assumes the environmental component as part of its strategy and business practice, serving as a framework for all the actions to be developed by the organisation.

In the year that the issue of biodiversity is celebrated all over the world, CTT repositioned the brand by strengthening its alignment with the global environmental priorities. With the "Earth Programme" the environment preservation has become the motto for many of the major actions in the company. This project includes nearly four dozen actions related to sustainable marketing/ecological portfolio, environment management systems, sustainable mobility, environmental education, energy efficiency and reduction of emissions, in accordance with CTT environmental policy and the commitments on environmental performance made and announced by the company. Over the following subchapters one can find the detail of the actions implemented in 2010 and still in progress under this project.

The balance of the environmental intervention of CTT in 2010 is extremely positive, in terms of quantity and quality. The vast majority of



Campaign of the current CTT brand repositioning, based on environmental sustainability

targets set for 2010, at the level of management systems, energy efficiency, consumables management, waste management, climate change and biodiversity have been met, namely:

- Start of the implementation of the integrated management system for quality, environment and safety at the mail sorting centre located in the centre, aiming at certification in 2011;
- Starting the process of implementing the environmental management system and FSC (responsibility of the value chain) at the subsidiary Mailtec, also scheduled for completion in 2011;
- Reduction of electricity consumption by about 0.3%, below the target;
- Start of the work on energy and indoor air quality certification in 53 CTT own buildings, to be completed in 2011;
- Reduction of fuel consumption by 2.8%, above the target;
- Operational test and purchase of electric vehicles, including electric bicycles and scooters, and hybrid vehicles (exceeding the target);
- Reduction of paper consumption by 0.9%, below the target;
- Improvement of methodology of accounting for consumables with the introduction of a new indicator on the percentage of recycled materials incorporated in consumed products;
- Complying and exceeding the targets of green purchasing;
- Expansion of the waste management systems to the new building in Lisbon, where all administrative services are and definition of the sampling process for characterisation and quantification of waste in post offices and delivery offices;
- Increase rate of recovery of waste by 7%;
- Issuance of 6 philatelic issues on environmental matters;
- CO₂ emissions remained relatively stable in the case of electricity consumption per square meter and there was a slight increase of 1% regarding the CO₂ emissions resulting from the fuel per km travelled, expressed in standard indicators;
- Participation in the GHG Reduction Programme of PostEurop and EMMS - Environmental Measurement and Monitoring System (carbon management) of IPC - International Post Corporation;
- Conducting an assessment study regarding self-production of renewable energy;
- Launching a green portfolio (including mailers environmental qualification) and a campaign to reposition CTT image concerning sustainability.

The overall targets are detailed in chapter 5 of this Report. They are valid for all companies

of the Group and have been transposed into the existing environmental management systems.

3.1.4 ENVIRONMENTAL CERTIFICATION ACCORDING TO INTERNATIONAL STANDARDS

The environmental management systems allow the identification and evaluation of the environmental impacts associated with the activity and the subsequent monitoring and management of consumptions, pollutant emissions and waste production. The implementation and continuous improvement of these systems contributes to meet the annual environmental targets in this report.

In 2010, CTT kept the environmental certification of the two largest operational units of the country, the mail sorting centre in the north (COC-N) and the mail sorting centre in the south (COC-S), in accordance with NP EN ISO 14001:2004 integrated with the certification by the NP EN ISO 9001:2008. This year, CTT began by extending the implementation of the environmental management systems to the 3rd largest mail sorting centre, located in Coimbra, where for the first time the company competes for certification by the triple standard quality, environment and safety.

CTT Expresso, a company of the Group, has maintained the certifications on Quality management (ISO9001:2000), Environment (ISO 14001:2004) and Health and Safety at Work (OHSAS 18001:2007). EAD also kept the environmental certification according to ISO 14001:2004 and plans the extension of its management system to OHSAS 18001:2007 in 2011.

Mailtec started in 2010 to implement an environmental and chain of responsibility management system, aimed at the certification by the standard ISO 14001:2004 and FSC (Forest Stewardship Council).

Tourline Express renewed its quality certification and started environmental certification according to ISO 14001:2004.

Objectives 2011

Start of environmental certification of the Mail Sorting Centre located in the centre (COCC)

Environmental and FSC certification in Mailtec

3.2 MONITORING OF THE TARGETS SET AND ANALYSIS OF TRENDS/ENVIRONMENTAL REPORTING

3.2.1 CTT (PARENT COMPANY)

ENERGY

In 2010, CTT consumption of electricity supplied by the public network was 45,372,092 kWh, equivalent to 163,339.53GJ³. Hence, are presented in the table below, the consumption in GJ for the period 2008/2010.

In 2010, CTT fleet⁴ recorded a total fuel consumption of 5,539,305.71 litres, equivalent to 204,628.71 GJ⁵. Emissions generated by air freight and business travel were also recorded and are reported in subsection “Atmospheric emissions”.

Gas consumption (natural and propane) at national level totalled 117,620m³, equivalent to 4,293.51GJ⁶, in the course of the year 2010.

Table 21 – Power Consumption

GJ	2008	2009	2010	△% 09/10
Total consumption of electricity	168,849.21	163,782.01	163,339.53	-0.3
Total fuel consumption	212,281.51	210,508.22	204,628.71	-2.8
Total consumption of gas	8,376.40	9,541.58	4,293.51	-55.0
Total	389,507.12	383,831.81	372,328.86	-3.0

³ Estimate using a conversion methodology of the Greenhouse Gas Protocol CO₂ for Indirect CO₂ Emissions from the Consumption of Purchased Electricity, Heat and/or Steam vs. 2.0 through conversion factors Compilation of emission factors used in the cross-sector tools

⁴ Does not include subcontracted vehicles

⁵ Estimate based on the Greenhouse Gas Protocol CO₂ methodology for Emissions from Mobile Source vs. 2.0 through the Compilation of emission factors used in the cross-sector tools for the different fuels used in the fleet, which were applied to the corresponding consumptions

⁶ Estimate based on the Greenhouse Gas Protocol CO₂ methodology for Direct Emissions from Stationary Combustion of the GHG Protocol Initiative vs. 2.0 through the Compilation of emission factors used in the cross-sector tools

Objectives 2011

Internal improvement of the management application of electricity consumption

Software for improved fuel accounting

Reduction of electricity consumption by 15% (standard indicators)

Reduction of fuel consumption by 15%

Adherence to the electric mobility national project, Mobi.e

Mail sorting centres, the most environmentally impacting areas of the whole activity of CTT, were the target of several initiatives to promote energy efficiency and reduce consumption.

In the mail sorting centre of the south, located in Lisbon, the largest CTT facility (in terms of area, workforce and energy consumption) remodelling work of the central heating, which had started in 2009, was concluded with a positive impact on energy consumption, given the improved technology and efficiency of the new system.

Another significant measure for energy saving and/or increased efficiency of energy consumption was the complete replacement of artificial lighting in 5000 m² of the operational area of the sorting centre. This consisted of installing lighting armours equipped with high-efficiency fluorescent lamps and low-power consumption electronic ballasts. This lighting system is also equipped with variable centralised commands according to their respective zones of occupation. Overall, this substitution allows a saving up to 2% in total energy consumption of this facility and improved lighting levels in the respective areas. Following this and other measures adopted, there was a 9% reduction in energy consumption of this sorting centre when compared to the previous year.

In October, in Maia, Oporto, the new mail sorting centre of the north started operating. It was transferred from Devesas in Vila Nova de Gaia, to new premises designed and built from

The reduction of 0.3% in electricity consumption corresponds to 442.48GJ and is the result of energy rationalisation measures detailed hereafter. Should the transfer of natural gas consumption for electricity consumption resulting from the remodelling of the new air conditioning systems in the mail sorting centres located in the north and south be accounted for here, than the reduction would be 1.7%.

scratch. The new building, with a covered area of about 20,000 m², is the second largest of CTT and is equipped with state of the art energy solutions, such as: ground heat exchanger (takes advantage of the soil thermal inertia), modern air conditioning system, skylights for natural lighting, solar hot water system, centralised management system, electric car charging points, pre-installation for solar photovoltaic system, etc.

The various administrative facilities scattered around the city of Lisbon were centralised in a single building in the last quarter of 2010, with obvious advantages in terms of economies of scale. The building complies with the current energy requirements and uses advanced solutions in materials and construction techniques, as well as in air conditioning and lighting equipment. The following deserve highlight: centralised technical management system; air conditioning system with chillers and heat pumps; elevators with energy recovery; installation of solar panels for heating water in the kitchenettes and lighting system with the latest technology.

In the framework of the Energy Certification System implementation process, CTT's offices and facilities (more than 1,000) were identified and characterised. The certification process covers the largest CTT owned buildings, with a total area of 103,000 m², and includes energy and indoor air quality audits as well as the implementation of measures to rationalise energy consumption. It will be completed in mid-2011, having been audited In 2010, the central offices

and facilities of Lisbon as well as the sorting centres all over the country.

The effects of these measures are asynchronous and lagged in time. That is, the gains obtained at the mail sorting centre of the south were felt almost since the beginning of 2010, while the transfer of facilities for the Maia and the new central building of Lisbon occurred only in the 4th quarter of the year. Thus its positive effects were absorbed by the testing and tuning processes of their electric and heating systems respectively, which are still in progress. Hence, the net balance of these processes in 2010 should be close to 0.2 MWh/year, and in 2011 many of these potential savings will be achieved.

As a result of improvements in the process of accounting for gas consumption, in 2010 was determined the natural gas consumption in all listed facilities of the country and the propane gas consumption in the mail sorting centres of the north and centre. In this context, there was a 55% reduction in the annual gas consumption, equivalent to 5,248GJ. This is mainly the result of the substitution of the HVAC system in the mail sorting centres of the north and centre, which now consume only electricity.

The data associated with fuel consumption by the fleet indicate a reduction in 2010. The analysis of the previous three years shows there is a decrease of approximately 2% in the overall average fuel consumption by the fleet.



Objectives 2011

Conduct an energy audit to the COCN facility

Obtain energy and indoor air quality certification for 53 facilities

FLEET

At present, CTT operates directly a total of 3,441 vehicles, one of the largest national fleets, to develop its activity of mail transport and delivery. In addition, certain delivery routes are contracted to third parties.

Following the 2008-2010 energy rationalisation plan for the heavy vehicles fleet, the proposed measures were implemented, of which stand out the preparation and launch of a tender for the purchase of 60 heavy duty vehicles, corresponding to about 30% of the fleet, in 2010. The fleet monitoring measures also proceeded, namely the monthly preparation of indicators for local managers with relevant information regarding performance (consumptions versus activity), allowing immediate corrective responses.

In 2010, there was a slight deterioration in the overall fleet average age to 3.2 years, as only a limited renewal of the same was made. Nevertheless, CTT still has one of the youngest fleets at national level.

Table 22 – Trend in average fuel consumption

Units: l/100 km	2008	2009	2010	Δ% 09/10
Fleet average fuel consumption (*)	9.27	9.50	9.24	-3.2

(*) The indicator was revised for the previous years due to the retroactive update of the distances travelled by motorcycles

Table 23 – Vehicles

Number	2008	2009	2010	Δ% 09/10
CTT owned fleet	3,675	3,491	3,441	-1.4
Cleaner vehicles	58	52	119	128.8

Table 24 – Fleet average age

Type of vehicle	Average Age 2008-12-31	Average Age 2009-12-31	Average Age 2010-12-31
Moped	5.9	6.9	7.3
Motorbike ≤ 50cc (ou > 45Km/h)	4.0	4.9	5.1
Motorcycle > 50cc (ou > 45Km/h)	2.8	3.7	3.3
Light passengers	1.9	1.4	1.7
Light commercial	2.6	2.2	2.4
Heavy-duty commercial	7.6	8.5	9.5
Overall Average Age	3.1	3.1	3.2





four-wheeled light electric vehicles for the delivery in urban areas.

Associated with the centralisation of services in a single building in Lisbon at the end of 2010, when preparing the transfer, an Action Plan for Sustainable Mobility of the new workplace was designed. An individual questionnaire was sent to all employees involved, which allowed to characterise their current and expected commuting patterns given the new location, following which measures to stimulate sustainable mobility were identified and partly implemented, as follows: information on accessibility, public transport timetables and offer in the area, specific training module, parking spaces reserved for less polluting vehicles, charging points for electric vehicles in the building, free transfer service from the building to the canteen at the Cabo Ruivo facility and back.

The company's position at the forefront of technological developments will translate into various environmental benefits associated with zero emissions and silent operation of these vehicles power unit.

Associated with CTT's research of cleaner technologies, particularly renewable, membership of APVE – the Portuguese Electric Vehicle Association – was maintained.

It is to be noted that the investment made to renew the fleet in 2008 and the implementation of the consumption rationalisation programme produced visible results, with estimated savings of approximately 41,550 litres.

Taking into account the rapid development of transport technologies and the new forms of green energy, CTT conducted a research to identify the technological solutions of vehicles and alternative fuels which best suit the different types of use in the business.

Hence, CTT purchased and is testing the first 34 electrically assisted bicycles for home postal delivery. These are the first of a total of 150 bicycles to be purchased, with potential gains in terms of delivery speed.

Also for the delivery function, 5 electric scooters were tested, with potential energy gains resulting from the substitution of conventional scooters for electric-powered ones.

In addition, 4 light hybrid vehicles were purchased, with a potential consumption reduction of about 11%. In 2010, were also tested

Objectives 2011

Purchase of 150 bicycles

Renewal of the heavy fleet with eco-efficient vehicles

ATMOSPHERIC EMISSIONS

Atmospheric emissions produced by CTT's operations are mainly related to road and air transport of postal items and the gas and electricity consumption in the facilities.

Direct emissions result from fleet fuel consumption, which accounts for 14,737.91 tonnes of CO₂, and from gas consumption at offices and facilities, which in turn totalled 245.41 tonnes of CO₂.

Table 25 – Atmospheric emissions of the fleet (tonnes) ⁷

Polluting gases	2008	2009	2010	Δ% 09/10
CO ₂	15,649.73	15,156.18	14,737.91	-2.8
CH ₄	1.26	1.25	1.19	-4.3
N ₂ O	0.13	0.13	0.12	-2.8
NO _x	167.23	165.82	161.45	-2.6
CO	303.07	300.98	283.60	-5.8
COVNM	59.32	58.90	55.59	-5.6
SO ₂	42.82	42.45	41.44	-2.4

⁷ Estimates based on the Greenhouse Gas Protocol CO₂ methodology for Emissions from Mobile Source vs. 2.0 through the conversion factors Compilation of emission factors used in the cross-sector tools for the different fuels used by the fleet and applied to their consumptions.

Table 26 – Atmospheric emissions from natural and propane gas consumption (tonnes) ⁸

Polluting gases	2008	2009	2010	Δ% 09/10
CO ₂	-	539.23	245.41	-54.5
CH ₄	-	0.05	0.02	-55.0
N ₂ O	-	0.00	0.00	-55.4

As far as indirect emissions are concerned, we highlight those resulting from the consumption of electricity sourced from the public power supply network by CTT facilities, which led to the issuance of 20,843.94 tonnes of CO₂⁹ in 2010, in this case, under the responsibility of electricity producers.

Table 27 – Atmospheric emissions from consumption of electricity (CO₂ tonnes)

CO ₂ tonnes	2008	2009	2010	Δ% 09/10
Electricity Consumption	21,547.03	20,900.40	20,843.94	-0.27

Air transport of postal items resulted in approximately 8,315.51 tonnes of CO₂, which are deemed to represent indirect emissions, since these sources are managed by third parties. Regarding emissions from business air trips abroad, they totalled 59.68 tonnes of CO₂.

To calculate GHG emissions resulting from air transport of mail and passengers the GHG Protocol methodologies were adopted and the latest emission factors available taken into account.

Table 28 – Indirect atmospheric emissions ¹⁰

CO ₂ tonnes	2008	2009	2010	Δ% 09/10
Air transport of mail	7,813.30	8,714.47	8,315.51	-4.6
Air business trips	-	16.38	59.68	264.4

⁸ Estimates based on the Greenhouse Gas Protocol CO₂ methodology for Direct Emissions from Stationary Combustion of the GHG Protocol Initiative vs. 2.0 through the conversion factors Compilation of emission factors used in the cross-sector tools

⁹ Estimates based on the Indirect CO₂ Emissions from the Consumption of Purchased Electricity, Heat and/ or Steam spreadsheet of the Greenhouse Gas Protocol Initiative.

¹⁰ Estimates based on the Greenhouse Gas Protocol tool for mobile consumption vs. 2.0 methodology through the conversion factors Compilation of emission factors used in the cross-sector tools. Results indicated in 2008 were obtained in conformance with the Carbon Neutral Company methodology. To facilitate comparison with previous years, in 2010 all the amounts were recalculated according to the above mentioned new technologies which reduce the final results by about half.



**ECO-EFFICIENT
VEHICLE**

Emissions of CO₂ from air transport of mail decreased by 4.6%. This reduction is associated with the decrease of international mail flows in the 2009-2010 period.

Despite having reduced the total number of international air business trips in 2010, there was an increased number of long journeys, which resulted in an increase in CO₂ emissions. The value does account for business domestic air flights.

As in 2009, videoconferencing between different parts of the country continued to be a practice (about three hundred videoconferences,

with more than 6,000 participants), with positive impacts on travel time and transportation costs. Conference calls/ videoconferencing were also increasingly used in place of international meetings. In connection with the Mobility Plan of the new central building, was produced an inventory of emissions associated with journeys of workers to and from home and work. This was the first approach of CTT to calculate carbon impacts of commuting within the company. The amount obtained, about 1.12 ktons per year, gives an order of magnitude of the importance of the issue.

WE REDUCED DIRECT EMISSIONS BY 4.5%

The following table reports direct emissions of greenhouse gases (GHG) resulting from CTT's operations for 2008-2010 and its annual variation.

Table 29 – Greenhouse Gas Emissions ¹¹

Fleet (tonnes of CO ₂ eq)	2008	2009	2010	Δ% 09/10
CO ₂	15,649.73	15,156.18	14,737.91	-2.8
CH ₄	26.38	26.17	25.04	-4.3
N ₂ O	39.48	39.15	38.06	-2.8
Total	15,715.59	15,221.50	14,801.01	-2.8
Natural & Propane Gases (tonnes of CO ₂)	2008	2009	2010	Δ% 09/10
CO ₂	-	539.23	245.41	-54.5
CH ₄	-	1.10	0.49	-55.0
N ₂ O	-	0.31	0.14	-55.4
Total	-	540.64	246.04	-54.5

¹¹ Result obtained by converting polluting emissions into CO₂eq from emission factors of CH₄ e N₂O gases.

On a comparative basis, direct emissions resulting from CTT's activity decreased (-4,5%) from 2009 to 2010.

Indirect emissions, associated with power consumption at the company's facilities showed the same trend, although less pronounced. Nevertheless, the increase in indirect emissions resulting from air trips penalises overall emissions associated with subcontracted services (air transport of mail and business trips).

When total emissions (direct, indirect, own and subcontracted services – scopes 1, 2 and 3, respectively – as calculated for the moment) are taken into consideration, there is a decrease of 2.6% totalling approximately 1,167 tonnes of CO₂ over the previous year.

When considering the total direct GHG associated with fleet and gas consumptions (scope 1) and the indirect emissions from power consumption (scope 2), the carbon incorporation of each postal item equates to 31.89g of CO₂ equivalent, maintaining a value almost identical to the previous year (31.36g). Despite the reduction in emissions, the decrease in postal traffic (more severe) accounts for this evolution.

As far as harmful gases for the ozone layer are concerned, there are controlled records of incidents in mail sorting centres of Lisbon and Coimbra where occurred occasional small leakage of fluorinated greenhouse gases (approx. 58.5 kg) and ozone layer depleting substances (approx. 46.5 kg) used in HVAC equipments of facilities.

CLIMATE CHANGE

CTT endorses and actively participates in several programmes and carbon management measurements both nationally and internationally, aimed at a better knowledge and inventory of the carbon footprint in the industry and the determination of reduction commitments.

Since 2008, CTT participates in IPC's (International Post Corporation, a trade association of the 24 largest postal operators worldwide) carbon management programme EMMS – Environmental Measurement and Monitoring System. In 2010, CTT obtained the 7th position in the world carbon proficiency ranking, released by that organisation. Out of the 11 dimensions evaluated, CTT ranked first in two: "value chain management" and "disclosure and reporting". The operators involved represent about 80% of the global postal traffic and committed to specific targets of 20% reduction of CO₂ emissions until 2020, also assumed by CTT.

Together with 13 other major European postal operators, CTT also participates in PostEurop's GHG Reduction Programme. PostEurop, a Restricted Union of the UPU, a specialised agency of the UN for the postal sector, promotes this programme which involves the commitment to reduce CO₂ emissions by 10% from 2008 to 2012. This programme has made a significant contribution to the process of accounting and reporting the various operators' carbon performances and several improvements have been achieved.

Domestically, CTT participated once more in the ACGE Index of Climate Responsibility 2010, with 59 major Portuguese companies and shared the first place with Sonae Sierra and EDP. This

multi-industry ranking system, which involves the most representative Portuguese companies, evaluates their energy and carbon performances management as well as their capacity to meet climate change challenges.

NOISE OUTDOOR

The most relevant sources of noise directly attributable to CTT's operations result from the mail sorting centres' operation. These facilities were subject to acoustic discomfort and outdoor noise assessments which showed that noise emissions in the sorting centres (mostly associated with the circulation of vehicles) comply with the provisions of noise general regulations. Nevertheless, employee awareness actions were carried out regarding the need to reduce noise.

Objectives 2011

- Reduce CO₂ emissions by 2%, expressed in absolute and normalised indicators
- Participation in PostEurop's GHG Reduction Programme and the carbon emissions management programme of IPC - International Post Corporation - (EMMS - Environmental Measurement and Monitoring System)
- Improve the carbon inventory (scope 3) – road and air transport, commuting, etc.

Table 30 – Total water consumption

	2008	2009	2010	Δ% 09/10
Total water consumption (m³)	n.a	63,565	49,409	-22.3
Value of total water consumption (€)	261,747.13	268,930.73	258,857.78	-3.7

WATER

Water consumption is associated with day-to-day operation of CTT's offices and facilities, specifically for human consumption, for occasional watering of green areas and for use in HVAC equipments, being not among the major environmental impacts of CTT. The supply for human consumption is made through the public network at all buildings.

In this year's report, besides the water consumption of administrative services of the Lisbon area and of the mail sorting centre of the south, were also included consumptions of the mail sorting centres of the centre and north, which totalled 49,409m³. This value represents the consumption of the major water consumers at national level.

Within this area, improvements have been made in the consumption inventory and some rationalisation measures were taken, such as the use of sensors and flow reducers on taps, dual flush toilets, use of rainwater for irrigation in the new CTT building and in the Maia mail sorting centre, as well as raising awareness of all employees through the company's internal communication means. When compared to last year, reduction in consumption was due mainly to the replacement at the end of 2009, of the cooling towers of the thermal power station operating at the mail sorting centre of the south, CTT's main consumer (-44%, this facility only). A similar measure was adopted in Maia, with results expected for 2011.

Table 31 – Consumption of materials

Type of material	2008	2009	2010	△% 09/10
Paper (tonnes)	1,313	1,168	1,158	-0.9
Plastic (tonnes)	191	158	182	15.4
Metal (tonnes)	10	11	21	81.2
Marking and industrial inks (Lt.)	n.a	26	22	-14.8
Natural fibres (uniforms)	n.a	41	24	-42.6

CONSUMPTION OF MATERIALS

CTT's production does not require the incorporation of intermediate and finished materials in its supply chain, which makes it a low impact organisation in terms of material consumption. However, its operations result in the depletion of several types of raw materials¹², namely paper, of which the consumption reached about 1,158 tonnes, plastic (182 tonnes) and metal (approximately 21 tonnes).

As a result of the improvements in the methodology to calculate materials consumption, more composite products were identified and accounted for, which are broken down into different types of raw materials as listed in the table below. The process is gradually expanding to more products, which means that the materials expected to be accounted will continue to grow in the future, regardless of the evolution of consumption. As data are now retroactively updated, inter-annual comparisons are nonetheless possible. Following the improvements made in the quantification system, it is possible for the first time to report the percentage of recycled raw materials incorporated in CTT products, which totalled 9.31% in 2010.

In general, CTT continued its strategy of dematerialisation of products and services to reduce the ecological impact. Below are indicated the initiatives carried out in this field:

- Actions aimed at reducing paper and consumables consumption by raising employee awareness;
- Renewal of the printers of the new CTT building and activation, by default, of two-sided and multi-page printing features;
- Replacement of printing and physical archiving of the lists produced by the computer system used by the post offices with a fully computerised system;
- Adoption of new technology in digital franking machines and launching of a campaign to boost the service, which incorporates procedure optimisation and reduction of energy costs. The

digital franking machines allow remote control and charging (via Internet);

- Implementation of a payment service by reference number for companies operating in the e-commerce area, receiving communication online regarding payments due, which eliminates the use of paper.

Objectives 2011

Reduce paper consumption by 15%

¹² The reported figures were obtained from an analysis of the company's purchases made through e-procurement.

SUSTAINABLE MARKETING

CTT proceeded its products and services innovation strategy, aiming at reducing its environmental impact.

Under the current repositioning of the CTT brand, which is based on environmental sustainability, a range of green products and services was launched – the Eco portfolio to meet the consumer needs.

Correio Verde (translated as green mail) was renovated in the light of ecological concerns, introduces new formats and packaging produced with recycled materials and eco-friendly inks. These preserve the paper and cardboard natural colour and reduce the amount of ink used in the supports. At the same time, the notion of reuse was introduced in some of the models for sale. In addition, a carbon offsetting system was also adopted. Thus, Correio Verde actual emissions are offset by purchasing an equivalent amount of carbon credits originated in the forest area managed by CarbonoZero, at Tapada Militar de Mafra.

An eco range was also created for Direct Mail products, which takes into account various environmental requirements regarding addressing databases, environmental certifications, use of sustainable resources and recycled and/or recyclable materials. Customers are subject to a qualification process and if they comply with

the stipulations, they have access to lower rates and are authorised to use the CTT Green Merit symbol, which certifies that the message is more “environmentally friendly”. This programme is addressed to the business segment and aims to promote the sustainable production of mail, having already been adopted by a number of major customers.

In both cases, Correio Verde and DM Eco, labelling began to include information on waste management.

The brand repositioning campaign involved several communication actions, of which stands out the carbon neutral advertising film CTT Consigo (CTT with you/CTT I can), starred by CTT employees. This film was broadcasted in national television channels and was the starting point of the external communication action for the general public. Advertising spots were also broadcasted on radio stations and displayed in outdoors across the country.

With this campaign CTT was ranked 1st in the category Best International Communication Event – Single Event for the production of the film CTT Consigo.

All actions carried out in this field can be found on the CTT Consigo website: <http://www.cttconsigo.com/>.





WASTE MANAGEMENT

With regard to the management of waste generated in buildings, the company sorts and forwards its waste for recycling or reuse in order to maximise the respective rate of recovery.

CTT reported the annual amounts of waste produced at its 11 largest facilities through the integrated data capturing system of the Portuguese Environment Agency – SIRAPA.

The following table displays the different types of waste produced in the mail sorting centres, office buildings and undeliverable mail warehouse, and their quantification.

Table 33 – Waste per hazard risk and destination

Tonnes	Recovery	Disposal	Total
Hazardous waste	3.36	0.02	3.38
Non-hazardous waste	757.23	181.06	938.29
Total	760.59	181.08	941.67

Table 32 – Waste by type

Tonnes	2008	2009	2010	% 09/10	Destination
Pressure vessels (aerosols) (*)	0	0	0.08	-	Recovery
Oily sludge (*)	0	0	1.60	-	Recovery
Paint sludge	1.46	0	0	-	Recovery
Light bulbs (*)	0.55	0.075	0.14	82.7	Recovery
IT parts	0.28	0.1	0.14	39.0	Recovery
Furniture	0	0	2.64	-	Recovery
Waste oil (*)	n.a	0	0.09	-	Recovery
Wood pallets	66.28	108.38	277.72	156.2	Recovery
Paper and cardboard	145.49	341.94	355.96	4.1	Recovery
Batteries (*)	0.1	1.49	0.30	-79.7	Recovery
Plastic and metal (containers)	19.26	8.4	21.42	155.0	Recovery
Plastic (seals + trays + film + bags)	30.42	14.27	7.59	-46.8	Recovery
Hospital waste – Group III	0.06	0.07	0.01	-89.7	Disposal
Hospital waste – Group IV (*)	0.01	0.01	0.02	107.6	Disposal
Organic waste	22.8	31.45	35.94	14.3	Recovery
Hazardous waste (*)	n.a	0.054	0.94	1,643.0	Recovery
Waste paints and varnish with organic solvents (*)	0	0	0.28	-	Recovery
Textile	0	0	2.00	-	Recovery
Solvents (*)	0.05	0.15	0.20	30.7	Recovery
Scrap	5.03	0.86	22.37	2,501.2	Recovery
Toners and ink cartridges	4.823	5.16	9.41	82.3	Recovery
Glass	3.41	18.44	21.77	18.1	Recovery
Sundry waste	239.51	188.76	181.06	-4.1	Disposal
Total	539.55	719.61	941.67	30.9	

Note: Designations pursuant to the European Waste List, including the (*)

The types of waste produced by CTT vary, depending on the activities undertaken in the different buildings. Administrative service buildings, post offices and postal delivery offices produce usually urban-like waste. Mail sorting centres, given the nature of the activity to be more industrial, produce other types of waste.

The increase in waste production was mainly due to the renovation works undertaken in mail sorting centres, the closure of a warehouse, the increased use of wooden pallets by customers and the improvement of the accounting process. Unsurprisingly, paper accounts for the majority of recyclable waste.

For the new headquarters a waste management system was also designed, which includes selective collection on all floors and is equipped with a pneumatic system consisting of suction pipes that carry waste from its origin to the waste sorting centre.

In the premises assessed (mail sorting centres and administrative facilities) there was an increased rate of waste recovery, which went from 74% in 2009 to 81% in 2010. This increase is the result of the implementation of good environmental practices and employee awareness campaigns for the need to sort recyclable waste, which led to a decrease in the production of sundry waste despite the overall increase in waste.

There is an ongoing inventory of waste production and possible expansion of the current waste management systems to post offices and postal delivery offices.

In 2010, CTT joined the Sociedade Ponto Verde (Green Point Society), which manages the waste resulting from non-reusable CTT packaging on sale at the post offices using its own integrated waste management system for packages.

SOIL/ECOLOGY

The impact on soils is associated with the size and location of CTT's offices and facilities, typically located in urban areas. There is no knowledge that CTT develops business or operations in offices or facilities located in protected areas or in areas of a high biodiversity value.

The postal activity may have a significant effect, though indirect, on the environment and biodiversity. The production of most postal items is based mainly upon the use of paper and consequently in its raw material, trees, mostly through large amounts of paper consumed by customers. However, an important part of such raw material comes from sustainable forests.

MANAGING IMPACTS ON BIODIVERSITY

Since 2007, when CTT signed an agreement with the Institute for Nature Conservation and Biodiversity, the company set as objective to assess the impact of its activity on biodiversity, the adoption of measures that tend to minimise negative impacts and maximise the positive ones, and the development of its internal and external communication on this subject.

In 2009, CTT started to participate in the Print Power Programme, launched in 11 European

countries by the main actors in the paper industry among which are the postal operators. In its environmental aspect, this programme's goal is to promote the responsible production and use of printing and paper in a multi-channel framework.

Following the tradition of decades of publication of stamps and other philatelic items associated with environmental topics, CTT produced in 2010 six new issues of stamps related to the environment, including biodiversity, with the following themes: "Fishing Eagles", "2010 International Year of Biodiversity", "50 Years of Madeira Botanical Gardens", "50 Years of the Hydrographic Institute", "Marine Invertebrates of Azores" and "School Mail – CTT protects the Environment", a total of 4.3 million stamps. CTT intends to maintain this practice, since philately is a privileged channel to raise environmental awareness, as there are thousands of collectors all over the world, regular buyers of stamp collections, who convey detailed information on each subject.

The 2010 CTT Year planner, of which 6,000 copies were made, was also dedicated to the International Year of Biodiversity, appointed by the United Nations for 2010 as a way to draw attention to the need to preserve the variety of life forms on Earth.

CTT has also participated directly or through agreements with Environmental Non-Governmental Organisations (ENGOS) in reforestation actions with indigenous species, for carbon offsetting. In 2010, an environmental corporate volunteer

action was carried in cooperation with Quercus-a counter-footprint project called "Planting Woods" – in order to support the reforestation of the Montejunto Mountain. This involved the plantation by CTT employees of 750 trees (strawberry trees, chestnut trees, oaks, ashes, laurel trees, goat willows and clethra arborea). In turn, the Tapada de Mafra project related to the offsetting of emissions associated with Correio Verde, consists of the reforestation of an area burned in 2003 and aims to increase the resilience of populations to fire condition, enhance the diversity of the forest of Tapada de Mafra, improve the quality of its landscape, reduce the risk of erosion, increase the area of shadow, and reduce the wind speed. These aspects are particularly important given the proximity of the coastline. Maritime pines and stone pines were planted, as well as oak trees and various deciduous hardwoods.

To note also that all postage stamps and meuselo personalised stamps began to be produced with more eco-friendly materials.

In 2010, CTT sponsored the reforestation programme of the hills of Madeira and the Ecological Park of Funchal, and the Barn Project (birds of prey).

Objectives 2011

Protocol with environmental association for reforestation projects

Participation in the European project Print Power to promote responsible production and use of printing and paper

Issue of a Postcard made of cork

4 thematic philatelic issues

Certification of WWF and PEFC stamps material

Philatelic issue made of cotton paper

Edition of the forest year planner

TRAINING AND RAISING AWARENESS

Training on different areas of sustainable development were held for 175 CTT employees over 1,195 hours. The topics were as follows: standard ISO 14001:2004, environmental policies and good practices, quality and environment integrated management systems, recycling, energy consumption and indoor air quality, among others.

The relocation to the new headquarters in Lisbon was preceded by a training in e-learning format addressed to about 1,500 employees. It focused on aspects such as energy rationalisation, sustainable mobility and waste management. Articles on environmental issues are often published in various internal communication means as the magazine *Aposta*, with a monthly circulation of 50,000 copies, and the electronic newsletter "D+0", sent to 4,000 CTT internal recipients.

In 2010 was first published, a thematic issue of the magazine *Aposta* entirely dedicated to the environment and produced with less harmful materials for the environment.

Within CTT's environmental repositioning, a carbon calculator was developed and housed in CTT Consigo micro-website, which allows to simulate the effects of changing behavioural and consumerism patterns.

FINES AND NON-MONETARY SANCTIONS FOR NON-COMPLIANCE WITH THE LAW

In 2010 no fines or non-monetary sanctions for failure to conform to legal requirements on environmental issues were applied to CTT.

ENVIRONMENTAL INVESTMENT

During the course of 2010, investment has been made for the protection of the environment, in order to improve its environmental performance in various fields, as follows:

- Audits conducted on Integrated Quality and Environmental Management Systems at a cost of 5,579 Euros;
- Hiring a service to measure environmental acoustics and discomfort at the mail sorting centre of the centre, at a total cost of 869 Euros/year;
- Hiring a service of systematic evaluation of legal compliance with environmental requirements applicable to CTT, at a total cost of 2,479 Euros/year;
- Project to fully replace artificial lighting in 5,000 m² of the operational area of the mail sorting centre of the south, for about 140,500 Euros;
- Advertising campaigns on environmental issues at a cost of 1.3 million Euros;
- Certification of energy and indoor air quality at 53 offices and facilities for an amount of 169,520 Euros.

ADVERTISING CAMPAIGNS

ON ENVIRONMENTAL ISSUES AT A COST OF 1.3 MILLION EUROS



3.2.2 ENVIRONMENTAL MANAGEMENT – SUBSIDIARY COMPANIES



	2009	2010	Δ% 09/10	2009	2010	Δ% 09/10
ENERGY CONSUMPTION (GJ)						
Total electricity consumption	12,593.85	13,359.09	6.1	10,880.32	10,292.04	-5.4
Total fuel consumption	18,274.87	15,986.31	-12.5	2,948.64	3,340.87	13.3
Total natural gas consumption	300.45	303.14	0.9	-	-	-
DIRECT ATMOSPHERIC EMISSIONS (CO₂ TONS)						
Vehicle fleet	1,319.63	1,154.25	-12.5	212.43	240.44	13.2
Natural gas	16.86	17.01	0.9	-	-	-
TOTAL DIRECT ATMOSPHERIC EMISSIONS (CO₂ EQ. TONNES)						
Vehicle fleet	1,325.02	1,158.98	-12.5	213.33	241.48	13.2
Natural gas	16.90	17.05	0.9	-	-	-
INDIRECT ATMOSPHERIC EMISSIONS (CO₂ EQ. TONNES)						
Electricity	1,607.12	1,704.77	6.1	1,388.45	1,313.38	-5.4
WATER CONSUMPTION (M³)						
Water	10,261	12,315	20.0	6,022.96	4,707.00	-21.9
CONSUMPTION OF MATERIALS						
Paper (tonnes)	44.69	46.15	3.3	1,011.00	721.66	-28.6
Plastic (tonnes)	107.10	140.70	31.4	5.19	21.46	313.5
Metal (tonnes)	2.20	2.10	-4.5	-	-	-
Lubricants and oils (L)	93.00	16.00	-82.8	-	-	-
Marking paint and others (industrial)	79.00	36.00	-54.4	-	-	-
Natural and synthetic fibres (ton)	2.90	4.50	55.2	0.04	0.03	-25.0

Table 34 – Summary of environmental performance of subsidiary companies

GRI EN3, EN4, EN16, EN17, EN8, EN1, EN22, EN30



	2009	2010	Δ% 09/10	2009	2010	Δ% 09/10
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PRODUCTION OF WASTE (TONNES)

Natural and synthetic fibres	0.88	1.29	46.6	-	0	0
Paints	-	0	n.a.	-	0	0
Lamp bulbs – (no. of units)	40.00	80.00	100,0	636.00	697.00	9.6
Computers (no. of units)	0.56 (ton)	0.62 (ton)	10.7	-	0	0
Toners and cartridges (no. of units)	0.48	0.86	79.2	-	15.08	n.a.
Industrial oils (Litres)	0	0	0	-	0	0
Wooden pallets	1.05	0.71	-32.4	4.20	2.13	-49.3
Paper and cardboard	131.33	118.00	-10.2	126.06	-	-
Oil (Litres)	-	0	n.a.	-	0	0
Batteries	0.07	0.05	-28.6	-	0	0
Plastic and metal (containers)	n.a.	n.a.	n.a.	1.40	0.57	-59.3
Plastic (seals+trays+film wrap+bags and containers)	23.46	24.18	3.1	-	0	0
Hospital waste	-	-	-	-	-	-
Organic waste	n.a.	n.a.	n.a.	0.07	0.09	28.6
Hazardous waste	-	0	n.a.	-	0	0
Solvents	40 (L)	56 (L)	40.0	-	0	0
Scrap	2.34	0.58	-75.2	5.40	0.00	-100
Marking paint and others (industrial)	-	0	n.a.	-	0	0
Glass	n.a.	n.a.	n.a.	-	0	0
Sundry waste	n.a.	n.a.	n.a.	-	-	-

INVESTMENT AND/OR EXPENDITURE (EUR)

Investment and/or expenditure	4,898	11,658	138.0	-	23,731	n.a.
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	2009	2010	Δ% 09/10	2009	2010	Δ% 09/10
ENERGY CONSUMPTION (GJ)						
Total electricity consumption	5,343.56	5,270.28	-1.4	1,023.06	1,025.62	0.3
Total fuel consumption	6,331.71	5,734.81	-9.4	1,363.17	1,602.86	17.6
Total natural gas consumption	-	-	-	-	-	-
DIRECT ATMOSPHERIC EMISSIONS (CO₂ TONS)						
Vehicle fleet	457.61	414.47	-9.4	98.43	115.82	17.7
Natural gas	-	-	-	-	-	-
TOTAL DIRECT ATMOSPHERIC EMISSIONS (CO₂ EQ. TONNES)						
Vehicle fleet	459.46	416.14	-9.4	98.83	116.29	17.7
Natural gas	-	-	-	-	-	-
INDIRECT ATMOSPHERIC EMISSIONS (CO₂ EQ. TONNES)						
Electricity	681.90	672.55	-1.4	130.55	130.88	0.3
WATER CONSUMPTION (M³)						
Water	-	4,900.00	90.1	2,905.00	1,972.00	-32.1
CONSUMPTION OF MATERIALS						
Paper (tonnes)	117.00	120.40	2.9	0.2	0.5	59.7
Plastic (tonnes)	176.20	205.79	16.8	-	-	-
Metal (tonnes)	-	-	-	-	-	-
Lubricants and oils (L)	-	-	-	-	-	-
Marking paint and others (industrial)	-	-	-	-	-	-
Natural and synthetic fibres (ton)	4.90	5.08	3.7	-	-	-



	2009	2010	Δ% 09/10	2009	2010	Δ% 09/10
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PRODUCTION OF WASTE (TONNES)

Natural and synthetic fibres	-	-	-	-	-	-
Paints	0	0	0	-	-	-
Lamp bulbs – (no. of units)	-	-	-	0.01 (ton)	0	-100.0
Computers (no. of units)	-	20	n.a.	125 (ton)	42 (ton)	-66.4
Toners and cartridges (no. of units)	-	-	-	35 (ton)	4 (ton)	-88.6
Industrial oils (Litres)	0	0	0	-	-	-
Wooden pallets	-	-	-	-	242	n.a.
Paper and cardboard	-	-	-	91	292	220.9
Oil (Litres)	0	0	0	-	-	-
Batteries	-	-	-	-	2	n.a.
Plastic and metal (containers)	-	-	-	0.03	0	-100.0
Plastic (seals+trays+film wrap+bags and containers)	-	-	-	-	-	-
Hospital waste	0	0	0	-	-	-
Organic waste	-	-	-	-	-	-
Hazardous waste	-	-	-	-	-	-
Solvents	-	-	-	-	-	-
Scrap	-	-	-	0.55	4	627.3
Marking paint and others (industrial)	0	0	0	-	-	-
Glass	-	-	-	-	-	-
Sundry waste	-	-	-	n.a.	n.a.	n.a.

INVESTMENT AND/OR EXPENDITURE (EUR)

Investment and/or expenditure	-	-	-	2,000.0	3,750.0	87.5
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	2009	2010	Δ% 09/10	2009	2010	Δ% 09/10
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ENERGY CONSUMPTION (GJ)

Total electricity consumption	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total fuel consumption	2,337.30	2,263.10	-3.2	760.48	988.53	30.0
Total natural gas consumption	-	-	-	-	-	-

DIRECT ATMOSPHERIC EMISSIONS (TON CO₂)

Vehicle fleet	168.92	163.56	-3.2	54.96	71.44	30.0
Natural gas	-	-	-	-	-	-

TOTAL DIRECT ATMOSPHERIC EMISSIONS (CO₂ EQ. TONNES)

Vehicle fleet	169.60	164.22	-3.2	55.18	71.73	30.0
Natural gas	-	-	-	-	-	-

INDIRECT ATMOSPHERIC EMISSIONS (CO₂ EQ. TONNES)

Electricity	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
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WATER CONSUMPTION (M³)

Water	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
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CONSUMPTION OF MATERIALS

Paper (tonnes)	2	2	0	0.94	0.94	0
Plastic (tonnes)	-	-	-	-	-	-
Metal (tonnes)	-	-	-	-	-	-
Lubricants and oils (L)	-	-	-	-	-	-
Marking paint and others (industrial)	-	-	-	-	-	-
Natural and synthetic fibres (ton)	0.20	0.20	0	-	-	-



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2009

2010

Δ% 09/10

2009

2010

Δ% 09/10

PRODUCTION OF WASTE (TONNES)

Natural and synthetic fibres	-	-	-	-	-	-
Paints	-	-	-	-	-	-
Lamp bulbs – (no. of units)	-	-	-	-	-	-
Computers (no. of units)	-	-	-	-	-	-
Toners and cartridges (no. of units)	-	-	-	-	-	-
Industrial oils (Litres)	-	-	-	-	-	-
Wooden pallets	-	-	-	-	-	-
Paper and cardboard	-	-	-	-	-	-
Oil (Litres)	-	-	-	-	-	-
Batteries	-	-	-	-	-	-
Plastic and metal (containers)	-	-	-	-	-	-
Plastic (seals+trays+film wrap+bags and containers)	-	-	-	-	-	-
Hospital waste	-	-	-	-	-	-
Organic waste	-	-	-	-	-	-
Hazardous waste	-	-	-	-	-	-
Solvents	-	-	-	-	-	-
Scrap	-	-	-	-	-	-
Marking paint and others (industrial)	-	-	-	-	-	-
Glass	-	-	-	-	-	-
Sundry waste	-	-	-	-	-	-

INVESTMENT AND/OR EXPENDITURE (EUR)

Investment and/or expenditure	-	-	-	-	-	-
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2009 2010 $\Delta\%$ 09/10

ENERGY CONSUMPTION (GJ)

Total electricity consumption	n.a.	n.a.	n.a.
Total fuel consumption (1)	377,16	146,844.73	38,834.5
Total natural gas consumption	-	-	-

DIRECT ATMOSPHERIC EMISSIONS (TON CO₂)

Vehicle fleet	27.26	10,612.98	38,834.5
Natural gas	-	-	-

TOTAL DIRECT ATMOSPHERIC EMISSIONS (CO₂ EQ. TONNES)

Vehicle fleet	27.37	10,655.71	38,834.5
Natural gas	-	-	-

INDIRECT ATMOSPHERIC EMISSIONS (CO₂ EQ. TONNES)

Electricity	n.a.	n.a.	n.a.
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WATER CONSUMPTION (M³)

Water	n.a.	n.a.	n.a.
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CONSUMPTION OF MATERIALS

Paper (tonnes)	0.08	0.07	-12.5
Plastic (tonnes)	-	-	-
Metal (tonnes)	-	-	-
Lubricants and oils (L)	-	-	-
Marking paint and others (industrial)	-	-	-
Natural and synthetic fibres (ton)	-	-	-

2009 2010 $\Delta\%$ 09/10

PRODUCTION OF WASTE (TONNES)

Natural and synthetic fibres	-	-	-
Paints	-	-	-
Lamp bulbs – (no. of units)	-	-	-
Computers (no. of units)	-	-	-
Toners and cartridges (no. of units)	-	-	-
Industrial oils (Litres)	-	-	-
Wooden pallets	-	-	-
Paper and cardboard	-	-	-
Oil (Litres)	-	-	-
Batteries	-	-	-
Plastic and metal (containers)	-	-	-
Plastic (seals+trays+film wrap+bags and containers)	-	-	-
Hospital waste	-	-	-
Organic waste	-	-	-
Hazardous waste	-	-	-
Solvents	-	-	-
Scrap	-	-	-
Marking paint and others (industrial)	-	-	-
Glass	-	-	-
Sundry waste	-	-	-

INVESTMENT AND/OR EXPENDITURE (EUR)

Investment and/or expenditure	-	-	-
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(1) The deviation is related to the increase in the number of vehicles regarding the previous year and to the increase of closed circuits.

Based on data from the table above, we present below some comments that help to understand the environmental performance of Group companies.



ENERGY

Throughout 2010, CTT Expresso increased the number of facilities. It has now 2 more facilities (in Coimbra and in Vila do Conde), having registered an increase (6.1%) in the electricity consumption from the public network. Besides, there was a traffic increase and the implementation of a new HVAC equipment in the automatic logistics warehouse.

The consumption of energy from fuel decreased (-13%) regarding the previous year. This reduction results from the measures taken to rationalize energy consumptions.

Consumption of natural gas slightly increased (0.9%). The natural gas is used at the Coimbra sorting centre, mainly to heat the premises. It is also used, but to a lesser extent, to heat water for a short period throughout the year.

In order to improve energy efficiency and rationalize energy consumption, the company implemented a number of energy-saving measures, namely the installation of illumination sensors located on the roof, automatic switches at WCs and

kitchens inside the MARL building; introduction of electric power and voice activation system to PCs in the delivery area of the Lisbon sorting centre (enabling equipment mobility) and implementation of lighting control system for motion detection in some areas of the headquarters building and of the Pinheiro de Fora sorting centre (OPL).

CTT Expresso owns only one of the 13 buildings where it operates. This building and two rented ones (3 in total) had energy and indoor air quality certification in 2010.

FLEET

CTT Expresso's fleet comprises 31 vehicles (12 heavy-duty commercial vehicles and 19 motorcycles) directly owned and 190 vehicles run on operating leases (72 light passenger vehicles and 118 light commercial vehicles).

The fleet of CTT Expresso is used for the activities of transporting products and other goods or raw materials, as well as workers, causing significant impact on the environment. In order to reduce consumptions and the inherent impact of these activities, the company took some measures, namely the adaptation and redesign of the fleet network/routes and the use of alternative fuels, or additives, training and awareness raising and disclosure of performance/fuel control (I) to workers.

WATER

Water consumption increased (20%) due to the opening of 2 new centres (Vila do Conde and Vialonga) and to the use of watering system in one more OLV garden.

CONSUMPTION OF MATERIALS

The paper consumption increased by about 3%, essentially due to the increased traffic and to the emergence of new customers.

The consumption of plastics increased by about 31% regarding the previous year. This increase is associated with the increased traffic and the use of one more palletising machine at the OMM.

WASTE MANAGEMENT

The waste generated is managed and directed to waste management operators licensed to that effect.

ENVIRONMENTAL INVESTMENT

In 2010, the company invested 11,658 Euros to improve its environmental performance. This included the installation of twilight sensors, motion detectors, payment of waste forwarding rates towards final disposal and payment of fees described in laws in force and applicable to the activity.



ENERGY

Power consumption decreased by 5% from 2009 to 2010.

In turn, Mailtec's fleet fuel consumption increased by 13% when compared with the consumption of the previous year.

FLEET

The Mailtec Group owns 5 light commercial vehicles used in the logistics operations, with consequent impact on air pollution and depletion of energy resources.

WATER

Water consumption is associated with the daily functioning of the premises. This year there was a decrease in the water consumption (22%).

CONSUMPTION OF MATERIALS

Paper consumption decreased by about 29%. The creation of new products and services, namely the Easyprint service, and customization of statements with colour printing have contributed to reduce the range of materials which, in conjunction with a stricter stock control and enhanced warehouse management, has allowed a gradual reduction in raw material stock levels, decreasing paper consumption.

WASTE MANAGEMENT

Waste is separated and collected by licensed waste management operators for recycling purposes.

Toners are regularly collected by the respective supplier of the printing equipment in conformance with the terms of the outsourcing contract.

ENVIRONMENTAL INVESTMENT

In 2010, an investment of €23,731 was made, associated with the implementation of the environmental management system and FSC (Forest Stewardship Council).

**ENERGY**

In 2010, electricity consumption slightly increased (0.25 %).

Regarding the fuel consumed by the EAD fleet, there was an increase of about 18%, comparing with the consumption of the previous year. This increase reflects the acquisition of new vehicles to meet the business development.

This result is mainly due to the implementation of awareness campaigns aimed at reducing consumption. Of these, deserve highlight the increased use of natural light while avoiding the use of electricity, keep doors and windows closed when the air conditioning is running, and turn off equipment when these are not to be used for long periods of time.

FLEET

Although the fleet of EAD is not large, it has its impact. As such, it is analysed according to the environmental impact evaluation implemented within the company. Good practices have been implemented, among which stand out the restructuring/optimization of the documentation distribution or collection routes, and the eco-driving training.

WATER

There was a 32% reduction in water consumption, as a result from the implementation of rationalization measures. Among others, stand out the installation of economic taps and flowmeters as well as training and communication actions on best practices to all employees.

WASTE MANAGEMENT

The waste generated is directed to licensed operators. The increased production of paper waste was mainly due to increased elimination of customers' archives; regarding the increase in the metal waste and scrap, it is related to the dismantling of archiving cupboards.

ENVIRONMENTAL INVESTMENT

The company made an investment of about €3,750. This amount covers expenses concerning follow-up audits and the establishment of a bank guarantee (environmental insurance) in accordance with law-decree DL 147/2008 of July 29.

EAD CREATED AN ENVIRONMENTAL KIT FOR QUICK AND EFFECTIVE USE IN SMALL ECOLOGICAL ACCIDENTS THAT MAY HAVE ENVIRONMENTAL IMPACT. OF THESE, ARE EXAMPLES SPILLS OF OILS AND DERIVED PRODUCTS OR OF CHEMICAL LIQUID PRODUCTS.

**ENERGY**

In 2010, there was a decrease in the electricity consumption (1.4%), due to the awareness activities implemented by the company. In what concerns fuel consumption by the Tourline fleet there was also a 9.4% decrease compared to the previous year, mainly due to a decrease in traffic.

Tourline began the process to obtain certification according to ISO 14001:2004 standard. In the future, this process will allow the improvement of environmental reporting of its activity, namely concerning the control of performance indicators.

WATER

In 2010, water consumption was of 4,900 m³. The values previously reported were based on estimations.

CONSUMPTION OF MATERIALS

During the course of 2010, Tourline Express renewed its express service, it is faster (830 service) in order to integrate biodegradable materials in the composition of the packaging.

FINES AND NON-MONETARY SANCTIONS FOR NON-COMPLIANCE WITH THE LAW

In 2010, Tourline express received a fine in the amount of 120 Euros.

04

Subsidiary companies



CTT Expresso

CTT Gest

EAD

Mailtec

Payshop

PostContacto

Tourline Express

CTT Expresso

MISSION/VISION
OBJECTIVES

- To provide businesses and individuals with fast and secure collection and express delivery of goods and documents, domestically and abroad, offering in addition, integrated logistics solutions with information in “real time”
- To maintain market leadership through the performance of an effective and motivated team that is customer-oriented, ensuring the quality and efficiency of the services provided

SHAREHOLDER
COMPOSITION

- 100% held by CTT

GOVERNANCE

- Board of Directors
- Executive Committee
- General Assembly
- Statutory auditor
- Remuneration Committee

REPORTING
MECHANISMS

The parent company acts as Shareholder through the following mechanisms:

- Sharing Board Directors
- Monthly control meetings
- Monthly meetings of the Board
- Control of the Group’s plan
- Regular financial monitoring
- Verification of compliance with Group rules and regulations

AREAS OF
BUSINESS

- Collection, processing transport and delivery of documents and other postal services as well as complementary services in the field of logistics, developed in the CEP market (Courier, Express and Parcels), in Portugal and abroad
- Two major business segments: contractual/businesses and occasional / businesses and individuals
- In the contractual area, is a specialist in certain business sectors: banking, insurance, telecommunications and footwear. Firm commitment to these niches with a clear vision of the future, while equally tapping into other new business areas
- When providing occasional services, it endeavours to benefit from Group synergies by maintaining a close relationship with the CTT retail network, to promote the awareness and sale of the company’s products to occasional customers

STRATEGY

The express sector has shown levels of growth above the market average in the last few years. However, it is anticipated a slowdown in the coming years with the closure of companies, pressure on prices, changes to more dilated delivery standards, traffic reduction and an increasingly aggressive competition.

To face the current economic context, CTT Expresso has developed the following strategies:

- Evaluation and adjustment of internal processes, in order to maximize profitability and control of costs, orienting all activities to customers
- Strong engagement, encouraging the active participation of all stakeholders: employees, suppliers, subcontractors and shareholder
- Continued focus on quality of service, providing innovative solutions and information to the customers
- Offer of complementary services to the business of transporting urgent deliveries, through the strengthening of expertise in specific sectors of the market, flexibility and customized solutions required by customers
- Investment in technology and innovation

ECONOMIC AND
FINANCIAL DATA
(IN THOUSAND EUROS)

- Operating income: 91,090
- EBITDA: 13,233

PRODUCTS AND/OR NEW SERVICES (2010)

- EMS scheduling
- Today Azores
- 2nd scheduled delivery
- Return of signed document
- SMS

Other products

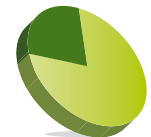
<http://www.cttexpresso.pt/fecewcm/wcmservlet/empresactt/cttexpresso/homepage.html>

HUMAN RESOURCES

Human resources are laid on a flexible structure, adjusted to the activity and the market.

- Total workforce: 725
- Training: Total hours/year: 8,675
- No. of occupational accidents and of days lost: 96 and 934 respectively
- Absenteeism rate: 3.4%

● Women 26%
● Men 74%



SOCIETY

- Sponsoring of the trip Oporto-Pristina (Kosovo) through the provision of logistical support, clothing and packages for travellers and packages with numerous offers for the military in peacekeeping mission in that country
- “Help Madeira”, conveying and distributing shipments with essential goods to help the victims of the catastrophe
- Delivery of food at the MARL Food Bank
- Participation in the annual CTT Group solidarity initiative “Adding to divide”

CERTIFICATIONS AND AWARDS

- ISO 9001
- ISO 14001
- OHSAS 18001
- “Gold Level” award in the UPU EMS Certification Awards, for the high quality performance in 2009. The first EU operator do be awarded this prize.
- The campaign “Commitment” was awarded two Lions (gold and silver), in the media section of the Cannes Advertising Festival
- Adherence to the principles of Global Compact

CUSTOMER SATISFACTION

Regarding the customer relations management, CTT Expresso kept making large investments in this area, namely in what concerns the pre and post-sales service (dedicated sales team and customer service) and market research, aiming at the customers satisfaction with a clear commitment to quality of service.

- Enhancement of the quality of service, taking into account the increase in traffic from 2009 to 2010 of 3%:

Evolution of the indicator “appointed day”

	2007	2008	2009	2010
Day one	98.8%	97.9%	98.4%	98.5%
Variation		-0.9%	0.5%	0.1%

Evolution of the indicator “appointed time”

	2007	2008	2009	2010
Day one	96.7%	96.8%	97.3%	97.5%
Variation		0.1%	0.5%	0.2%

- Annual customer satisfaction survey – 4.22 on a scale from 1 to 5
- No. of complaints – 80,433
- Most frequent reasons: location of the items, settlement of the value for collection (COD), lack of notice/notification to the customer to collect the item
- Amount of compensation – 349.9 thousand Euros

CTT Gest

MISSION/VISION
OBJECTIVES

Provision of advisory services and corporate management, including logistics, administrative and human resources as well as buying, selling and leasing of machines for processing, transport and delivery

SHAREHOLDER
COMPOSITION

- 100% held by CTT

GOVERNANCE

- Board of Directors
- General Assembly
- Statutory Auditor

REPORTING
MECHANISMS

The parent company acts as Shareholder through the following mechanisms:

- Sharing Board Directors
- Monthly control meetings
- Monthly meetings of the Board
- Control of the Group's plan
- Regular financial monitoring
- Verification of compliance with Group rules and regulations

AREAS OF
BUSINESS

- Advisory services and business management for the Group
- Management of outsourced contract for ground handling of airmail at Lisbon's Airport
- Studies of strategy and business development for the Group
- Management of investments
- Ensure the outsourcing of transportation and delivery of postal items

ECONOMIC AND
FINANCIAL DATA
(IN THOUSAND EUROS)

- Operating income: 7,762
- EBITDA: 1,656

NEW PRODUCTS
AND/OR SERVICES
(2010)

Standard services

- Assignment of employees to the parent company and other subsidiary companies
- Leasing of equipment and software to CTT
- Delivery of corporate mail

CUSTOMER
SATISFACTION

-

HUMAN
RESOURCES

- Total workforce: 40
- Training: Total hours/year – 4,901
- No. of occupational accidents and of days lost: 0
- Absenteeism rate: 5%

● Women 13%
● Men 87%



SOCIETY

Participation in the annual CTT Group solidarity initiative "Adding to divide"

CERTIFICATIONS
AND AWARDS

-

EAD

MISSION/VISION
OBJECTIVES

Provision of innovative Document Management services oriented to the satisfaction of customers. Committed to working as a team for a common project: satisfying customers in a personalised way, shareholders and suppliers, fulfilling requirements, adding value and generating continuous improvement by using natural resources in a balanced and safe way, in accordance with the law in force, practising and developing best environmental practices in favour of EAD and society in general

SHAREHOLDER
COMPOSITION

- 51% held by CTT

GOVERNANCE

- Board of Directors
- Executive Committee
- General Assembly
- Statutory Auditor
- Remuneration Committee

REPORTING
MECHANISMS

The parent company acts as Shareholder through the following mechanisms:

- Sharing Board Directors
- Monthly control meetings
- Quarterly meetings of the Board
- Control of the Group's plan
- Regular financial monitoring
- Verification of compliance with Group rules and regulations

AREAS OF
BUSINESS

- Custody and management of current and intermediate archives, scanning services, consultancy in science documentary, custody and rotating media, high-security safe room

ECONOMIC AND
FINANCIAL DATA
(IN THOUSAND EUROS)

- Operating income: 5,224
- EBITDA: 1,453

NEW PRODUCTS
AND/OR SERVICES
(2010)

- Safe recycling of documents and archives – collection at customer's home of paper considered as waste, sent afterwards for recycling

Other products

- http://www.ead.pt/ead/solucoes_cgac_pt.php

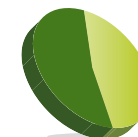
CUSTOMER
SATISFACTION

- Implementation of a Customer Relationship Management to obtain an integrated and comprehensive understanding of the customer with a view to anticipate their needs and thereby relate the strategy to the provision
- On-going communication via the Internet and blog, allowing a closer relationship and exchange of information with the customer
- Degree of customer satisfaction (annual survey)– 67.3%
- No. of complaints– 6

HUMAN
RESOURCES

- Total workforce: 99
- Training: Total hours/year – 878
- No. of occupational accidents and of days lost: 6 and 64
- Absenteeism rate: 5%

● Women 53%
● Men 47%



SOCIETY

Participation in the annual CTT Group solidarity initiative “Adding to divide”

CERTIFICATIONS
AND AWARDS

- ISO 9001
- ISO 14001

Mailtec, SGPS

MISSION/VISION
OBJECTIVES

Provide technology and processes of corporate content management by optimizing physical or digital information flows from customers
Be the solution to the exclusive relationship between business contents and their addressees, adding value and excellence, based on models of technological intelligence and operational efficiency

- Grow in the relational marketing market
- Find solutions in the areas of document management

SHAREHOLDER
COMPOSITION

- 100% held by CTT

GOVERNANCE

- Board of Directors
- Executive Committee
- General Assembly
- Statutory Auditor
- Remuneration Committee

REPORTING
MECHANISMS

The parent company acts as Shareholder through the following mechanisms:

- Sharing Board Directors
- Monthly control meetings
- Monthly meetings of the Board
- Control of the Group's plan
- Regular financial monitoring
- Verification of compliance with Group rules and regulations

AREAS OF
BUSINESS

- **Equiprest** – Provision of services to CTT (parent company): operational management of the mailmanager and pre-sorting service, handling of mail of CTT corporate customers
- **Mailtec TI** – Production of professional mail, personalised cheques and documents
- **DSTS** – Design and application development of solutions for documentation management, content management and electronic business

STRATEGY

- Investment in new product development
- Compliance with service levels

ECONOMIC AND
FINANCIAL DATA
(IN THOUSAND EUROS)

- Operating income: 24,288
- EBITDA: 3,986

NEW PRODUCTS
AND/OR SERVICES
(2010)

- Easy Mail – enables the electronic transmission of mail. The data is transferred to Mailtec, where they are printed, enveloped and posted

Other products

- <http://www.mailtec.pt/femlw/wcmservlet/mailtec/grupo/index.html>

CUSTOMER
SATISFACTION

The major customers belong to the banking, insurance, utilities and services. These are companies with a significant business volume, almost all major players in their sectors of activity, with high quality of service demand

The relationship with customers is insured by the interaction with the account managers team and customer assistants, ensuring permanent contact with the company and circulation/dissemination of the information required for the management of their contracts

- Annual satisfaction survey. The final report is analysed by the company with a view to submit improvement proposals to customers on relevant issues
- Customer satisfaction level – 3.62 (on a scale of 1 to 5)
- No. of complaints – 177
- Most frequent reasons – layout compliance, delays in delivery of orders, quality of enveloped documents, quality of printed documents and cheques

HUMAN
RESOURCES

- Total workforce: 589
- Training: Total hours/year: 11,469
- No. of occupational accidents and of days lost: 22 and 453
- Absenteeism rate: 6.9%

● Women 35%
● Men 65%



SOCIETY

- Participation in the CTT Group's corporate social responsibility initiatives most notably the annual internal campaign to collect clothes, books and toys, called "Adding to Divide"

CERTIFICATIONS
AND AWARDS

- ISO 9001
- ISO 14001
- Certification began in 2010: FSC-STD-40-004 and ISO/IEC 27001

PayShop

MISSION/VISION
OBJECTIVES

Provide a convenient and safe electronic payment solution accessible to the large majority of the Portuguese population with a view to satisfy the interests of country's major utilities, telecom operators and other companies issuing documents for payment while creating value to the retailers, with high quality of service

SHAREHOLDER
COMPOSITION

- 100% held by CTT

GOVERNANCE

- Board of Directors
- Managing Director
- General Assembly
- Statutory Auditor

REPORTING
MECHANISMS

The parent company acts as Shareholder through the following mechanisms:

- Sharing Board of Directors
- Monthly control meetings
- Monthly meetings of the Board
- Control of the Group's plan
- Regular financial monitoring
- Verification of compliance with Group rules and regulations

AREAS OF
BUSINESS

- Electronic payment network service (invoices, purchases over the Internet, online services), cash loading of cell phones, sale of pre-paid calling cards and public transport ticketing
- Domestic network of over 3,800 agents. Also available at post offices across the country
- Electronic distribution services of e-money solutions (Paysafe cards) for purchases and services over the Internet

ECONOMIC AND
FINANCIAL DATA
(IN THOUSAND EUROS)

- Operating income: 15,254
- EBITDA: 6,538

NEW PRODUCTS
AND/OR SERVICES
(2010)

–
Other products

- <http://www.payshop.pt/emittentes/>

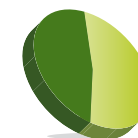
CUSTOMER
SATISFACTION

- Daily customer satisfaction surveys (by telephone or personally)
- Monthly visits to all Payshop agents by the company's sales employees
- Preparation of a bimonthly Newsletter for the entire network
- No. of complaints – 0

HUMAN
RESOURCES

- Total workforce: 33
- Training: Total hours /year– 1,624
- No. of occupational accidents and of days lost: 0
- Absenteeism rate: 3.7%

● Women 48%
● Men 52%



SOCIETY

- Donations possible at any agent, directed to 11 social solidarity institutions (with protocol)
- Occasional fund raising campaigns all year long, aimed at other institutions (7)
- Participation in the annual CTT Group solidarity initiative "Adding to Divide"

CERTIFICATIONS AND
AWARDS

–

Post Contacto

MISSION/VISION
OBJECTIVES

Investment in innovation through the use of new technological tools that allow: the control of quality through geographic vehicle and distributors location systems, the use of georeferencing systems for the preparation of campaigns and corresponding reporting, and the computerisation of the whole operational model

Undisputed market leader and the only universal operator that ensures the delivery throughout the country and has a significant portfolio of business customers

- Disclose companies, goods and services
- Maintain leadership position in the advertising unaddressed mail market and to increase market share
- Diversify the product portfolio, particularly in value added products
- Increase the use of new technologies in the operation and report to the customer

SHAREHOLDER
COMPOSITION

- 100% held by CTT

GOVERNANCE

- Management Board
- Executive Manager
- Remuneration Committee
- Chartered Accountant

REPORTING
MECHANISMS

The parent company acts as Shareholder through the following mechanisms:

- Sharing Managers
- Monthly control meetings
- Monthly meetings of the Board
- Control of the Group's plan
- Regular financial monitoring
- Verification of compliance with Group rules and regulations

AREAS OF BUSINESS

- Delivery of unaddressed mail and other items, following target address lists of the mainland and islands

ECONOMIC AND
FINANCIAL DATA
(IN THOUSAND EUROS)

- Operating income: 13,298
- EBITDA: 3,250

NEW PRODUCTS
AND/OR SERVICES
(2010)

Launching of a new product: semi-addressed mail

Other products

- <http://www.postcontacto.pt/fecewcm/wcmservlet/empresasctt/postcontacto/servicos.html>

CUSTOMER
SATISFACTION

- Personalized follow-up for each customer, throughout the whole process, and presentation of a final report at the end of each campaign
- Market surveys that also measure the satisfaction
- Evolution perceived by customers: improved follow-up by the sales people, increased awareness of the logistics service, among other
- No. of complaints – 247
- Amount of compensation – 22.2 thousand Euros

HUMAN RESOURCES

- Total workforce: 35
- Training: Total hours/year – 662
- No. of occupational accidents and of days lost: 0
- Absenteeism rate: 4%

● Women 20%
● Men 80%



SOCIETY

Participation in the annual CTT Group solidarity initiative “Adding to Divide”

CERTIFICATIONS AND
AWARDS

- Beginning of the quality certification process

Tourline

MISSION/VISION
OBJECTIVES

- Be a leader in the Spanish courier, express and parcels market with high levels of quality, efficiency and customer proximity
- Create brand awareness by associating it with the following values: trust, commitment and quality
- Provide safe transport, collection and delivery of urgent items in the time set in the terms of contract with the customer, counting on a logistics structure, and an adequate network of franchisees, as well as a trained and motivated team
- Maintain growth in the domestic market, investing in an urgent service of quality in the sector of express and small parcels
 - Grow in the Iberian market, enhancing the trading, information technology and logistics platform of the CTT Group
 - Maintain an extensive network of franchisees, ensuring quality and safety

SHAREHOLDER
COMPOSITION

- 100% held by CTT

GOVERNANCE

- Board of Directors
- Executive Committee
- Independent auditors

REPORTING
MECHANISMS

- The parent company acts as Shareholder through the following mechanisms:
- Sharing Board Directors
 - Monthly control meetings
 - Monthly meetings of the Board
 - Control of the Group's plan
 - Regular financial monitoring
 - Verification of compliance with Group rules and regulations

AREAS OF BUSINESS

- Transport courier and express parcels, in the Spanish market

ECONOMIC AND
FINANCIAL DATA
(IN THOUSAND EUROS)

- Operating income: 53,630
- EBITDA: 2,079

NEW PRODUCTS
AND/OR SERVICES
(2010)

Pool of direct points of sale

Other products

- <http://www.tourlineexpress.com/default.aspx?AspxAutoDetectCookieSupport=1>

CUSTOMER
SATISFACTION

- Two annual internal customer satisfaction surveys
Degree of satisfaction – **93.4%**
- Two annual external customer satisfaction surveys
Degree of satisfaction – **93.1%**
- No. of complaints – 9,580
- Amount of compensation – 133.6 thousand Euros

HUMAN RESOURCES

- Total workforce: 420
- Training: Total hours/year – 24,563
- No. of occupational accidents and of days lost: 38 and 863
- Absenteeism rate: n.a.

● Women 36%
● Men 64%



SOCIETY

- Cooperation agreement with the organization Save The Children
- Sponsorship of the project Play4Africa
- Social Action Plan to award discounts to needy fringes of the Spanish population

CERTIFICATIONS
AND AWARDS

- Award Empresa con la Infancia, assigned by the organisation Save The Children
- ISO 9001

05

Commitments



- Index of environmental, social and economic performance indicators
- Methodological notes
- Glossary
- Survey
- Independent Assurance Report

BUSINESS MANAGEMENT

Achieved (>95%)



In progress



Not achieved



Issues

2010 objectives

Progression

Achievement

2011 objectives

Policy and strategy

Improved reporting by Group companies (more in-depth reporting on issues and methodologies)



Custom training for these companies, aiming at the improvement of data preparation

Quality, environment and safety integrated policy

Assurance level A +



A+ level reached

Enlargement of the A+ level assurance to group companies

Introduction of sustainability variables in post offices and postal delivery offices scorecard



Start of work to recast the scorecard

Introduction of direct sustainability variables in the scorecard of post offices, delivery offices and sorting centres

Organisational Model

Improvement of the relationship with the unit contact persons and the subsidiary companies








Training (refresh) of the contact persons. Improved information for users, in the sustainability information management system

Information system

Consolidation and expansion of monthly, half-yearly and yearly reporting routines to other Group companies













Reporting routines improved regularity and frequency




Issues	2010 objectives	Progression	Achievement	2011 objectives
Stakeholder engagement				
	Implementation of engagement plan		3 Forums of innovation and creativity, team building activities, H&S consultation, among others	New engagement exercise with stakeholders
	Organization of panels/focus groups		6 “focus groups” sessions with employees	Organisation of two panels/focus groups
	Refinement of communication model, segmented by Stakeholders		External study for the reformulation of the company's segmented communication in sustainability	Segmentation of reporting by stakeholders
	Adherence to systems and principles - Global Compact		-	
Ethics				
	Preparation of procedures and operations for registration, screening and treatment of occurrences		New procedures and creation of the Ethics Officer	Routine use of procedures Production of indicators
	Refresh of the disclosure of the existence, functions and powers of the Ethics Committee		Training of 415 employees, on the prevention of money laundering and financing of terrorism	Training and dissemination of the new procedures

ENVIRONMENTAL MANAGEMENT









Issues	2010 objectives	Progression	Achievement	2011 objectives
Management System				
				Beginning of the corporate certification process
	Start of the environmental certification process of the COCC (sorting centre in the centre)		Implementation in progress	Completion in 2011
	Start of the environmental certification and FSC processes in Mailtec (group company)		Implementation in progress	Completion in 2011
				Start of the environmental certification process in Tourline
Energy efficiency				
	Completion of the new COCN (Maia) with demanding environmental requirements		Completion in November	Energy audit to COCN (SGCIE*)
	Conduct of an energetic audit to COCC		Not required by the regulations	
	Energy certification of half own buildings >1000m²		Energy certification and indoor air quality certification process launched in 53 buildings (RSECE*)	Completion in 2011
	Operational test of electric bicycles		Test and purchase of 34 bicycles and 5 electric scooters	Purchase of 150 bicycles
			Purchase of 4 hybrid vehicles	Renewal of the heavy-vehicle fleet with eco-efficient vehicles
				Test and purchase of electric vehicles (4 wheels)






Issues	2010 objectives	Progression	Achievement	2011 objectives
Energy efficiency (cont.)				
	Development of an IT application to manage electricity consumption		Improvement of data processing	Protocols with Universities and manufacturers Internal improvement of consumptions management application
	Reduce electricity consumption by 2%		0.3% reduction (or 1.7%, considering transfers to gas)	Reduction of 15% in electricity consumption
	Reduce fuel consumption by 2%		2.8% reduction	Reduction of 15% in fuel consumption Development of an IT application to manage fuel consumptions Adherence to the national electric mobility project Mobi.e
<i>* SGCIE – Management system for intensive power consumption</i> <i>* RSECE – Regulations regarding power, heating and air conditioning systems in buildings</i>				
Management of consumables				
	Reduce paper consumption by 2%		Reduction of 0.9%	Reduce paper consumption by 15%
Waste management				
	Resizing of waste management system at post offices and postal delivery offices		Preparation of the sampling process	Possible extension to post offices and postal delivery offices
	Increased waste recycling rate		Increased waste recycling rate to 81%	Increase waste recycling rate Licensing the COCs for temporary storage of waste










Issues	2010 objectives	Progression	Achievement	2011 objectives
Climate change	Reduction of direct and indirect CO ₂ emissions by 2%, expressed in standard indicators		Reduction of CO ₂ absolute emissions by 2.6%	Reduction of direct and indirect CO ₂ emissions by 2%, expressed in absolute and standard indicators
	Participation in PostEurop's GHG Reduction Programme and the carbon emissions reduction program of the IPC - International Post Corporation - (EMMS - Environmental Measurement and Monitoring System)		Continuation of the participation in the PostEurop and IPC carbon management programmes	Participation in PostEurop's GHG Reduction Programme and the carbon emissions reduction program of the IPC - International Post Corporation - (EMMS - Environmental Measurement and Monitoring System) Improvement of the carbon inventory (scope 3 – road and air transport, commuting, etc.)
	Study on self-production of renewable energy		Study for a pilot project with photovoltaic and wind energy Mobility plan for the new CTT building	Viability study of mini/micro generation
Biodiversity	Reforestation action with autochthonous species to offset carbon		Plantation of 750 indigenous trees in the Montejunto mountain, in partnership with Quercus Support the recovery of Madeira Island ecosystems Edition of the Biodiversity Year planner	Protocol with environmental association for reforestation projects Postcard in cork Edition of the Forest Year planner Participation in the European project Print Power to promote responsible use of printing and paper IPC study on impacts on biodiversity










Issues	2010 objectives	Progression	Achievement	2011 objectives
Training and awareness raising				
	Development of environmental training package		Content design	“Cascade” training to the entire CTT population
	4 thematic philatelic issues		6 issues	4 thematic philatelic issues
				Certifications WWF and PEFC of the stamps raw material
				Philatelic issue in cotton paper
	Environmental communication actions (“Green” forum of creativity and innovation and ecological edition of Aposta magazine)		Done	Educational contests and games
				Internal TV channel

ECONOMIC AND SOCIAL

Issues	2010 objectives	Progression	Achievement	2011 objectives
Quality of service				
	Extension of the certification to more than 400 post offices		435 certified post offices, in total – 2/3 of the counters service	Maintenance of the certified units
	Expansion to one hundred new postal delivery offices		286 certified postal delivery offices, in total – 95% of the delivery service	Maintenance of the certified units Certification of PostContacto
	Reduction of complaint response times		Domestic complaints (maintenance – 7 days) and international (2 days reduction)	Reduce the time to reply to complaints
	Positioning maintenance (international QS)		Positioning lowered Compliance with the ANACOM quality targets (100 points), with 190 points	Positioning improvement Compliance with the quality targets agreed with ANACOM (100 points)
Procurement				
	At least 50% pre-contractual procedures with environmental criteria		66.3% of pre-contractual procedures with environmental criteria	At least 50% pre-contractual procedures with environmental criteria
	At least 50% contracts with environmental criteria		97% of contracts with environmental criteria	At least 50% contracts with environmental criteria
	Qualification of suppliers (beginning)		Selection of platform for registration of suppliers	Implementation of a qualification system for suppliers Implementation of a responsible procurement policy
	Reduction of the average payment time to 40 days		39 day average time for payments	Maintenance of the average time for payments

Issues	2010 objectives	Progression	Achievement	2011 objectives
Health				
	Continuity of newsletters		4 of the 10 published Health and safety newsletters are on health	
	Conducting of several health screening programmes		Free health screening programmes (heart, sleep, stress and obesity)	Carry out several health screening programmes
	Optimization of the contracted network, by adjusting the supply of services to the current demand from beneficiaries		The first phase of the contracted network adjustment was completed	Continuation of the evaluation and adequacy of the contracted network to the needs of the IOS beneficiaries
Health and Safety				
	Continue to provide first-aid and fire fighting training		78 actions, 799 employees and 10,646 hours	Continue to provide first-aid and fire fighting training
	Improve the level of satisfaction with working conditions		The level of satisfaction decreased from 85% to 72% in 2010 (different evaluation systems)	Improve the level of satisfaction with working conditions
	Start of the certification process in H&S in the COCC		Start of the process	Completion in 2011
	Training in the OHSAS requirements		Training of the concerned employees (357 hours)	Pursuit of training
	Continuity of newsletters		10 Newsletters	Continuity of newsletters
	Increase local training		317 actions, 2,480 participants and 3,560 hours	Maintain the training levels
	Reduce the number of fatal accidents to 0		1 fatal accident	Reduce the number of fatal accidents to 0
	5% decrease in the number of occupational accidents		10% increase (920 accidents)	Reduce the number of occupational accidents by 5%
				Reduce the number of days lost by 5%

Issues	2010 objectives	Progression	Achievement	2011 objectives
Qualification	Increase training volume by 15%		Increase training volume by 25%	Increase training volume by 10%
	Improve skills validation rate by 46%		191 more employees certified and 850 in progress	To reach the 1,000th certification
Employees	Reduction of absenteeism to 6.4%		Increase to 7.6%	Reduction of absenteeism to 7%
	Operationalisation of the customers' satisfaction surveys results		Presentation of the results to the top management	Evaluation of the opportunity to operationalise results
	Survey on climate and culture at the CTT Group made with the ONRH – Human resources national observatory			
Sustainable marketing	Institutional repositioning campaign		Project Earth - CTT with you	Consolidation of the company eco positioning
	Eco-products line development		Ecologic Direct mail Correio Verde associated to carbon offsetting	Restructuring of the portfolio and expansion of the carbon offset to all convenience products
	Environmental labelling		Adherence to Sociedade Ponto Verde	Environmental labelling of products (life cycle)
	Development of mailers environmental qualification model		Green certification for sustainable customers (ecological mailings)	Approach to international standards Research on bottom of the pyramid products Reverse logistics

Issues	2010 objectives	Progression	Achievement	2011 objectives
Community				
	150 external applications to the CTT New Opportunities Centre – 50 certifications expected		Not achieved. Difficult to implement	
	25 IT training actions for unemployed all over the country		6 actions	Training actions
	Continuation of the Project to Combat Poverty and Social Exclusion until 2010 – in partnership with 50 welfare organisations		Protocols with 36 institutions – 11,800 parcels delivered	Continuation of the Project
			Solidarity of CTT with Madeira – 411 tonnes delivered to Cáritas	Structuring a plan to support indebtedness
	Organization of at least 4 volunteer initiatives		8 actions	4 volunteer initiatives, at least
	Strengthen the environmental volunteering		2 environmental actions	Increase the environmental volunteering
	Pilot project for long-term volunteering		Contact with Development NGOs and ENGOs platforms with no results. Contact with private solidarity institutions (IPSS)	Implementation of the pilot project for long-term volunteering
Diversity management				
	Evaluation/review of the adequacy of functions of disabled workers to jobs		Pilot intervention at the Lisbon Mail sorting centre	Expansion to other units
	Professional experiences for 25 people		21 people (17 from CERC), 4 fixed-term contracts. Of these, resulted 1 hire (COCN)	Professional experiences for 25 people
	Intervention Programme on Gender Equality and implementation proposals		Submission of proposals Programme in preparation Organization of internal focus groups on the topic	Conclude and operate the Programme on Gender Equality Development of indicators of human resource management




Issues	2010 objectives	Progression	Achievement	2011 objectives
Diversity management (cont.)				
	Measures to strengthen the existing rules on harassment		Benchmark on sexual and moral harassment in the workplace Submission of proposals	Eventual reformulation of the rules in force
	Identification of opportunities for intervention regarding age		Research and Information processing in course	Implementation of facilitation measures
Work-life balance				
	Identification and operationalisation of measures to make CTT a more familiarly responsible company		Organisation of internal focus groups on the topic Flexibility of working hours in administrative functions	Identification of measures regarding work-life balance

Table 35 – GRI Index [GRI](#)

Index of environmental, social, and economic performance indicators in conformance
with GRI guidelines GRI

C – Core indicator
A – Additional indicator
Independent Assurance
GRI Contents Index (excludes indicators that do
not apply to the company)

No. and type of indicator	Description	Page(s)	Reporting status	Ind. Assurance
Strategy and Analysis				
1.1 – C	Statement from the Chair	4	●	✓
1.2 – C	Description of key impacts, risks and opportunities	23, 108	●	✓
Organisational Profile				
2.1 – C	Name of the organisation	3, 12	●	✓
2.2 – C	Primary brands, products, and/or services	12, 42, 99	●	✓
2.3 – C	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures	10, 12, 22	●	✓
2.4 – C	Location of organisation's headquarters	129	●	✓
2.5 – C	Number of countries where the organisation operates, and names of countries with major operations	12	●	✓
2.6 – C	Nature of ownership and legal form	9, 36	●	✓
2.7 – C	Markets served, including geographic breakdown, sectors served, and types of customers/beneficiaries	12, 51	●	✓
2.8 – C	Scale of the reporting organisation, including: number of employees; net sales (for private sector organisations) or net revenues (for public sector organisations); quantity of products or services provided	9	●	✓
2.9 – C	Significant changes during the reporting period regarding size, structure, or ownership	3	●	✓
2.10 – C	Awards received in the reporting period	9	●	✓

No. and type of indicator	Description	Page(s)	Reporting status	Ind. Assurance
Report Profile				
3.1 – C	Reporting period for information provided	3	●	✓
3.2 – C	Date of most recent previous report <i>The date of the most recent report was 2010, reporting on 2009</i>	3, 120	●	✓
3.3 – C	Reporting cycle <i>The reports are published annually</i>	3, 120	●	✓
3.4 – C	Contact point for questions regarding the report or its contents	3, 129	●	✓
3.5 – C	Process for defining report content, including: determining materiality; prioritising topics within the report; and identifying stakeholders the organisation expects to use the report	3	●	✓
3.6 – C	Boundary of the report	3, 9	●	✓
3.7 – C	State any specific limitations on the scope or boundary of the report	3	●	✓
3.8 – C	Operations, and other entities that can significantly affect comparability from period to period and/or between organisations	3, 99	●	✓
3.9 – C	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	3	●	✓
3.10 – C	Explanation of the effect of any re-statements of information provided in earlier reports	3	●	✓
3.11 – C	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	3	●	✓
3.12 – C	Table identifying the location of GRI indicators	120	●	✓
3.13 – C	Policy and current practice with regard to seeking external assurance for the report	3	●	✓
Governance, commitments and engagement				
4.1 – C	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	21, 22	●	✓
4.2 – C	Indicate whether the Chair of the highest governance body is also an executive officer	22	●	✓
4.3 – C	State the number of members of the highest governance body that are independent and/or non-executive members	22	●	✓

No. and type of indicator	Description	Page(s)	Reporting status	Ind. Assurance	No. and type of indicator	Description	Page(s)	Reporting status	Ind. Assurance
4.4 – C	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	50, 61	●	✓		organisation: has positions in governance bodies; participates in projects or committees; provides substantive funding beyond routine membership dues; views membership as strategic			
4.5 – C	Linkage between compensation for members of the highest governance body, senior managers, and executives and the organisation's performance (including social and environmental performance)	13, 18	●	✓	4.14 – C	List of stakeholder groups engaged by the organisation	32	●	✓
4.6 – C	Processes in place for the highest governance body to ensure conflicts of interest are avoided <i>Apart from the dispositions in the Code of Ethics and management contracts already mentioned, there is to mention the annual submission of the IRS and incompatibilities to the Constitutional Court, Attorney General's Office and the Inspectorate General of Finance</i>	19, 21, 121	●	✓	4.15 – C	Basis for identification and selection of stakeholders with whom to engage	30	●	✓
4.7 – C	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics	21	●	✓	4.16 – C	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	13, 15, 32, 39, 45, 57, 60, 61, 64	●	✓
4.8 – C	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	14, 18, 19	●	✓	4.17 – C	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns	30	●	✓
4.9 – C	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	18, 21, 23	●	✓	Economic performance				
4.10 – C	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	18	●	✓		Management approach, goals, performance, policy and contextual information	12 to 17, 109 to 119		
4.11 – C	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	23	●	✓	EC1 – C	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	35	●	✓
4.12 – C	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	16, 56, 62, 71	●	✓	EC2 – C	Financial implications and other risks and opportunities for the organisation's activities due to climate change	89	●	✓
4.13 – C	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the	16, 28	●	✓	EC3 – C	Coverage of the organisation's defined benefit plan obligations <i>For more detail please refer to R&A (page 111)</i>	67, 69, 121	●	✓
					EC4 – C	Significant financial assistance received from government <i>There was no financial assistance</i>	121	●	✓
					EC5 – A	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation <i>There are no employees paid the national minimum wage. At the end of 2009, the lowest salary practiced in CTT was of €551.90. The ratio is 1.162 (€551.90/€475)</i>	121	●	✓
					EC6 – C	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation <i>The company, the incumbent postal operator of universal</i>	NA 121	●	✓

No. and type of indicator	Description	Page(s)	Reporting status	Ind. Assurance	No. and type of indicator	Description	Page(s)	Reporting status	Ind. Assurance
	<i>postal service, operates countrywide, with no regional specialization or concentration. The purchasing activity is also centralized, so the data are not broken down by region. The concept of "local" should be read as "national".</i>				EN5 – A	Energy saved due to conservation and efficiency improvements	78, 79, 81, 97	●	✓
					EN6 – A	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	12, 41, 43, 78, 79, 80, 81, 85, 86, 98	●	✓
EC7 – C	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation <i>See EC6</i>	NA 122	●	✓	EN7 – A	Initiatives to reduce indirect energy consumption and reductions achieved	37, 78, 82	●	✓
EC8 – C	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	9, 12, 15, 52, 53	●	✓	EN8 – C	Total water withdrawal by source	84, 90 to 96, 97, 98	●	✓
EC9 – A	Understanding and describing significant indirect economic impacts, including the extent of impacts <i>In 2010, CTT invested 31.4 million Euros being this value injected into the national economy, contributing to revitalise the markets. Moreover, it is referred to in the body of the report the company's presence throughout the national territory, i.e. the provision of a universal public service, in the literal sense (and contract) to the entire population benefiting it directly and with no compensation. CTT also contributes to encourage savings.</i>	14, 38, 51, 52, 122	●	✓	EN9 – A	Water sources significantly affected by withdrawal of water <i>See EN21</i>	NA 122	●	✓
					EN10 – A	Percentage and total volume of water recycled and reused <i>Percentage and total volume of recycled and reused water is 0</i>	122	●	✓
					EN11 – C	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas <i>All CTT premises are situated in urban and/or industrial areas</i>	88, 122	●	✓
					EN12 – C	Description of significant impacts of activities, products, and services in protected areas or with high biodiversity value <i>See EN11</i>	88, 122	●	✓
					EN13 – A	Habitats protected or restored	56, 88	●	✓
					EN14 – A	Strategies, current actions, and future plans for managing impacts on biodiversity	88	●	✓
					EN15 – A	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk <i>See EN11</i>	NA 122	●	✓
					EN16 – C	Total direct and indirect greenhouse gas emissions by weight	81, 82, 83, 90 to 96	●	✓
					EN17 – C	Other relevant indirect greenhouse gas emissions by weight	82, 83, 90 to 96	●	✓
					EN18 – A	Initiatives to reduce greenhouse gas emissions and reductions achieved	3, 80, 81, 82, 83, 86, 97	●	✓
					EN19 – C	Emissions of ozone-depleting substances by weight	83	●	✓
					EN20 – C	NOx, SOx and other significant air emissions by type and weight	81	●	✓
					EN21 – C	Total water discharge by quality and destination <i>Discharge into municipal sewer</i>	84, 122	●	✓
Environment									
	Management approach, goals, performance, policy and contextual information	75, 76, 83 to 88, 109 to 119							
EN1 – C	Materials used by weight or volume	85, 90 to 96, 97	●	✓					
EN2 – C	Percentage of materials used that are recycled input materials	85	●	✓					
EN3 – C	Direct energy consumption by primary energy source	78, 90 to 96, 97, 98	●	✓					
EN4 – C	Indirect energy consumption by primary source <i>Through the ERSE link (below) the above mentioned consumptions can be broken down. Our suppliers are: mainland Portugal – EDP Serviço Universal; Azores – EDA; Madeira – EEM. http://www.erse.pt/pt/desempenhoambiental/rotulagemenergetica/comparacaoentrecomercializadores/Paginas/default.aspx</i>	78, 90 to 96, 97, 98, 122	●	✓					

No. and type of indicator	Description	Page(s)	Reporting status	Ind. Assurance	No. and type of indicator	Description	Page(s)	Reporting status	Ind. Assurance
EN22 – C	Total weight of waste by type and disposal method	87,90 to 96,97,98	●	✓	Human resources				
EN23 – C	Total number and volume of significant spills <i>There were 10 occurrences in the mail sorting centres that might be covered in this area. However, these were not significant</i>	123	●	✓	LA1 – C	Total workforce by employment type, employment contract, and region	59	●	✓
EN24 – A	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention	NA	●		LA2 – C	Total number and rate of employee turnover by age group, gender, and region	9, 59	●	✓
EN25 – A	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the discharges of water and runoff <i>CTP's activities have no impact in this area</i>	NA 123	●		LA3 – A	Benefits provided to full-time employees that are not provided to temporary or part-time employees	66, 69	●	✓
EN26 – C	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	76, 87, 88	●	✓	LA4 – C	Percentage of employees covered by collective bargaining agreements	61	●	✓
EN27 – C	Percentage of products sold and their packaging materials that are reclaimed by category	88	●	✓	LA5 – C	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	60	●	✓
EN28 – C	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations <i>There were no sanctions</i>	20, 89, 98, 123	●	✓	LA6 – A	Percentage of total workforce represented in formal joint management-worker health and safety committees <i>All requirements to the installation of a health and safety committee at work are met, although not yet in operation because there is no representation of employees to these matters. It is conditioned to the election of employee representatives in the workplace, to be promoted by the ERCT</i>	123	●	✓
EN29 – A	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	75, 84, 88, 97, 98	●	✓	LA7 – C	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	60, 69, 70	●	✓
EN30 – A	Total environmental protection expenditures and investments by type	89, 90 to 96, 97, 98	●	✓	LA8 – C	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	66, 67, 69	●	✓
Social performance					LA9 – A	Health and safety topics covered in formal agreements with trade unions <i>Health and safety are the subject of several provisions of the CTT collective Employment Agreement (AE). To situations not regulated by this Agreement, the provisions of the official Labour Code apply</i>	123	●	✓
	Management approach, goals, performance, policy and contextual information	22, 37 to 42, 46, 49 to 52, 57, 60, 62 to 65, 71, 109 to 119			LA10 – C	Average hours of training per year per employee by employee category	63	●	✓

No. and type of indicator	Description	Page(s)	Reporting status	Ind. Assurance	No. and type of indicator	Description	Page(s)	Reporting status	Ind. Assurance
LA11 – A	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	59, 60, 64, 65	●	✓	HR6 – C	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour <i>CTT forbids any form of child labour</i>	71, 124	●	✓
LA12 – A	Percentage of employees receiving regular performance and career development reviews	61	●	✓	HR7 – C	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to its elimination <i>Regarding the occurrence of forced or compulsory labour, all evidences lead to the first clauses of the Constitution, given that Portugal is a democratic rule of law and therefore the abolition of forced labour/slavery is one of the fundamental principles</i>	71, 124	●	✓
LA13 – C	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	21, 71, 72, 73	●	✓	HR8 – A	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations <i>Security at CTT premises is performed by personnel that belong to private security companies. These persons are trained by their respective employers on the procedures agreed with CTT. In some specific cases, CTT trains human surveillance workers to ensure that all rules and procedures for security of persons and facilities are met in a crisis</i>	124	●	✓
LA14 – C	Ratio of basic salary of men to women by employee category	73	●	✓	HR9 – C	Total number of incidents of violations involving rights of indigenous people and actions taken	NA	●	
Human rights					Society				
HR1 – C	Percentage and total number of significant investment agreements that include human rights clauses <i>The contracts celebrated did not include human rights clauses. The inclusion of such clauses is planned for 2011</i>	124	●	✓	S01 – C	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	51, 56	●	✓
HR2 – C	Percentage of significant suppliers and contractors that have undergone screening on human rights <i>Currently no assessment is made of contractors or suppliers, on human rights. Within the market where CTT operates, human rights are safeguarded by law</i>	124	●	✓	S02 – C	Percentage and total number of business units analysed for risks related to corruption	19	●	✓
HR3 – A	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained <i>There is no training in this area</i>	124	●	✓	S03 – C	Percentage of employees trained in organisation's anti-corruption policies and procedures <i>Following the practices of the previous year, 415 more employees were trained (3.3%). Of these, 0.75% were managers</i>	5, 124	●	✓
HR4 – C	Total number of incidents of discrimination and actions taken <i>There were no incidents of discrimination</i>	71,124	●	✓					
HR5 – C	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights <i>Based on the company Employment Agreement, there are no constraints to the free exercise of freedom of association or the conduct of collective bargaining agreements</i>	124	●	✓					

No. and type of indicator	Description	Page(s)	Reporting status	Ind. Assurance	No. and type of indicator	Description	Page(s)	Reporting status	Ind. Assurance
SO4 – C	Actions taken in response to incidents of corruption	19	●	✓	PR5 – A	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	46, 48, 49	●	✓
SO5 – C	Public policy positions and participation in public policy development and lobbying <i>CTT is a member or participates in entities/organisations/business and social or sector associations who share their concerns and promote common interests</i>	125	●	✓	PR6 – C	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	20	●	✓
SO6 – A	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country <i>No financial or in kind contributions were allocated to political parties, politicians and related institutions</i>	125	●	✓	PR7 – A	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes <i>No incidents</i>	125	●	✓
SO7 – A	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	20	●	✓	PR8 – A	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	49	●	✓
SO8 – C	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	20	●	✓	PR9 – C	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	20	●	✓

Product responsibility

PR1 – C	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	44	●	✓
PR2 – A	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes <i>Answer: 0</i>	125	●	✓
PR3 – C	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	37	●	✓
PR4 – A	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes <i>No incidents</i>	125	●	✓

(Source: GRI (2006): “Guidelines for Compilation of Sustainability Reports”)

METHODOLOGICAL NOTES

This document contains information collected from appointed contact persons in each division/department, through a sustainability information management system. All GRI indicators were calculated according to the GRI methodology.

For other indicators, were followed international calculation methodologies: incidence rate (no. of accidents/average number of employees/1000); accounting of lesions causing absence equal to or greater than one day; and Greenhouse Gas Protocol CO₂ for:

- Indirect CO₂ Emissions from the Consumption of Purchased electricity, Heat and/or Steam;

- Direct Emissions from Stationary Combustion of the GHG Protocol Initiative vs. 2.0 through the conversion factors Compilation of emission factors used in the cross-sector tools;
- Indirect CO₂ Emissions from the Consumption of Purchased Electricity, Heat and/ or Steam of the Greenhouse Gas Protocol Initiative
- Emissions from Mobile Source vs. 2.0 through the conversion factors Compilation of emission factors used in the cross-sector tools for the several types of fuel used by the fleet and according to the corresponding fuel consumptions.

GLOSSARY

OCCUPATIONAL ACCIDENT

An accident occurring at the workplace during working hours that causes direct or indirect injury, functional disorder, or illness from which death or reduced ability to work or earn income may arise.

ENVIRONMENTAL ISSUES

An element of an organisation's operations, products, or services which can interact with the environment.

HYBRID MAIL

Mail received electronically, printed, and delivered as a letter.

SUSTAINABLE DEVELOPMENT

Development of a nature that meets current needs without compromising the ability of future generations to meet their own needs. The concept was introduced by the World Environment and Sustainable Development Commission Report of the United Nations titled "Our Common Future." In regards to organisations, sustainable development translates into efforts to implement corporate social responsibility practices within the scope of human resources and impact on the environment, trading, and society.

EBITDA

Earnings before Interest, Taxes, Depreciation and (goodwill) Amortisation.

ECO-EFFICIENCY

Offer of products and services at a competitive price that satisfy human needs while progressively reducing the related ecological impact and the use of resources throughout their life cycle up to the point of at least respecting the planet's estimated capacity of self-sustainment.

EFQM

European Foundation for Quality Management.

GREENHOUSE GAS (GHG)

Gases in the atmosphere that absorb and re-emit infrared radiation and thereby create a natural "greenhouse effect" that keeps the temperature of the planet within tolerable limits. The main types of greenhouse gases are carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons, (PFCs), and sulphur hexafluoride (SF₆). These gases are emitted by natural processes and by human action, mainly when burning fuel in association with transport and manufacturing. Intensive human activity has led to increased emissions of these air pollutants, causing global warming, which the IPCC estimates may lead to a rise of 5.8° Centigrade in the average temperature of the planet's surface by the year 2100.

GLOBAL COMPACT

Sometimes also called World Compact or Global Compact was launched in January 1999, at the World Economic Forum in Davos, by Kofi Annan, then Secretary-General of the United Nations. The aim is to unite market forces to the authority of individual ideals.

The goal of the Global Compact is to get the business world to abide by ten fundamental principles:

1. To support and respect the protection of human rights within their sphere of influence;
2. To ensure that their own organisations are not complicit in human rights abuses;
3. To guarantee the freedom of association and the right to collective bargaining;
4. To eliminate all forms of forced and compulsory labour;
5. To abolish child labour;

6. To eliminate discrimination in respect of employment and occupation;
7. To support a precautionary approach to environmental challenges;
8. To take the initiative to promote greater environmental responsibility;
9. To encourage the development and diffusion of environmentally friendly technologies;
10. To work against corruption in all its forms, including extortion and bribery.

CORPORATE GOVERNANCE

Defined as the system whereby organisations are managed and controlled. Its structure defines the distribution of rights and responsibilities of all participants involved in the organisation, namely the direction, managers, shareholders, and other stakeholders, and sets out the decision-making rules and procedures. In this way, corporate governance provides the structure through which organisation objectives are set and the means to achieve them and to monitor performance (Source: OECD, 1999).

Corporate governance also means the promotion of fairness, transparency, and corporate responsibility (Source: World Bank, as cited in an article published in the Financial Times, 1999).

GRI

The Global Reporting Initiative is an international initiative involving companies, NGOs, consultancies and universities that strive to develop a framework of rules for companies concerned with sustainable development. The objective of the GRI is to set out guidelines to assist companies in designing their corporate social responsibility reporting in a manner that presents the economic, social, and environmental impact of their operations, products, and services.

ENVIRONMENTAL IMPACT

Defined as any impact on the environment of an adverse or beneficial nature, resulting partially or in full, from the operations, products, and services of an organisation.

AA1000SES ASSURANCE STANDARD

Developed by AccountAbility, it is a major reference in the identification of the material aspects in the production of Sustainability Reports.

AIR POLLUTANT

Substances that are directly or indirectly introduced into the atmosphere by human action and which has a noxious effect on human health and/or the environment.

REGION

The company, the incumbent postal operator of universal postal service, operates throughout the national territory, without specialisation or regional concentration. Therefore, data are not broken by region.

CORPORATE SOCIAL RESPONSIBILITY REPORT OR SUSTAINABLE DEVELOPMENT REPORT

The Corporate Social Responsibility Report (RRS) discloses an organisation's economic, environmental, and social performance. At present, there are guidelines for reporting, namely the GRI (Global Reporting Initiative). The intention is that the publication of such reports becomes common practice for all organisations, built the same way and based on the same indicators, with a view to make them comparable regardless of the organisation in question.

SOCIAL RESPONSIBILITY OR CORPORATE SOCIAL RESPONSIBILITY

This concept refers to the application of the sustainable development concept to an organisation, which comprises three spheres of action: economic, social, and environmental. In its Green Paper on the issue, the European Commission defines corporate social responsibility as an organisation's voluntary taking of actions that go beyond legal requirements taken in the pursuit of their long-term interests.

STAKEHOLDER

Stakeholders or interested parties are individuals, groups, and organisations that impact or are impacted by the actions of an organisation, i.e., all parties that intervene in its operations and all those over whom it has, in any way, a repercussion. As such, stakeholders include all of the organisation's agents (employees, customers, suppliers, shareholders, and directors), the surrounding agents (the State, trade unions, institutions, and the media), and the civil society at large (regional communities and associations in the region where the organisation operates).

To the board of Directors of
CTT – Correios de Portugal, S.A.

**Independent assurance report
of the Sustainability Report 2010**
(Free translation from the original in Portuguese)

Introduction

In accordance with the request of the board of Directors of CTT – Correios de Portugal, S.A. (CTT), we performed an independent assurance of the "Sustainability Report 2010" (Report). Independent assurance was performed according to instructions and criteria established by CTT, as referred in the Report, and according to the principles and extent described in the Scope below.

Responsibility

CTT's Board of Directors is responsible for all the information presented in the Report, as well as for the assessment criteria and for the systems and processes supporting information collection, consolidation, validation and reporting. Our responsibility is to conclude on the adequacy of the information, based upon our independent assurance standards and agreed reference terms. We do not assume any responsibility over any purpose, people or organization.

Scope

Our procedures were planned and executed using the International Standard on Assurance Engagements 3000 (ISAE 3000) and having the Global Reporting Initiative, version 3 (GRI3) as reference, in order to obtain a moderate level of assurance on both the performance information reported and the underlying processes and systems. The extent of our procedures, consisting of inquiries, analytical tests and some substantive work, was less significant than in a full audit. Therefore, the level of assurance provided is also lower.

The scope of our assurance was the performance indicators of the parent company, marked as "✓" in the "GRI Index" of the Report.

The assurance of the management self declaration on the application level of the Global Reporting Initiative GRI3, based on GRI's Reporting Framework Application Levels, consisted on the assurance of consistency with the applicable requirements.

The following procedures were performed:

- (i) Inquiries to management and senior officials responsible for areas under analysis, with the purpose of understanding how the information system is structured and their awareness of issues included in the Report;
- (ii) Identify the existence of internal management procedures leading to the implementation of economical, environmental and social policies;
- (iii) Testing the efficiency of process and systems in place for collection, consolidation, validation and reporting of the performance information previously mentioned;
- (iv) Confirming, through visits to sites, that operational units follow the instructions on collection, consolidation, validation and reporting of performance indicators;
- (v) Executing substantive procedures, on a sampling basis, in order to collect sufficient evidence to validate reported information;
- (vi) Verifying the existence of data and information required to reach level A, self declared by CTT for applying the GRI3.

Conclusions

Based on our work described in this report, nothing has come to our attention that causes us to believe that internal control related to the collection, consolidation, validation and reporting of the performance information referred above is not effective, in all material respects.

Based on the assumptions described on the scope, we conclude that the Report includes the data and information required for level A, according to GRI3.

Our opinion on CTT's financial statements is expressed in the Statutory Audit Certification, emitted in 18 May 2011.

Lisbon, December 19, 2011

PricewaterhouseCoopers & Associados SROC, Lda.

Represented by:



António Joaquim Brochado Correia, ROC

SURVEY

YOUR OPINION IS IMPORTANT TO US

Assessment form

Identification (optional)

Name

Occupation

Company/Institution

Position/responsibility

1. TO WHICH STAKEHOLDER GROUP DO YOU BELONG?

- ☐ Employee
- ☐ Customer
- ☐ Supplier
- ☐ Business partner/Shareholder
- ☐ Non-Government Organisation
- ☐ The media
- ☐ Other*

*Please clarify

2. PLEASE CLASSIFY THE FOLLOWING FEATURES OF THE CORPORATE SOCIAL RESPONSIBILITY REPORT USING THE SCALE BELOW:

(Scale: 1 = Excellent; 2 = Good; 3 = Acceptable; and 4 = Poor)

Written contents:	1	2	3	4
Size:	1	2	3	4
Graphic design:	1	2	3	4

3. WHAT POSITIVE ISSUES DID YOU CONSIDER MOST RELEVANT IN THE REPORT?

- ☐ The reliability and detail of the indicators presented
- ☐ The actions taken by CTT – Correios de Portugal
- ☐ The policies developed by CTT – Correios de Portugal
- ☐ The clarity of information
- ☐ Other *

*Please provide details:

PLEASE ENTER YOUR COMMENTS OR SUGGESTIONS BELOW

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We very much appreciate your contribution!

Published by: CTT - Correios de Portugal, SA Headquarters: R. São José 20, 1166-001 LISBOA
 Contact: sustentabilidade@ctt.pt