



Terms of reference for the election process of the Corporate Bodies of CTT – CORREIOS DE PORTUGAL, S.A.

The term of office of the corporate bodies of **CTT – Correios de Portugal, S.A.** (CTT or Company) expired at the end of 2019 and the appointment of the members for the Board of Directors, the Audit Committee, the Board of the General Meeting and the Remuneration Committee, **for the term of office 2020-2022**, takes place in the upcoming Annual General Meeting (AGM). The current members remain in office fully empowered until such appointment.

The **Corporate Governance, Evaluation and Nominating Committee** (Committee), has, among others, the following **responsibilities** related to such appointment process:

- (i) To assist the Board of Directors in the definition of the model, principles and practices related to corporate governance (including those related to conflicts of interest, incompatibilities, independence and expertise);
- (ii) To make recommendations on the required qualifications, expertise and professional experience and to assist and make recommendations in the context of the appointment process.

Considering these responsibilities, this Committee has been undertaking several activities aiming at:

- (i) Promoting an adequate Board composition for the performance of its duties in 2020-2022 in line with both the principles of the CTT Group Inclusion and Diversity Policy in force and the Diversity Policy concerning the composition of the Board of Directors of CTT, as well as CTT's corporate challenges and best governance practices, particularly taking into account the 2018 Corporate Governance Code issued by the Portuguese Institute of Corporate Governance (IPCG Code); and
- (ii) Contributing primarily to an effective composition of CTT's corporate bodies and over the long term to the pursuance of CTT's best interests and to the creation of value to all Shareholders.

In exercising these responsibilities, this Committee takes into account the following **recommendations on the elective process** set out in the IPCG Code:

"V.4.1. "The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out."

"V.4.4. The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organization, a suitable diversity, including gender diversity."

Therefore, in order to carry out its mission and comply with those recommendations, **this Committee publishes the terms of reference regarding the elective process of the corporate bodies of CTT for the 2020-2022 term of office**, recommending the profile, knowledge and curriculum models that Shareholders should attend to for this purpose.

In the exercise of its responsibilities and once shareholder(s) proposal(s) in this respect have been put forward, this Commission will consider these in the light of the following recommendations of the IPCG Code **regarding the individual attributes and diversity in the composition of the corporate bodies**:

"1.2.1. Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, Independence, integrity, availability and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition."

5 March 2020,

The Corporate Governance, Evaluation and Nominating Committee

Profile and Expertise Model for the members of the Board of Directors and of the Audit Committee

Identification:	[To be completed]
Name	
Age	
Nationality	
Gender	
Reelection / 1 st election	

Skills and experience:	[To disclose the degree of skills and experience – low, medium or high – detailing on general or specialized training or positions held as disclosed in the Curriculum]
Leadership	
Strategy & Management	
International	
Financial & Risk	
Accounting & Auditing	
Sector & Industry	
Legal & Regulation	
Human Resources	
Marketing/Commercial & Communication:	
IT & Technology	
Governance, Social Responsibility & Ethics	

INTERNATIONAL /
 FINANCIAL & RISK /
 SECTOR & INDUSTRY /
 LEADERSHIP /
 STRATEGY & MANAGEMENT /
 GOVERNANCE, SOCIAL RESP. & ETHICS /
 HUMAN RESOURCES /
 MARKETING/COMMERCIAL & COMMUNICATION /
 ACCOUNTING & AUDITING /
 IT & TECHNOLOGY /
 LEGAL & REGULATION

Independence: ⁽¹⁾ ⁽²⁾	[Indicate whether member is independent or not]
Incompatibilities: ⁽⁴⁾	[Confirm that there are no incompatibilities]

Profile and Expertise Model for the members of the Board of the General Meeting and of the Remuneration Committee

Identification:	[To be completed]
Name	
Age	
Nationality	
Gender	
Reelection / 1 st election	

Skills and experience:	[Indicate whether having or not skills and experience in these areas detailing on general or specialized training or positions held as disclosed in the Curriculum]
Remuneration Policy	
Human Resources	
Governance, Social Responsibility & Ethics	
International	
Financial & Risk	
Sector & Industry	
Leadership	
Legal & Regulation	

 REMUNERATION POLICY /
  HUMAN RESOURCES /
  GOVERNANCE, SOCIAL RESP. & ETHICS
 INTERNATIONAL /
  FINANCIAL & RISK /
  SECTOR & INDUSTRY /
  LEADERSHIP /
  LEGAL & REGULATION

Independence: ⁽²⁾ ⁽³⁾	[Indicate whether member is independent or not]
Incompatibilities: ⁽⁴⁾	[Confirm that there are no incompatibilities]

Curriculum Vitae Model

Full Name:

Position:

Age (date of birth and nationality)	[●] years ([date], born in [●])
Date of 1 st appointment in CTT	[date]
Proposed term of office	2020 / 2022

Education

- ✓ [date]: degree, primary and / or complementary / specialized training establishment

Management and supervisory functions held internally

- ✓ [date, with reference to the start and end year]: position in the CTT Group
- ✓ [date, with reference to the start year] –...: position in the CTT Group

Other internal functions held

- ✓ [date, with reference to the start and end year]: position in the CTT Group
- ✓ [date, with reference to the start year] –...: position in the CTT Group

Professional experience

- ✓ To take into account the following areas in the case of Board of Directors and Audit Committee members: *Leadership; Strategy & Management; International; Financial & Risk; Accounting & Auditing; Sector & Industry; Legal & Regulation; Human Resources; Marketing/Commercial & Communications; IT & Technology; Governance, Social Responsibility & Ethics*
- ✓ To take into account the following areas in the case of the General Meeting Board and the Remuneration Committee members: *Remuneration Policy; Human Resources; Governance; Social Responsibility & Ethics; International; Financial & Risk; Sector & Industry; Leadership; Legal & Regulation*

Management and supervisory functions held in other companies (last 5 years)

- ✓ [date, with reference to the start and end year]: position outside the CTT Group
- ✓ [date, with reference to the start year]: position outside the CTT Group

Other external functions held (last 5 years)

- ✓ [date, with reference to the start and end year]: position outside the CTT Group
- ✓ [date, with reference to the start year]: position outside the CTT Group

Number of CTT shares held : [number] shares by reference [date]

Independence and incompatibility requirements

(1) For the purpose of assessing the independence of candidates to members of the Board of Directors who are not members of the Audit Committee, please provide answers to the following questions [YES or NO] / information regarding the following criteria set out in Recommendation III.4. of the IPCG Code:

- i. having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis; [If yes, specify the post and duration]
 - ii. having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years ; [If yes, specify the position held and duration].
 - iii. having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person; [If yes, please specify in what way the candidate provides the services, if directly or indirectly, or has a significant commercial relationship with the company or with a company in a controlling or group relationship with it.
 - iv. having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; [If yes, specify the position held and duration]
 - v. having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings; [If yes, identify the relationship and, where applicable, the holder of the qualifying holding, in particular taking into account any communication made under Articles 16, 20, 20-A and 21 of the Portuguese Securities Code].
 - vi. having been a qualified holder or representative of a shareholder of qualifying holding [If yes, identify the holder of the qualifying holding, in particular taking into account any communication made under Articles 16, 20, 20-A and 21 of the Portuguese Securities Code].
 - vii. in general, being associated to any specific group of interest of the company, or being under any circumstance likely to affect his/her impartiality of analysis or decision. [If yes please detail. In this regard, it should be taken into account namely that, in the annual corporate governance report for each financial year, the Company must assess the independence of all directors in office, according to the following criteria provided for in Item 18.1 of the Annex to the CMVM Regulation 4/2013:
- a. having been, in the last three years, a staff member of the company or of a company in a controlling or group relationship with CTT;
 - b. having rendered services or maintained a significant commercial relationship, in the last 3 years, with the company or with a company in a controlling or group relationship with CTT, directly or as a shareholder/partner, director, manager or officer of a legal person;
 - c. having been a beneficiary of a remuneration paid by the company or by a company in a controlling or group relationship with CTT in addition to the remuneration resulting from the position held as member of the Board of Directors;
 - d. living in a non-marital partnership or being the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings;
 - e. being a qualified holder or representative of a shareholder of qualifying holding.

Without detriment to the adoption by the Company of local practices, particularly the adoption of the provisions of the IPCG Code in the last annual corporate governance report, it is considered as good practice to ponder the criteria in the ISS guidelines below :

Non-Independent Non-Executive Director (NED)

- Any director who is attested by the board to be a non-independent NED;
- Any director specially designated as a representative of a significant shareholder of the company;
- Any director who is also an employee or executive of a significant shareholder of the company;
- Any director who is nominated by a dissenting significant shareholder unless there is a clear lack of material connection with the dissident, either currently or historically;
- Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., members of a family that beneficially own less than 10 percent individually, but collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances);
- Government representative;
- Currently provides (or a relative¹ provides) professional services² to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in excess of \$10,000 per year;
- Represents customer, supplier, creditor, banker, or other entity with which the company maintains a transactional/commercial relationship (unless the company discloses information to apply a materiality test³);
- Any director who has cross-directorships with executive directors or those in comparable roles;
- Relative¹ of a current or former executive of the company or its affiliates;
- A new appointee elected other than by a formal process through the General Meeting (such as a contractual appointment by a substantial shareholder);
- Founder/co-founder/member of founding family but not currently an employee;
- Former executive (five-year cooling off period);

- Excessive years of service from date of first appointment, as determined by the EC Recommendation 2005/162/EC, local corporate governance codes, or local best practice, is generally a determining factor in evaluating director independence 4;
- Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance.

Independent NED

- Not classified as non-independent by ISS (see above);
- No material⁵ connection, either direct or indirect, to the company (other than a board seat) or to a significant shareholder.

If yes to any of the criteria above, please detail the relationship particularly any aspects relevant to the assessment of it being material or not face to the specific case of each person/entity. For further details, please see

<https://www.issgovernance.com/file/policy/active/emea/Europe-Voting-Guidelines.pdf>.

¹ "Relative" follows the definition of "immediate family members" which covers spouses, parents, children, stepparents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

² Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.

³ A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated; or

A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value (of all outstanding financing operations) compared to the company's total assets is more than 5 percent.

⁴ For example, the EC recommendation 2005/162/EC's definition of independence provides that in order to remain independent, a non-executive director shall have served on the [supervisory] board for no more than 12 years. For countries governed by ISS' European policy, ISS will follow the EC recommendation and apply stricter tenure limits where recommended by local corporate governance codes or established by local best practice.

⁵ For purposes of ISS' director independence classification, "material" will be defined as a standard of relationship (financial, personal, or otherwise) that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.]

(2) For the purpose of assessing the independence of candidates to members of the Audit Committee and of the General Meeting Board, please answer the following questions [YES or NO] / information regarding the following criteria provided for in Article 414(5) of the Portuguese Companies Code:

- Being a qualified holder of 2% or more of the company's share capital;
- Acting in the name of or on behalf of holders of a qualifying shareholding of 2% or more of the company's share capital; [As an example, the current or past existence of any relationship with or without representation between the member of the corporate body and any holder of a qualified shareholding or any natural or legal person acting on its behalf or providing it with any of the services referred to in iv, must be reported. If yes, please identify the relationship and the holder of the qualifying shareholding, particularly in view of the communications made pursuant to Articles 16, 20, 20-A and 21 of the Portuguese Securities Code].
- Having been re-elected for more than two terms of office, either continuously or not; [if yes, specify the terms of office]
- In general, being associated with any specific interest group in the company or be in any circumstance likely to affect its exemption from analysis or decision. [As an example, it should be reported, among other types of relationships, the current or past existence of employment, consultancy, namely economic, financial or legal, or any other type of service provision, mediation, agency, commercial representation or franchise between, on the one hand, the member of the corporate body and, on the other hand, any shareholder holding a qualifying holding or any natural or legal person acting on behalf of or in the interest of that holder or providing it services referred to herein. If yes, please detail].

(3) For the purpose of assessing the independence of candidates to members of the Remuneration Committee, please provide answers to the following questions [YES or NO] / information on the following criteria set out in Recommendation V.2.1 of the IPCG Code:

- The remuneration should be set by a committee, the composition of which should ensure its independence from management. [If yes, please detail. In this regard, it should be taken into account that, in the annual Corporate Governance Report for each financial year, the Company must assess the independence of the members of the Remuneration Committee in office considering the following criteria set forth in Item 67 of the Annex to the Portuguese Securities Commission's Regulation 4/2013: "Composition of the Remuneration Committee, including the identification of the natural or legal persons hired to provide support to it and a statement on the independence of each of its members and advisors", and within this scope it has been the Company's practice to assess the following criteria:

- a. To be or have been (or his/her spouse or non-marital partner, or his/her relative or any first degree next of kin up to and including the third degree of collateral affinity) for the last three years a member of a corporate body of CTT or of a company in a controlling or group relationship with CTT; [If yes, detail on the position and duration and the concerning relationship]
- b. Having carried out functions in any of the company's corporate bodies for more than twelve years, either on a consecutive or non-consecutive basis; [If yes, please detail on the position and duration]
- c. having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years; [If yes, please detail on the position and duration]
- d. having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder/partner, director, manager or officer of the legal person; [If yes, please detail if and in what way the candidate provides the services, directly or indirectly, or has a significant commercial relationship with the company or with a company in a controlling or group relationship with it;
- e. having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; [If yes, please detail on the position held and duration]
- f. having lived in a non-marital partnership or having been the wife/husband, or a relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings; [If yes, please identify the relationship and, if applicable, the holder of the qualifying holding, in particular taking into account any communication made under Articles 16, 20, 20-A and 21 of the Portuguese Securities Code]
- g. being a qualifying shareholder or the representative of a qualifying shareholder [If yes, please identify the relationship and, if applicable, the holder of the qualifying holding, in particular taking into account any communication made under Articles 16, 20, 20-A and 21 of the Portuguese Securities Code]

(4) For the purpose of assessing that there are no incompatibilities regarding the candidates to members of the Audit Committee and to the General Meeting Board, please provide answers to the following questions [YES or NO] / information on the following criteria provided for in Article 414-A(1) of the Portuguese Companies Code

- a) The beneficiaries of specific benefits from the company itself; [If yes, please detail];
- b) Those holding the position of Directors in the company itself; [Not applicable to members of the Audit Committee]
- c) The members of the management bodies of companies who are in a controlling or group relationship with the supervised company ; [If yes, please identify the company(ies) concerned]
- d) The partner of a registered partnership controlled by the supervised company ;
- e) Those who, directly or indirectly, provide services or establish a significant commercial relationship with the supervised company or with a company in a controlling or group relationship with it; [If yes, please detail if and how you provide(ed) the services, directly or indirectly, or if and how you maintain a significant commercial relationship with the company or with a company in a controlling or group relationship with the supervised company].
- f) Those holding positions in a competitor company acting on behalf or in representation of the competitor company or otherwise bound to the interests of the competitor company; [If yes, please detail]
- g) The spouses, relatives or any first degree next of kin up to and including the third degree of collateral affinity of persons excluded under points a), b), c), d) and f), and the spouses of those under point e)
- h) Those performing management or supervisory functions in five companies, except for law firms, firms of auditors and statutory auditors, to whom the regime of Article 76 of Decree-Law No. 487/99 of 16 November 1999 applies;
- i) The statutory auditors to whom other incompatibilities may apply under the applicable legislation.
- j) Adults who depend on representation or prior authorization for the performance of acts related to patrimony, insolvent persons and those sentenced to a penalty involving the inhibition, even if temporary, from performing public duties