NOS

United Nations Global Compact
Communication on Progress 2016

Statement of continued support by the CEO

NOS

27 June 2016

To our stakeholders,

I am very pleased to bring to you NOS Communication On Progress on the Implementation of the Ten Principles of United Nations Global Compact.

I would also like to take this opportunity to reaffirm our continuous support to the organization's approach in the areas of Human Rights, Labour, Environment and Anti-Corruption. In the following sections you will find a brief summary of the actions we undertook in 2015 to integrate those principles into our business. The year 2015 was marked by great challenges in our business environment. It was also an eventful and exciting year for sustainability in our company.

We approved a new corporate Code of Ethics and a short version for partners and suppliers, and developed training tools that will be fully implemented in 2016, thus ensuring compliance with the Code's principles.

We expanded and consolidated our Integrated Management System, certified according to ISO 9001 (Quality) and ISO 14001(Environment) standards, to NOS Sistemas and NOS Inovação. We also certified NOS Comunicações according to OSHAS 18001 (Health & Safety) and ISO 20000 (Service management) standards. Additionally, we integrated ISO 27001 (Information security) certification of NOS Sistemas.

We developed a sustainability indicators system, based on the Global Reporting Initiative G4 Guidelines and supported by a propriety IT platform, that will make performance tracking and reporting more efficient and reliable.

Finally, we conducted a sectoral benchmark that mapped the most relevant sustainability issues for telecommunications companies and performed an in-house brainstorm on how to respond to them. Taking advantage of the approval, in September 2015, of the new Sustainable Development Goals (SDG), we have integrated these global targets in our analysis and identified the goals to which we can contribute the most. We are now preparing a formal materiality analysis, involving internal and external stakeholders, the results of which will inform our sustainability strategy for the next three-year cycle.

Given the delay in the conclusion of our materiality analysis, we decide not to publish NOS first Sustainability Report in 2016. This Communication On Progress aims to fill that information gap, providing relevant data regarding our commitment to the UN Global Compact Principles, including actions, outcomes and quantified performance on social and environmental key issues. We will also publish this information in our website.

We expect 2016 to be even more challenging. But NOS - together with our employees and partners is fully prepared to face those challenges and overcome them. It is our belief that the Telecommunications sector offers countless opportunities to build a better society and this will remain our permanent motivation.
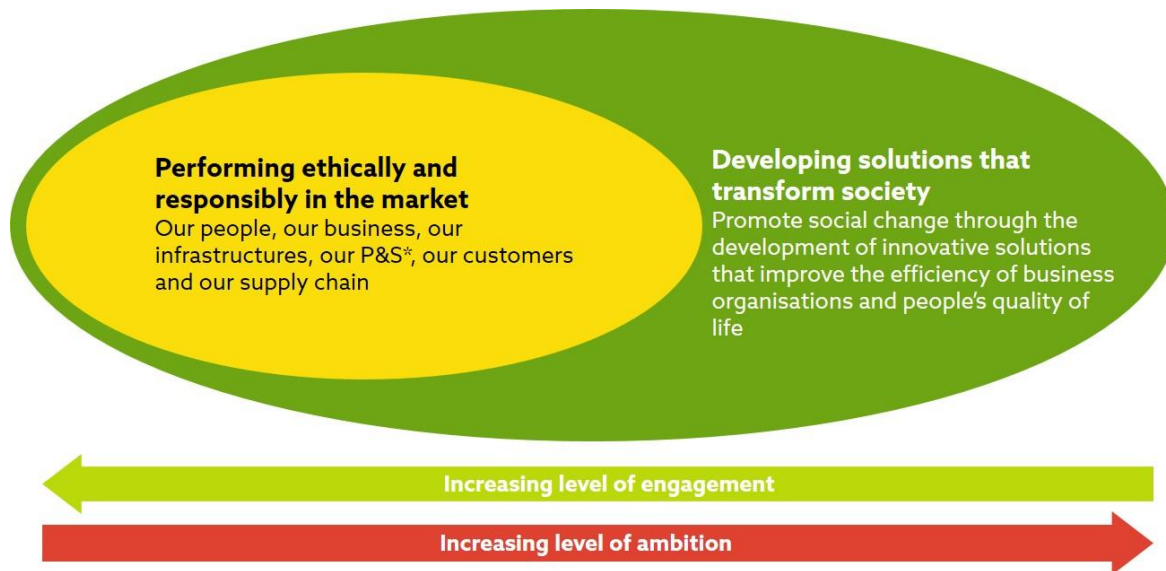
Thank you,

Miguel Almeida
NOS CEO

NOS, SGPS, S.A.
Sociedade Aberta

Our vision

Our vision

Commitment

We believe that information and communication technologies are a crucial instrument for the implementation of a sustainable development model. Therefore, we are committed to contribute towards the development of society through innovative products and services. Together with our employees, our customers, our shareholders, investors, suppliers, partners, government and regulatory entities, the industry, third sector organisations and society in general, we seek to explore new opportunities which may lead to a better future for the global community.

Performing ethically and responsibly in the market
Our people, our business, our infrastructures, our P&S*, our customers and our supply chain

Developing solutions that transform society
Promote social change through the development of innovative solutions that improve the efficiency of business organisations and people's quality of life

Increasing level of engagement

Increasing level of ambition

* Products & Services

Available at www.nos.pt

Our vision

Strategy

To manage sustainability issues means implementing processes for the identification of our stakeholders and understanding their current and future needs and concerns. We began NOS' first strategic cycle by performing a thorough benchmarking of the sector, which allowed us to pinpoint the most relevant sustainability topics for the telecom sector. The sector's material topics were then compared with topics that had been identified during the latest strategic cycle performed within the scope of the management system and analysed in light of the legal and regulatory framework, international policies and commitments in the domain of sustainable development as well as the major risks of sustainability on a global level. It should be noted that we have already integrated the analysis of the Sustainable Development Goals (SDG) into this process, identifying the goals to which we can contribute.

Our vision

Strategy

An initial reflexion was carried out based on these elements, focusing on the potential impact of each topic on NOS and the best ways for the organisation to manage each one. The following table includes the preliminary results arising from this analysis and provides an overview of the main risks and opportunities sustainability poses to our business.

Ethics	Employees	Privacy and Security	P&S	Environment	Society
▼	▼	▼	▼	▼	▼
Alignment with ethical principles	Balance between professional and personal lives	Data protection	Network infrastructure	Energy and GEE emissions	Accessibility
Conflict of interest	Development	Secure use	Customer service	Waste	ICT literacy
Corruption	Salaries and benefits	Access to contents	Responsible marketing		P&S that reduce environmental impact
	H&S				P&S that improve quality of life

Social and environmental performance of supply chain

Materiality will be assessed through an internal review process complemented by the inputs resulting from a wide-ranging engagement of external stakeholders. The results of this process will provide the basis for NOS' sustainability strategy, which will guide our actions during the 2015-2018 period.

Our vision

Sustainability management

> **Mission**
>
> To pursue NOS' Sustainability goals and define mechanisms suitable to monitor, report and stimulate the different areas with a view to improve the interaction between the foundations of sustainable growth – economic development, environmental performance and social responsibility – while ensuring the fulfilment of regulatory requirements subscribed and monitoring the interaction between processes so as to maximise their continuous improvement.

Environmental and social issues have been addressed as a fundamental part of our values and principles since the inception of our activity. Therefore, we created a structure for the management of sustainability, including the distribution of internal duties and the definition of a strategic cycle and an operational cycle. The management of sustainability is performed based on these two cycles: a strategic cycle, a three-year cycle to identify material topics based on their impact on the company and their relevance to our stakeholders; and, a operational cycle, a one-year cycle, involves analysing the preceding year's results and defining of annual goals.

The management system (Quality, Environment, Health and Safety) is integrated into the sustainability management cycles.

Our vision

Sustainability management

Through NOS SGPS, NOS Comunicações, S.A., NOS Inovação S.A., NOS Sistemas, S.A., NOS Technology, S.A. and NOS Towering, NOS is certified regarding quality and environment according to the ISO9001 and ISO14001 standards, respectively for the companies and scopes defined in figure. NOS Comunicações is certified according to the OHSAS 18001[a], ISO 27001[b] and ISO 20000[c] standards. Additionally, NOS Sistemas is also certified according to ISO 27001[d].
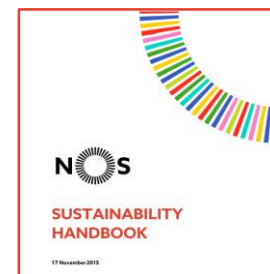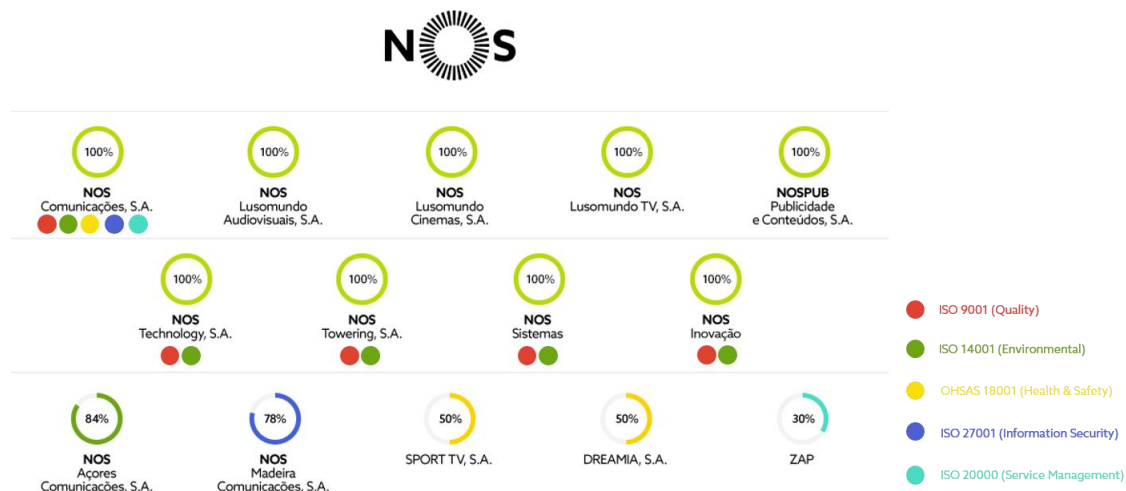
Available at www.nos.pt

[a] The scope of the Occupational Health and Safety component is only Corporate Products and Services. [b] The scope of the Information Security component is the business processes "Customer Management" and "Billing and Charging" for fixed and mobile service clients, in the market segments: Residential, Personal, Business (with primary focus on Corporate clients) and Wholesale. [c] The scope of the Service Management component is for telecommunications and ICT services to corporate customers, according to the service catalog and from Lisbon and Oporto operational centers. [d] The scope of the Information Security component is the security processes related to the housing services in data centers.

Our vision

Reporting

Contrary to what was expected, since we haven't yet completed the strategy and all our reporting system is based on GRI 4.0, we will not publish a formal sustainability report in 2016. Therefore, it is crucial that we conclude the materiality review process integrated in the strategic cycle.

We have developed a sustainability indicators system, based on the Global Reporting Initiative G4 Guidelines and supported by a propriety IT platform, that will make performance tracking and reporting more efficient and reliable. We will therefore start reporting key indicators in a new sustainability dedicated area in our corporate website.

* The scope of the Occupational Health and Safety component is only Corporate Products and Services.

Our performance

Our performance

Ethics

We approved a new corporate Code of Ethics and developed training tools and irregularities reporting mechanisms that have been implemented in 2015, thus ensuring compliance with the Code's principles by our employees. In 2016, we approved a short version of NOS Code of Ethics or Partners and Suppliers.

The Code of Ethics (hereinafter designated as the "Code") summarises the principles and rules that govern internal and external relations between the companies comprising the NOS Group (hereinafter designated as "NOS" or "the Group") and their stakeholders. It was created with the primary purpose of sharing those principles and rules as well as promoting and encouraging their observance.

This Code should be read in conjunction with the other instruments for regulating NOS' policies as well as any applicable laws and/or regulations in force at any given time.

The Code applies to all members of the governing bodies and all of the Group's employees (hereinafter designated as "Employees") and, mutatis mutandis, to all who represent NOS (hereinafter designated as "Partners") and to any person or entity providing services, whether on a long-term or temporary basis, to the Group (hereinafter designated as "Suppliers").

The code consists of three parts:
• Our people: sets out how NOS relates with our own people, how we expect them to relate with each other and the attitude we all must adopt regarding the business
• Relations with stakeholders: NOS and our Employees are committed at institutional and individual level to observe strict ethical principles in the relations with our stakeholders, in accordance with the latter's needs and specificities as well as the strictest principles of rigour and transparency in all forms of reporting
• Business conduct: NOS and its Employees undertake to create value in the long term, as well as to develop and put in place mechanisms permitting an honest and transparent business management: legislation, use of resources, use of information and conflict of interest and corruption and bribery.
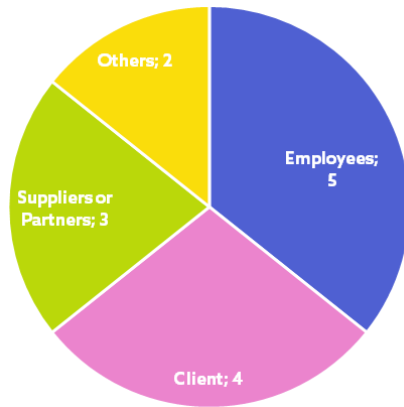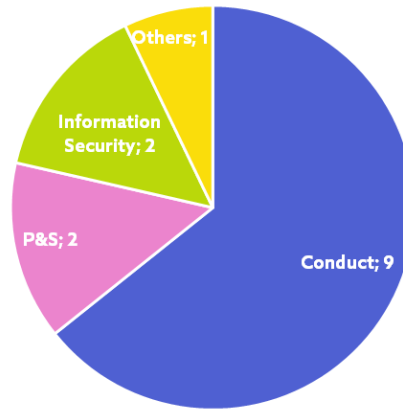

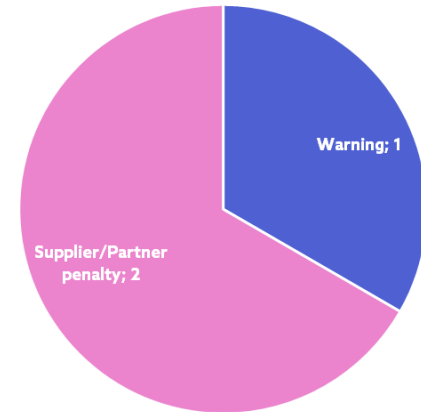Available at www.nos.pt

Our performance

Ethics

In 2015, NOS' Ethics Committee was informed of 14 alleged irregularities reported by NOS stakeholders, most of them related with conduct. The Ethics Committee is able to receive requests for clarification or the manifestation of concerns related with the Code of Ethics and its observance, presented by employees, partners, suppliers, customers or third parties, in person or in writing. The Ethics Committee also appreciates the requests for clarification and concerns relating with possible breaches of the Code of Ethics.

Alleged irregularities reported by stakeholder 2015

Others; 2
Employees; 5
Suppliers or Partners; 3
Client; 4

Nature of issue 2015

Others; 1
Information Security; 2
P&S; 2
Conduct; 9

Resolution of issue 2015

Warning; 1
Supplier/Partner penalty; 2

Our performance

People

NOS in attracting and developing talent, investing in the professional development of employees and in strengthening the feeling of belonging to and pride in the organisation, by promoting a culture of gratitude for and acknowledgement of work well done and of the additional efforts of our people.
In 2015 the performance and development model was designed and put into practice, the careers model was consolidated, the NOS Campus corporate university was implemented and the first edition of NOS Alfa trainees programme was launched.

Performance and development model
NOS Performance and Development Model is based on principles of universality, transparency and impartiality and merit-based differentiation this allows fair and impartial transverse management of performance that enhances results, takes behaviour and attitudes into account, and encourages diversity.

NOS Campus
Based on the "For us all" concept, the corporate university is a venue for sharing and transferring knowledge among all professionals and for the development of their potential and talent. It is also pole of innovation, taking the external environment into account, designed to generate new ideas, to transform and include them into our organisation.
In performing all the activities laid down for the NOS Campus, the HRD relies not only on the collaboration and experience of in-house instructors, but also on national and international partners, including universities (national and international), business schools and consultancy companies.
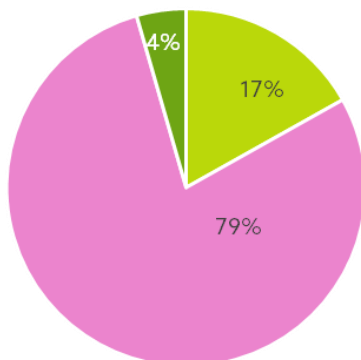
Our performance

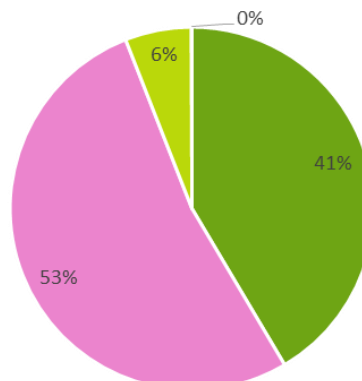## People

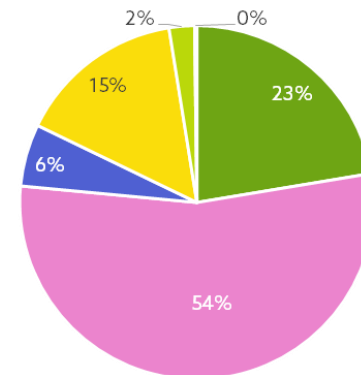In 2015 NOS had 2,482 employees (+4%), out of which:
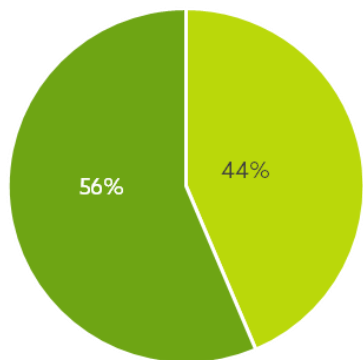
Gender 2015

- Female
- Male

Age 2015

- Under 30 years old
- Between 30 and 50 years old
- Over 50 years old

Education level 2015

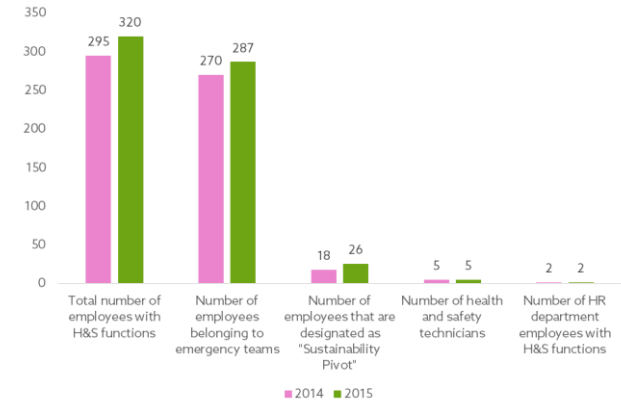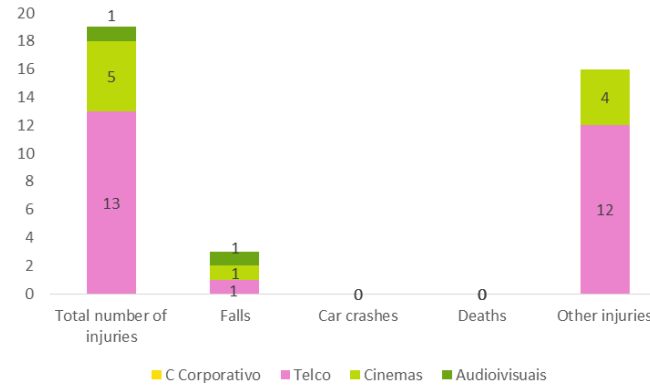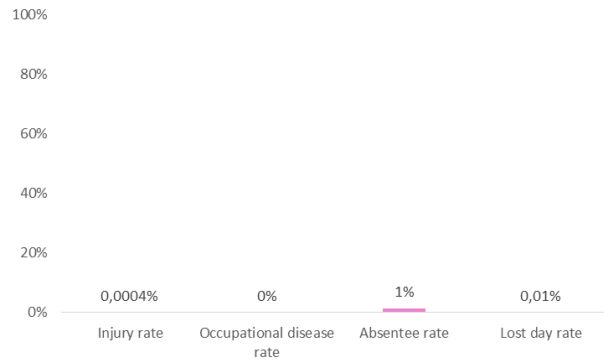- Secondary education
- Degree
- Master
- PhD

Organisational group 2015

- Assistant
- Professional
- Specialist
- Manager
- Director
- Executive Committee

Our performance

People

In 2015, there were 21 incidents within NOS' universe.

Injury, occupational diseases, absentee and lost day rate 2015

Types of injury 2015

Number of employees with H&S functions 2014-2015

Our performance

People

In 2015 we started a number of across the board training initiatives, addressing all NOS' employees, on ethics, information security and physical security, which had significant increases both in number of participants and training hours.
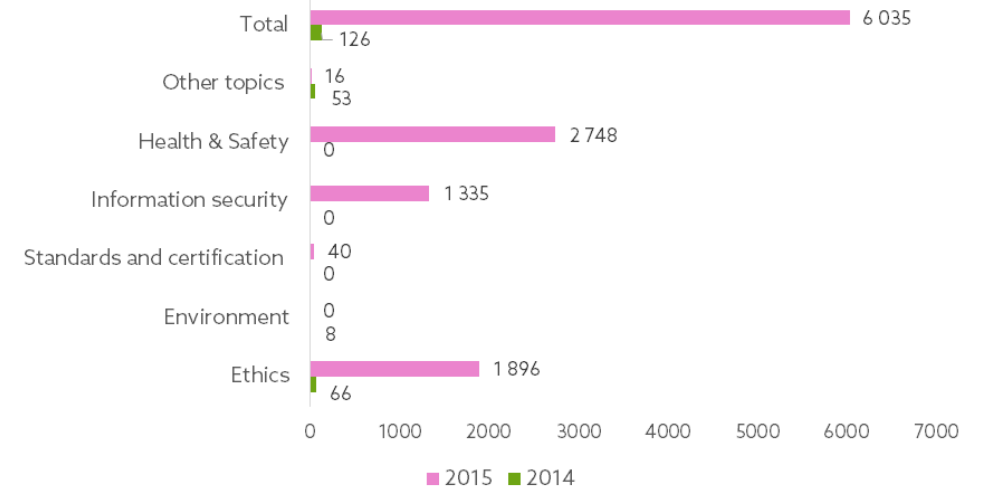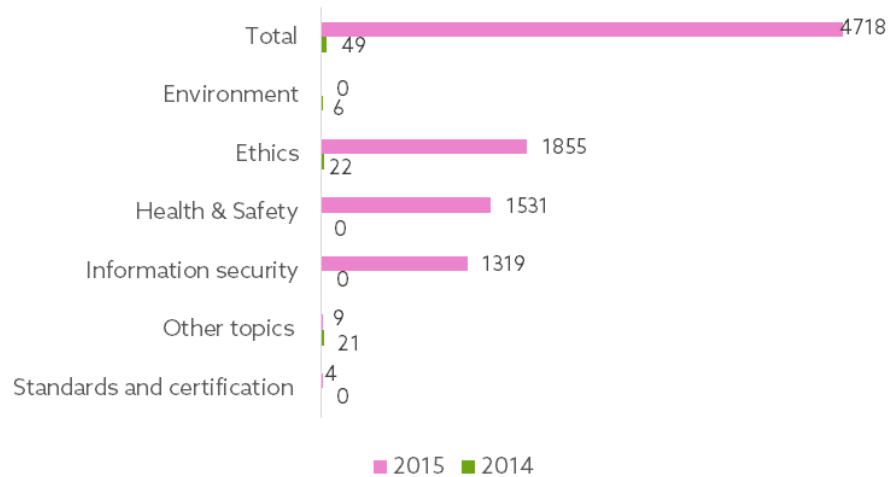
Total number of participants in sustainability training 2014-2015

Hours of sustainability training 2014-2015

Our performance

Supply chain

Given the importance of involving our Suppliers and Partners in our activities, we take great care with their selection and our relationship with them. The quality of the products and services NOS acquires is crucial in order to maintain and improve the rating of our own services.
This document provides guidelines that summarise our outlook, our commitment and our conduct regarding sustainability and must be followed by all NOS Suppliers and Partners.

The requirements set out are grounded on Portuguese and EU laws as well as international business charts and convention subscribed by NOS such as the ten United Nations Global Compact principles.

The Sustainability Requirements for Suppliers and Partners set out specific provisions regarding:
*   Ethics
*   Information Security and Business Continuity
*   Energy and Emissions
*   Waste
*   Health and Safety

Our performance

Supply chain

NOS evaluates the performance of our suppliers based in two criterias: quality of products and services and sustainability performance. For the latter, suppliers are asked to complete a web-based questionnaire, and to provide certificates and other evidence to support their social and environmental performance (ethics, environment, labor practices, society and operations risk countries (if applicable)). The 2015 evaluation involved 147 suppliers: 106 large suppliers and 41 small supplier.
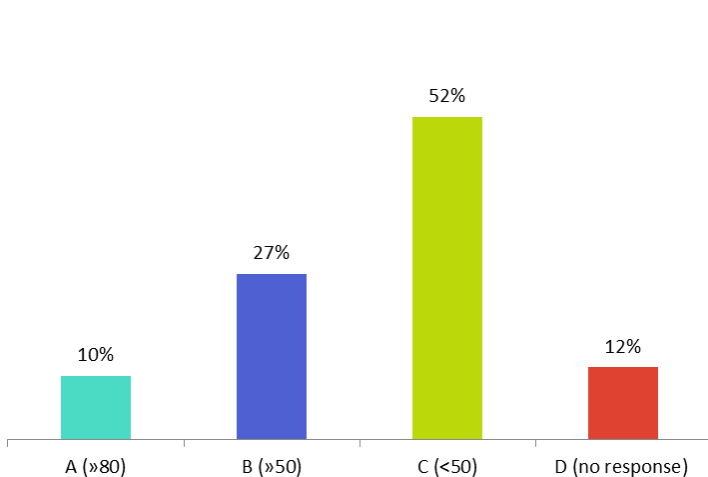
Results by performance level 2014
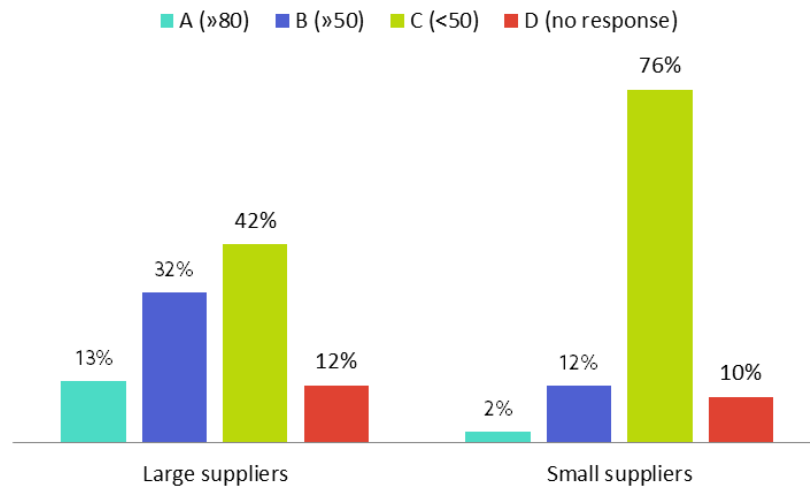
Performance by type of supplier 2014
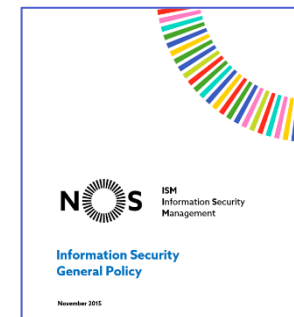
Our performance

Information Security and privacy

NOS has adopted best practices to manage the risks related to security and continuity, having developed since the 2000s programmes for Information Security Management (ISM - Information Security Management) and Business Continuity Management (BCM - Business Continuity Management).

The Security policy at NOS defines the Information Security Principles that must be followed by employees and service providers of NOS, as well as defines the levels and security domains and the respective control objectives. The Policy, which goal is to protect information and assets, is voluntarily based on adapting recommended international standards, such as the ISO 27001 standard and the Technical Guidelines for Security Measures of ENISA - European Network and Information Security Agency.

NOS is also committed to ensuring the fundamental rights of individuals to Privacy, especially the protection of the personal data of its customers.

NOS has specific procedures to ensure the Continuity of critical operations and of the communication services provided to its customers, which also include Crisis Management Plans to cover scenarios of technical and operational failures, or others with an impact on customers and brand reputation.

Our performance

Information Security and privacy

In 2015, we analysed 29 complaints regarding alleged violations of customer personal data. None of these claims has been proven.

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- ■ Leaks of customer personal data
- ■ Thefts of customer personal data
- ■ Losses of customer personal data
- ■ Unintended disclosure of customer personal data
- ■ Misuse of customer personal data

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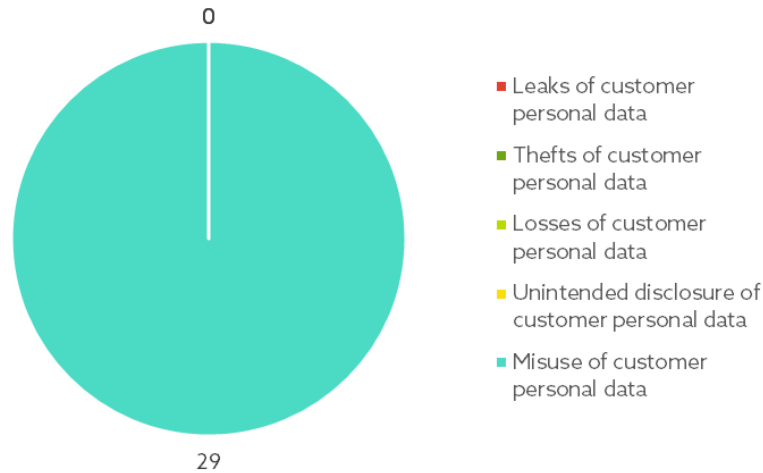
Total number of complaints received regarding breaches of customer privacy and losses of customer data analyzed 2015

Our performance

Environmental impact of our products and services life cycle

Managing the environmental impact of our products and services' life cycle, means:

- Minimising the negative environmental effects of activities throughout our entire value chain – from the production of equipment and installation of infrastructures by our suppliers to the use of products and services by our customers;

- Developing solutions that fulfil the potential of new technologies, improving environmental performance in sectors ranging from industry to retail and services.
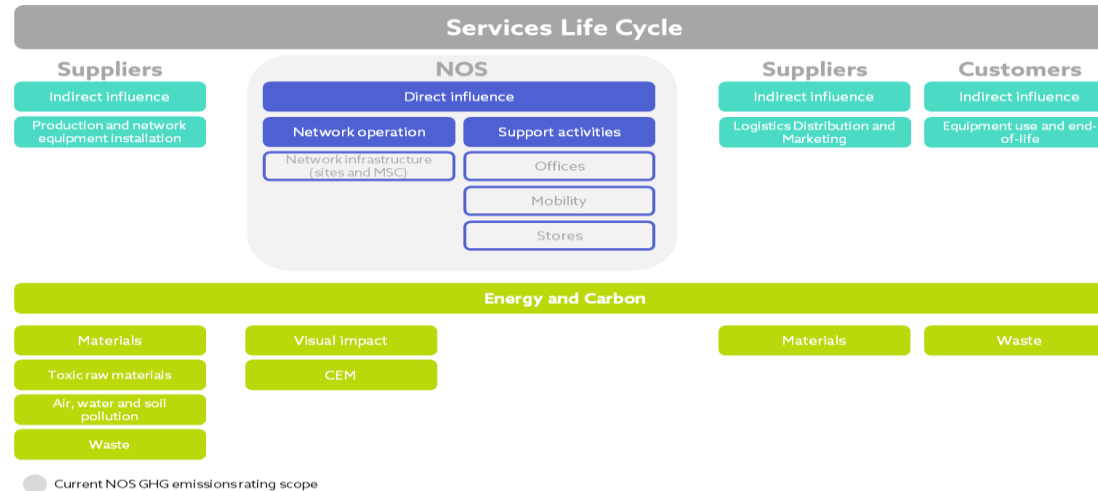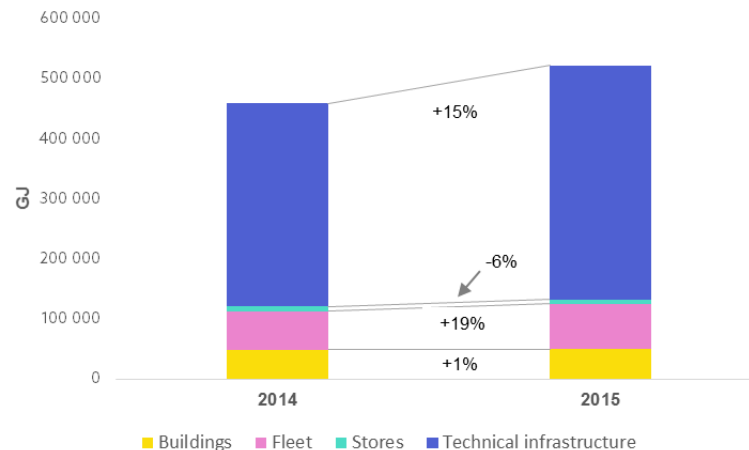
Our performance

Energy and carbon emissions

• Energy consumption and related GHG emissions are the most important environmental impact of our value chain. NOS direct energy consumption totals around 115 GWh/year (80% in our technical network and 20% in support activities). Total consumption grew from 2014 to 2015 as a result of organic growth and a continued shift towards data-driven more energy-consuming services profile.

• We continually implement energy efficiency projects, with a focus on our main technical sites, in particular Mobile Switching Centers (MSC) and Data Centers. Projects implemented to date delivered a 7% improvement in energy efficiency indicators and have put NOS energy perfomance above the telecommunications setor average.

• NOS as also implemented a project (SavEnergy) that reduced energy needs and installed renewable electricy own-generation in access network sites.
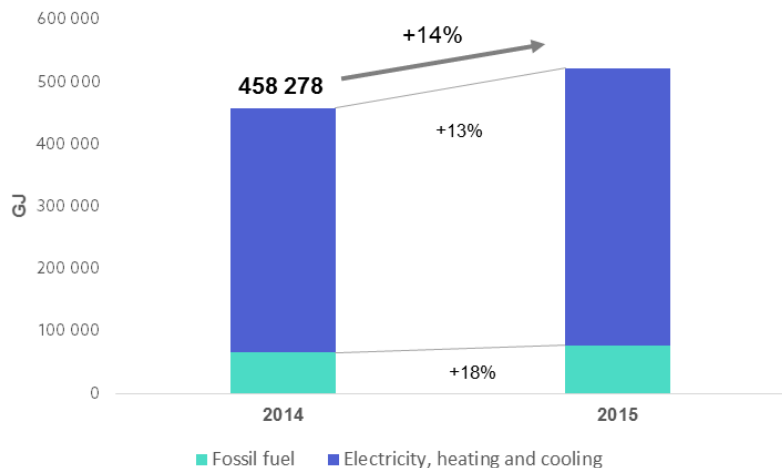
Energy consumption by energy type 2014-2015

Energy consumption by business activity 2014 - 2015

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Our performance

Energy and carbon emissions

- Electricity consumption accounts for around 90% of NOS combined scope 1 and scope 2 emissions. Projects that improve energy efficiency and increase the share of renewables in electricity consumption are therefore essential to reduce the carbon footprint from our direct operations.

- Sharp increase in scope 2 emissions from 2014 to 2015 resulted from the combined effect of energy consumption increase and higher carbon content of purchased electricity, given the exceptionally dry year that reduced the resort of Portuguese electricity suppliers to hydro and wind generation.
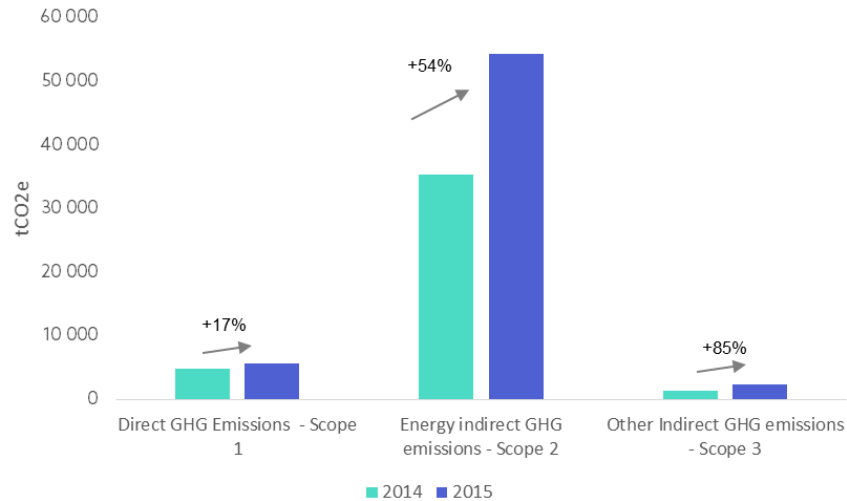
Greenhouse gas emissions by scope 2014 - 2015

Notes:
Scope 2: Calculated using supplier specific emission factors (*market-based method*).

Scope 3: Does not include emissions from employee commuting and emissions from waste treatment in 2014.
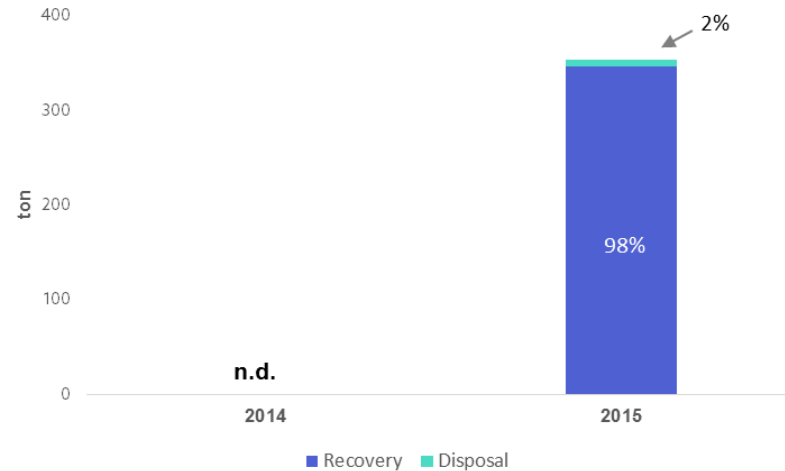
Our performance

Waste

- End-of-life electric and electronic equipment make up the most relevant waste category resulting from NOS activities. Significant amounts of paper and cardboard are also generated in our backoffice facilities and logistics operations.

- Almost 100% of waste generated in our direct activities is collected separetly and recycled.
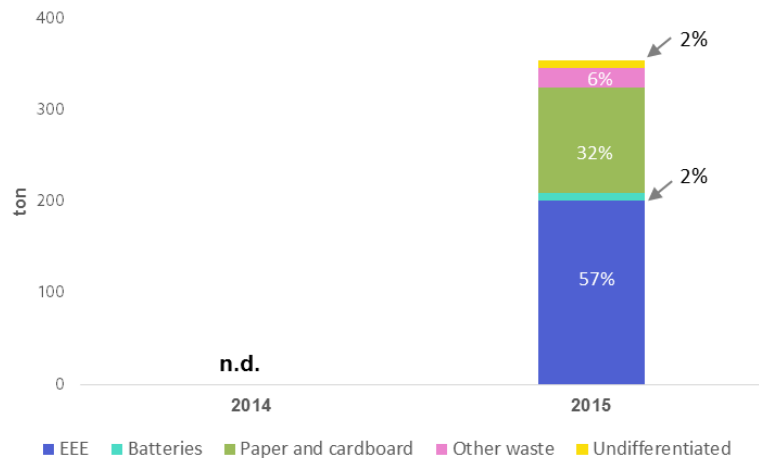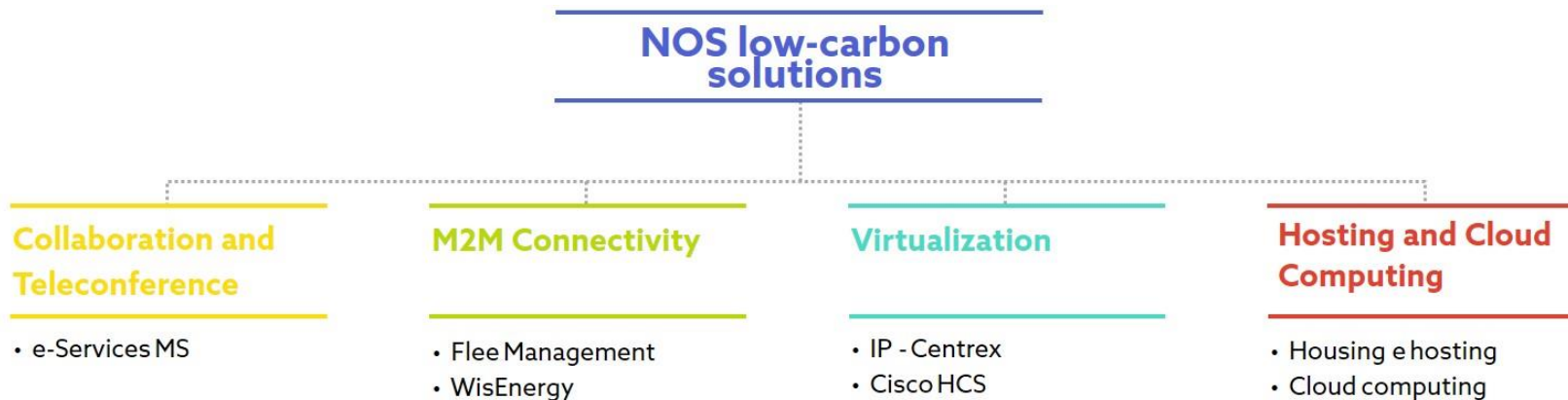

Waste generation by category 2014-2015

Waste generation by final treatment type 2014 - 2015

Our performance

Solutions that reduce our customers' impact

ICTs are crucial for the transition to a low-carbon economy. Estimates suggest that this sector may have the potential to reduce global CO2 emissions by 15% by 2020.
In order to fulfil this potential, we have developed innovative solutions in our businesses areas which enhance our customers' functions and productivity while reducing their carbon footprint. Dematerialisation solutions that reduce materials consumption and waste generation; energy management solutions that reduce consumption of facilities and vehicle fleets; cooperation and telecommuting solutions that minimise travel.

NOS low-carbon solutions

Collaboration and Teleconference
- e-Services MS

M2M Connectivity
- Flee Management
- WisEnergy

Virtualization
- IP - Centrex
- Cisco HCS

Hosting and Cloud Computing
- Housing e hosting
- Cloud computing

Our performance

Developing products and services that improve quality of life

We acknowledge the crucial role played by the ICT improving social inclusion, empowering people and promoting a knowledge-based society. In this way, we are committed to develop products and services that will have an impact on people's quality of life and target three major goals:
• Ensuring ICT access to all customers regardless of their age, disabilities, language, culture or computer literacy, through the development of products and services of great social and environmental value;
• Contributing to the increase of activities that generate economic value in local communities (local recruitment, investment in the community, local suppliers, etc.);
• Using ICT as a factor of innovation and contribute to the information society.

In this regard, our Patronage Policy and Community Intervention Programme – the development of which is dependent on the conclusion of the strategic cycle – will focus on contributing to literacy, particularly in ICT, ensuring access and training civil society in the use of ICT regardless of age, disability, language, culture and ICT literacy.

Global Compact
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