A future connecting people and companies, committed to deliver

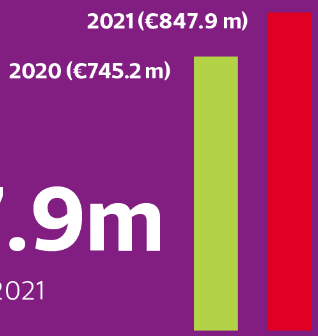
Committed to Deliver

Integrated Report **2021**

Main Indicators

Financial Indicators

Revenues



€847.9m
Total revenues in 2021

Mail & other	Banco CTT	Financial Services
€444.4 m	€98.9 m	€48.9 m

Express & Parcels – €255.7 m

Portugal	Spain	Mozambique
€135.1 m	€117.3 m	€3.2 m

Community Indicators

12,608
CTT Employees

2,356
CTT Access points

Sustainability Indicators

1st
fully electric CTT Hub

346
Ecological Vehicles in fleet

Operational Indicators

485 m
Addressed mail volumes

573k
Banco CTT
No. of current accounts

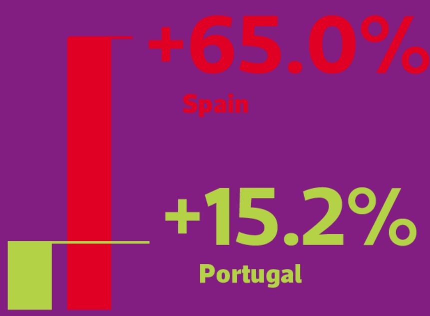
Guidance **delivered**

Recurring EBIT €60.1m

Portugal 32.7m

Spain 41.1m

Express & Parcels volumes



Annual growth in volumes

This document constitutes an unofficial and unaudited version of the official document (ESEF format) of CTT Group financial information, submitted on the CMVM website on 16 March 2022 and published on CTT Group's website.

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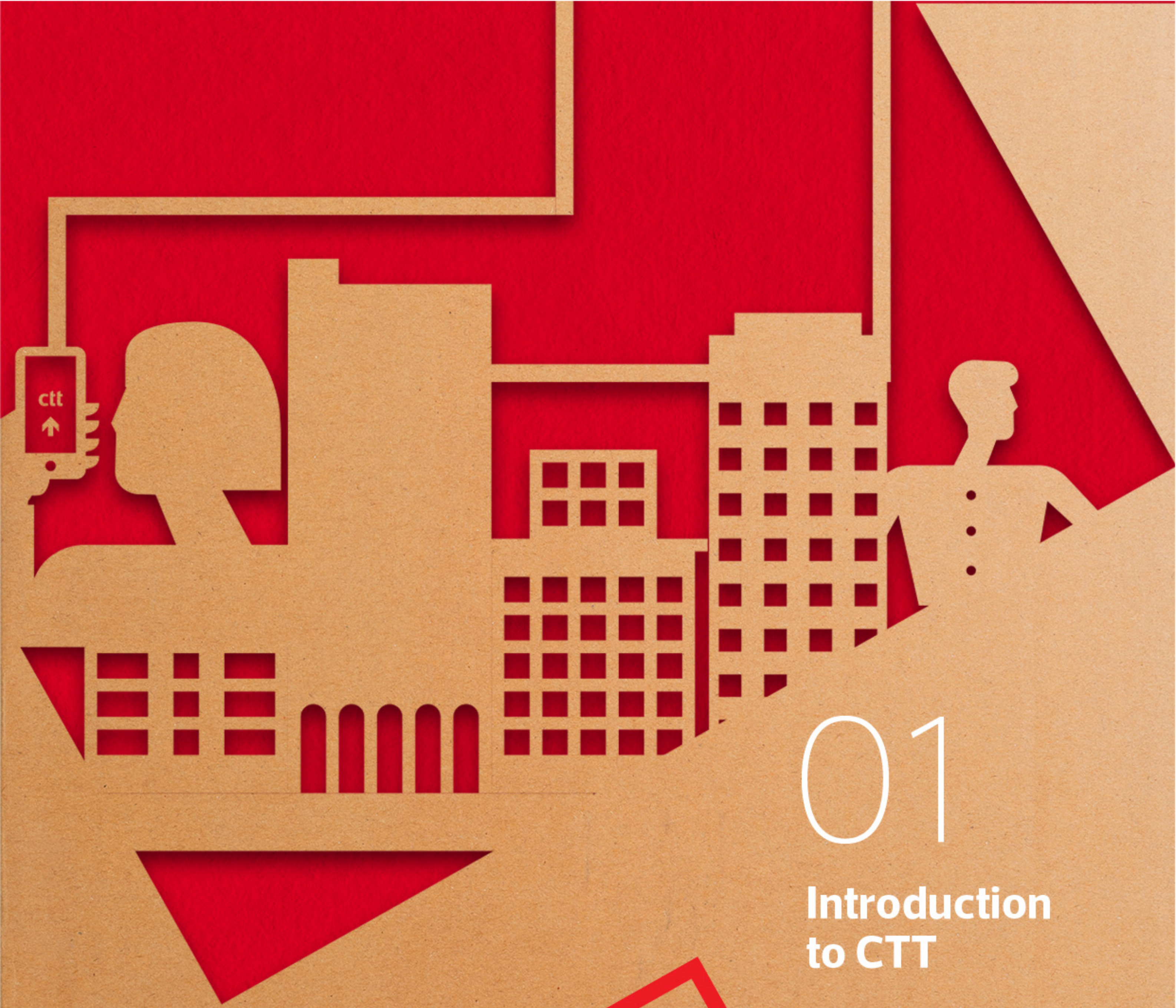

01

Introduction to CTT

A future in innovation

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Raul Galamba de Oliveira Statement

Raul Galamba de Oliveira
Chairman of the Board
of Directors

1.1 Statement of the Chairman of the Board of Directors

GRI 102-14, 102-32

Despite the enormous challenges faced, 2021 was a year of great progress for CTT, with solid results in all business areas, and with important steps in preparing for the future.

After a first year of pandemic, the beginning of 2021 brought about a steep rise of infections, limiting the mobility of the population and the activity of companies, especially in the 1st quarter. This had a knock on effect on the stability of our operations and on the evolution of the mail business, compounding the structural decline due to the digitalisation of communications. Halfway through the year, the end of the Value Added Tax exemption on low value extra-EU purchases (de minimis) strongly reduced international inbound flows, adding a new challenge to the profitability of CTT's portfolio of businesses.

In a context of strong headwinds, the performance demonstrated by the Company to find solutions to the challenges it faced and meet its objectives confirms the success of the ongoing transformation program. In the Express & Parcels business CTT consolidated its leadership position in Portugal and developed the operation in Spain, exceeding the goals set out in the strategic plan. The Business Solutions, Financial Services business units and Banco CTT also contributed to the Company's performance. The excellent results in terms of revenue growtn 13% above 2020 and profitability (EBIT of 7.1% vs 5.6% in 2020 confirm the resilience of the business model and justify the market's growing confidence in the Company.

At the same time, CTT maintained a constant investment effort in 2021 to consolidate its platforms and develop new opportunities. Significant investments were made in the Express & Parcels network, both in Portugal and in Spain, and in technology to support the remaining businesses. The partnership with Sonae Financial Services (credit management of the Universo card by Banco CTT), the acquisition of NewSpring Services (strengthening of the Business Solutions unit), and a partnership with YunExpress (development of the leading locker network in Portugal) were concluded with early promising results. This said, above all, the year was marked by the successful conclusion of the new concession contract negotiation with the Portuguese Government. This key milestone opens a new cycle in the provision of the universal postal service under sustainable conditions.

This message must therefore celebrate the protagonists of the successes achieved in 2021. First and foremost are the operational and commercial teams in Portugal, Spain and Mozambique, who assumed first-hand responsibility with customers and embodied CTT's commitment to "total delivery". We must also acknowledge the effort and competence of CTT leadership teams and of the Executive Committee, and congratulate them for the results obtained and the essential contribution they have made to CTT's future.

Throughout the year, the Board of Directors supported the Executive Committee in the definition of strategy and in steering the Company's businesses, including in particular the management of service levels, the negotiation of the new concession contract, and the development of the Company's equity story. As always, the specialised Audit and Corporate Governance committees complemented the role of the Board, supervising the integrity of internal controls and the development of Company policies. In this area, significant progress was made in defining policies for talent development, objectives, evaluation systems and incentives for top managers, as well as the training and functioning of the Board.

If the balance of 2021 is thus clearly positive, the focus of the Company and its staff is already centred on the next stage. The priorities for 2022 include capacity building for the growth of the Iberian Express & Parcels business, the expansion of CTT's offer as an e-commerce enabler for companies, and the consolidation of the operational and technology platforms. It also includes further developing Banco CTT's consumer finance and value-added products using partnerships. Increasingly, the strategy for each of its units will be based on sustainability, an area in which CTT is already a reference in the sector and is intended to become an essential pillar of the business model. On all these fronts, the ambition for excellence and the commitment of the Company's employees and senior staff are the best guarantee for the future of the Company.

Raúl Galamba de Oliveira,
Chairman of the Board of Directors

João Bento

Statement

João Bento
Chief Executive Officer

1.2 Statement on the CEO

GRI 102-14

Pandemic, resilience, tediversification, e-commerce, growth, concession, and sustainability are some of the words omnipresent for CTT in 2021.

2021 was once again a year strongly marked by the pandemic, whose impact on the daily lives of people and companies, with greater or lesser intensity, remained very present throughout the year. Regardless of those disturbances, the company maintained the continuity of its services while guaranteeing the protection of employees, adapting operations to what turned out to be, apparently for an extended period, the new normal.

The most striking consequences of the prolonged pandemic were undoubtedly the sharp erosion in mail volumes, especially felt in the retail segment and the acceleration of the digital transformation of companies and the economy in general. On the other hand, there was a renewed favourable boost in parcel's volumes due to the continued growth of e-commerce.

Therefore, it may be said that 2021 consolidated a path of continuous transformation, albeit in a pandemic. This path translates into a constant search for the deepening of diversification lines and the strengthening of operational efficiency mechanisms, which are fundamental for short-term success. Above all, the company has returned to the sustainability of the growth trajectory.

Among the many notable aspects of the year, we must highlight the negotiation process of the new universal postal service concession contract, unilaterally extended by the Government at the end of 2020. The continuous follow-up of the process throughout the year leading to a new agreement went through critical stages, with particular emphasis on the interaction with the Working Group created by the Government to analyse the evolution of the universal postal service and, also and above all, on the developments associated to the process of direct award of the concession decided by the Government in September. The Council of Ministers then passed a Resolution that appointed a committee to prepare the specifications and assess the proposal for the new concession contract to be awarded directly to CTT, assuming the approval of a new Postal Law. Although approved at the end of 2021, this Resolution was only promulgated and published in February 2022, given the interposition of the electoral process. The new concession contract for the universal postal service entered into force still in February, following the waiver of approval by the Court of Auditors.

With the entry into force of the new concession contract, more balanced conditions are restored in the provision of the universal postal service and ensuring the Mail business sustainability. It has always been CTT's objective to continue to be the universal postal service provider, should sustainability conditions be in place. Therefore, the company faces a new cycle that begins with a sense of responsibility and satisfaction.

From the outset, the team I coordinate has given priority to the need to affirm a position of trust, a primary attribute of our brand, seeking to maximize elements of presence and proximity that I consider to be truly unique and, therefore, distinctive. Imbued with this spirit, we assumed and made public, soon after I arrived in office in 2019, the commitment to reopen the 33 post offices in the municipalities served by our presence through postal agencies. This process, which was also affected by the pandemic outbreak, was completed last November. CTT thus objectively and very tangibly reinforced its value proposition of proximity and capillarity and became closer to the Portuguese in these regions, favouring cohesion throughout the territory and boosting the economy in the interior.

Raising the level of abstraction with which we observe reality to the point of being able to identify cycles of social evolution, either associated or marked by trends or changes in behaviour, it is evident that the explosion of e-commerce is one of the most striking outbreaks of a "digital age" and the digitalization of the functioning of the society.

In this context, CTT continued to strengthen its position in e-commerce, supporting Portuguese businesses in their digital transformation and fostering the penetration and adoption of appropriate tools. Several initiatives were launched to enrich the portfolio of services and tools oriented to participating in the e-commerce value chain. In this regard, it is noteworthy the offer of a new service, in partnership with the Omnicom Media Group, aimed at small and medium-sized companies for the creation of online advertising campaigns, enabling campaigns in multiple digital media, from social networks to search engines, autonomously and intuitively. Along the same lines, and to allow our customers of e-commerce solutions to raise the levels of convenience to offer to their customers, a joint venture was set up to execute the creation and management of a parcel locker network with one of the largest Chinese e-commerce parcel logistics companies – YunExpress, itself a CTT customer. With a network of just over 200 lockers already fully operational, the goal was set to expand it to over 1,000 installations, ensuring more significant levels of operational effectiveness and efficiency and more environmentally sustainable deliveries.

Still, within the scope of the e-commerce offer, CTT also continued to develop other delivery solutions, consolidating some previously tested pioneering offers, a prime example of which is the instant delivery service (up to 2 hours), already in full operation with clients such as Worten, NOS and Zomato.

There are also significant facts in the Express & Parcels (E&P) business area: the turnaround process in Spain consolidated, largely exceeding the goal set for this year - to go from negative to positive monthly EBITDA before the end of 2021. CTT Express increased its market share, which is itself undergoing substantial growth. This was made possible by, among other factors, a significant investment in increasing capacity and automation – 16 sorting centres were opened, and 3 new sorters came into operation. As a result of these facts and various initiatives on the technology front, productivity progressed throughout the year, and operational breakeven was reached, with CTT Express making a positive contribution to the Group's EBITDA. In Portugal, it is worth noting the investment made in increasing parcel handling capacity – 5 new Sorting Centres and 3 new sorters – to correspond with high levels of quality to the expected growth in volumes, with emphasis on the prospects for the peak season. A partnership was also established and made operational with Santos e Vale to provide cargo delivery service, with a view to the turnaround of this segment and the contribution to the Group's margin, already observed in the last quarter of the year.

I cannot conclude this review of the annual performance in E&P without highlighting the progressively successful operation of Corre, our E&P partnership with the Mozambican Post Office. This is even more remarkable given the political and social developments in Mozambique, which went through a period of significant instability over the year.

The year we now report was also a year to affirm and deepen our condition as the preferred partner of companies when it comes to simplifying their physical and digital presence promoting their efficiency. With this in mind, we decided to strengthen this business segment of solutions for companies by acquiring NewSpring Services, a reference company in the business process outsourcing (BPO) and contact centre sector. The incorporation of New Spring into our offer portfolio led not only to significant productivity gains in contact centre operations already underway but also expanded CTT's capacity in important BPO areas, namely in the financial sector, where CTT's presence is already significant in mailroom projects, document management, and the like. The addition of CTT's highly structured sales force present throughout the territory to NewSpring's new set of competencies is not only promising, but it has already allowed the beginning of concrete results. However, the acquisition was only concluded in the third quarter.

To complete the overview of the main noteworthy aspects in the various business areas, it is essential to mention the renewal of the excellent performance of the retail network in the placement of public debt as the preferred form of saving by the Portuguese. By once again obtaining placements of around 4 billion euros despite the decrease in the average remuneration decided by the Treasury, the merit of the CTT network is reaffirmed as the best place for savings and financial services for retail. On the other hand, the year confirmed Banco CTT as a new source of profitability. The business growth continued at a good pace, strengthening its positioning as a proximity bank with a simple but robust and increasingly digital value offer. A most relevant partnership between Banco CTT and Sonae Financial Services was also started in 2021. Banco CTT became the sole lender of the credit originated by the Universo card, generating a portfolio of approximately €300m of new credit in the bank's assets.

The individual performance of each business area and an increasingly specialized vision and practice for the B2B and B2C segments, under which each client is viewed globally, aiming to maximize share of wallet with CTT, gave rise to a year with very interesting results.

I would like to begin by highlighting one of the most significant aspects: the repeated double-digit increase in Revenues - 14% - by more than €100m. Of even greater importance is the extraordinary performance in results - recurring EBIT and net profit - with growth of 45% and 130%, respectively. At the business unit level, it is important to emphasize the remarkable performance of the Express & Parcels business, contributing to around 60% of the revenue growth by growing close to 33%. This performance of E&P demonstrates how well the company has been able to take advantage of the e-commerce leap resulting from the progressive digitalization of the economy. In the specific case of Spain, the concrete results of the strategy designed for the turnaround have started to show their merit: revenues grew by approximately 62%, bringing the size of the business closer to that of Portugal, with a relevant gain in market share. But more importantly, as stated above, CTT Express reached the breakeven of accumulated operating profit, leveraged on the increase of scale and operating efficiency, making a positive contribution in terms of EBITDA for the first time in the recent history of CTT in Spain. It is also important noticing the extraordinary result of Banco CTT, which grew c. 20% in revenues, despite the challenging economic context and after the end of the moratoria. In the same defiant context, both due to the lower inflow to the network, for health safety reasons, and the remuneration rate reduction, Financial Services posted an exceptional performance with a strong increase in the placement of savings products. Finally, in terms of business diversification, I would also highlight the reduced reliance on the Mail business, with the contribution to recurring EBIT falling by 10 p.p.

With a remarkable stock market performance, a clear and explicit message of re-gathering with the Portuguese as a trustworthy brand and a high-profile environmental performance, the strength and credibility of the CTT brand was reinforced and once again received significant recognition: the Corporate Brand Award, with which we were distinguished in the 13th edition of the Marketeer Awards, the winning of the prestigious Prince Michael International Road Safety Award, reinforcing our position in the Portuguese market regarding our commitment to road prevention and safety, the Honourable Mention in the National Sustainability Award with the project "A Tree for the Forest", and, in the context of the capital markets, the notable Transformation Award in the Investor Relations and Governance Awards 2021 and the prestigious Equity Champion in the SME category in the Euronext Lisbon Awards 2022.

I reserve one last word concerning the year that has passed to cover the ESG topic. 2021 was a year of continuity and acceleration in progress on the environmental and social fronts. On the clean energy side, we continued with green investment, emphasizing the expansion of the ecological fleet - today, one of the largest electric fleets in the country - and the installation of photovoltaic energy production units for self-consumption. Still, on the environmental aspect, it is worth highlighting the already mentioned "A Tree for the Forest" campaign in partnership with Quercus, which has already planted more than 100,000 native trees since its launch. To encourage the circular economy and launch innovative and truly sustainable solutions, an offer of multiple-uses packaging for e-commerce was launched, allowing its reuse by e-sellers and e-buyers. Banco CTT also took the necessary initial steps in green solutions by launching a Sustainable Investment product with Zurich. This fund invests in the financial assets of companies and institutions that pursue and promote the Sustainable Development Goals. On the social side, proximity support initiatives, in particular through participation in contracts for the free distribution of goods - social donation in postage to the Aboim Ascensão Shelter, support for institutions such as the Serralves Foundation or the National Culture Centre and, through Payshop, the continued support to the protocols of the Portuguese Committee for UNICEF, the Life and Peace Community, the Portuguese Red Cross and Ajuda de Mãe. I would also like to highlight the re-launching of the volunteering project with EPIS, where mentors and volunteers support young people at risk of academic failure, a historic concern and initiative in CTT in which I started to participate as a volunteer.

2022 - the Future

After another year of growth, albeit atypical given the significant impact of the pandemic and the start of the new Universal Postal Service concession, we believe that a new cycle and a path to a more sustainable future is opening. The focus will remain on the idea of transformation and growth in a challenging context, but with significant opportunities, always maintaining our purpose of continuing, better than anyone else, to connect people and companies, committed to delivering.

In **Mail**, we believe that after the new concession agreement comes into force, CTT will be in a more balanced position. By continuing the process of integrating and optimizing the operational networks to increase quality and productivity, we will ensure the sustainability of the business.

In **Business Solutions**, we intend to leverage the increased capacity resulting from the integration of NewSpring Services, reinforcing our role as a supplier of a wide range of services to companies, focusing on specific solutions for SMEs, supporting them in the digital transformation process, with special emphasis on e-commerce, but also with customized solutions for large companies. We will continue exploring and developing BPO solutions, advertising, e-commerce services and back-office management tools.

In the **Express & Parcels** area, we want to continue to be a catalyst for e-commerce in Portugal, progressing in affirming our condition as a reference Iberian player, growing in both countries and broadening the scope of action in Spain. We want to have a wide offer of e-commerce services, being present throughout the entire value chain from the display of their products online ("Criar Lojas Online" - create online shops - and local trade app) to their promotion and advertising, payment solutions, multiple delivery solutions, including instant delivery, a unique and innovative network of pick-up and drop off points, which includes an extensive network of lockers, returns management solutions, all displayed in omnichannel, focusing on convenience and promoting impeccable user experiences for the addressees. We want to progress in consolidating an Iberian operational network, leveraging the increase in capacity carried out in 2021 to increase volumes and obtain unparallel service levels in the Iberian market. We will also seek to expand our presence in the value chain, investing in a strong presence in the fulfilment sector in Iberia.

In our **retail network**, we will proceed with the digitalization work by promoting hybrid and complementary interaction experiences with services (e.g., sending mail or parcels) that can be initiated digitally - web or mobile - and complemented with a physical presence in the post office, or through self-service solutions in the post office, ensuring greater convenience and proximity to customers. We will continue to expand the portfolio of financial products, leveraging the extraordinary capacity to place savings, as well as credit and insurance products.

Banco CTT will continue its path of sound positioning as a solid and straightforward bank for retail customers. It will continue a path of progressive monetization of its customer base, focusing on the growth and digitalization of this relationship. It will continue to expand the offer of savings and credit solutions, namely in easily accessible products - such as pre-approved digital credit or offers of buy-now-pay-later (BNPL) solutions, namely by combining credit skills with the tools originated in our payments area - Payshop. This new cycle of profitability should also see the bank opening its capital, as announced long ago, to accelerate growth, mobilizing strategic partners that may wish to join the bank.

The pace and scope at which we intend to transform CTT requires agility and focus unparalleled in the company's history. The transformation process will proceed in a progressively more emphatic manner, organized around four essential pillars - product/customer experience, operations, people and technology - which we consider fundamental to ensure success in achieving the ambition we set while responding to our customers' needs.

The clarification of the USO concession issue makes room for a journey of corporate development initiatives, where efforts towards optimizing the capital efficiency of our business – including real estate optimization – should acquire a new impulse.

I have left to the end our strong and meaningful statement of commitment to continue to be a reference in Portugal and Spain, and within the postal industry worldwide, around sustainability, in its environmental, social and governance (ESG) aspects. Acting in these various dimensions, we want to strengthen our commitment to reducing our carbon footprint, focusing on accelerating the electrification of our fleet and the sustainable generation of electricity for self-consumption, but also on the development and generalization of "greener" products and services. We will add to this agenda the reinforcement of proximity to the populations we serve and to the communities where we are present, a constant and historical concern of CTT, which, combined with a practice that is highly demanding in terms of corporate governance, allows us to face the future with unwavering confidence.

João Bento,
Chief Executive Officer

Executive committee

João Bento
CEO
Executive Director

António Pedro Silva
Executive Director

Guy Pacheco
CFO
Executive Director

João Sousa
Executive Director

João Gaspar da Silva
Executive Director

1.3 Explanation of the Nature of the Integrated Report

Scope and boundary

GRI 102-1, 102-5, 102-10, 102-45, 102-46, 102-48, 102-49, 102-50

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

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

The 2021 integrated report communicates CTT's strategic vision and commitment to generate value over time and promote environmental protection and social integration. It includes information on issues that significantly affect CTT's ability to generate value in the short, medium and long term.

This report discloses the results relative to the financial year ended on 31 December 2021, whenever possible presenting aggregate information on CTT, S.A. and all its subsidiaries, jointly referred to as CTT.

During the reporting period, CTT acquired the company HCCM – Outsourcing Investment, S.A. and its subsidiary NewSpring Services, S.A., and incorporated the companies CTT IMO – Sociedade Imobiliária, S.A. and Open Lockers, S.A., the latter in partnership with YunExpress, the logistics business unit of the Chinese company Zongteng Group. However, these transactions do not significantly change the scope of the reporting in relation to the previous year.

CTT – Correios de Portugal, S. A. – Public Company is a public limited liability company listed on the stock exchange since 2013, with 100% of its capital dispersed among institutional and private shareholders. The Board of Directors was composed of fourteen executive and non-executive Directors as at 31 December 2021. The corporate bodies were elected for the 2020-2022 three-year period at the General Meeting held on 29 April 2020.

Commitment

GRI 102-51, 102-52, 102-54, 102-55, 102-56

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

This is CTT's seventeenth annual sustainability report and the fourth to include the financial, non-financial and corporate governance reports.

The reporting structure and contents comply with the Global Reporting Initiative (GRI) guidelines as a reference for the preparation of sustainability reports and respective protocols for the calculation of indicators. This report was prepared in accordance with GRI Standards: Comprehensive Option, attributed by the verifying entity Ernst & Young Audit & Associados - SROC, SA.. Whenever a chapter or a section meet a GRI standard, this is indicated in the title of such chapter. In order to access the GRI Table with the location of each indicator, see Annex IV.

The report also complies with the objectives of the new European green taxonomy, a regulation for the qualification of environmentally sustainable economic activities, as well as the recommendations of the Portuguese Securities Market Commission (CMVM) on sustainability.

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

In 2021, as in previous years, based on the reporting model featured in CMVM Regulations and the recommendations of the Portuguese Corporate Governance Institute (IPCG) Code as amended, CTT continues to comply with a significant set of recommendations relative to corporate governance.

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

1.4 Key Figures

1.4.1 Economic and financial indicators

GRI 102-7

€ thousand or %, except where otherwise indicated

	'20	'21	Δ 21/20
Revenues[1]	745,240	847,870	13.8%
Operating costs EBITDA[2]	641,614	729,771	13.7%
EBITDA[3]	103,627	118,099	14.0%
Depreciation & amortization[4]	62,136	58,006	-6.6%
Recurring operating costs	703,749	787,778	11.9%
Recurring EBIT	41,491	60,093	44.8%
Specific items	6,984	(1,779)	-125.5%
Operating costs	710,733	785,998	10.6%
EBIT	34,507	61,872	79.3%
EBT	23,126	50,808	119.7%
Net profit before non-controlling interests	16,767	38,591	130.2%
Net profit for the period[5]	16,669	38,404	130.4%
Earnings per share (euro)[6]	0.11	0.26	131.8%
EBITDA margin	13.9%	13.9%	0.0 p.p.
Recurring EBIT margin	5.6%	7.1%	1.5 p.p.
EBIT margin	4.6%	7.3%	2.7 p.p.
Net profit margin	2.2%	4.6%	2.4 p.p.
Capex	33,438	36,147	8.1%
Operating cash flow	42,920	61,761	43.9%
Free Cash flow	21,843	45,334	107.5%

	'31.12.20	'31.12.21	Δ 21/20
Cash and cash equivalents	518,180	877,873	69.4%
Own cash	135,424	142,265	5.1%
Assets	2,894,903	3,585,199	23.8%
Equity	150,275	174,546	16.2%
Liabilities	2,744,628	3,410,653	24.3%
Share capital	75,000	75,000	0.0%
Number of shares	150,000,000	150,000,000	0.0%

[1] Excluding specific items.
[2] In 2021 and in 2020 (proforma), operating costs (EBITDA) include impairments and provisions; also, the impact of the leases covered by IFRS 16 is presented pursuant to this standard.
[3] Excluding depreciation & amortization and specific items.
[4] Depreciation & amortization were positively impacted in 2021 by the revision of the useful life of some assets.
[5] Attributable to equity holders.
[6] Considering the average number of ordinary shares that make up CTT's capital excluding the average number of own shares held by the Group as at 31 December 2021 (855,004).

1.4.2 Operating Indicators

GRI 102-2, 102-7

	'20	'21	Δ 21/20
Mail			
Addressed mail volumes (million items)	516.9	484.6	-6.3%
Transactional mail	447.2	415.7	-7.0%
Editorial mail	30.0	29.0	-3.5%
Advertising mail	39.7	39.9	0.4%
Unaddressed mail volumes (million items)	412.3	449.9	9.1%
Express & Parcels			
Portugal (million items)	28.4	32.7	15.2%
Spain (million items)	24.9	41.1	65.0%
Financial Services			
Payments (number of transactions; millions)	1.5	1.6	3.3%
Savings and insurance (subscriptions; €m)	3,837.9	4,428.0	15.4%
Banco CTT			
Number of current accounts	517,431	573,201	10.8%
Customer deposits (€k)	1,689,110.3	2,122,817.1	25.7%
Payments (number of transactions; millions)	44.6	46.2	3.6%
Mortgage loans book, net (€k)	524,584.1	594,823.3	13.4%
Auto loans book, net (€k)	560,240.6	648,570.0	15.8%
Credit cards book, net (€k)	—	292,098.5	n.m.[7]
LTD (including 321 Crédito)	64.8 %	72.7 %	7.9 p.p.
Number of branches	212	212	0.0%
Cost of risk	100.6 b.p.	108.3 b.p.	7.7 b.p.
Staff			
Staff as at 31 December	12,234	12,608	3.1%
FTE	12,255	12,882	5.1%
Retail, Transport and Distribution Networks			
CTT access points	2,366	2,356	-0.4%
Retail network (post offices)	562	570	1.4%
Postal agencies	1,804	1,786	-1.0%
Payshop agents	5,133	5,261	2.5%
Postal delivery offices	225	222	-1.3%
Postal delivery routes	4,648	4,396	-5.4%
Fleet (number of vehicles)[8]	4,018	3,964	-1.3%

[7] n.m. - not meaningful.

[8] The figure that appeared in the Integrated Report 2020 referred to CTT, S.A., so it was replaced with the Group's figure.

1.4.3 Sustainability Indicators

GRI 203-1, 203-2, GRI 302-1, 302-5, 305-1, 305-2, 306-2, 308-1, GRI 403-9, 405-1

	'20	'21	Δ 21/20
Customers			
Customer satisfaction (%)	83.0	83.5	0.5 p.p.
Staff			
Number of accidents	805	789	-2.0%
Training (hours)	187,598	215,046	14.6%
Women in management positions (1st level) (%)	20.4	12.5	-7.9 p.p.
Community/Environment			
Value chain - contracts with environmental criteria (%)	98.5	98.6	0.1 p.p.
Total CO_2 emissions, scopes 1 and 2 (kton.)[9]	16.1	16.0	-0.7%
Energy consumption (TJ)[10]	362.2	358.3	-1.1%
Eco-friendly vehicles	335	346	3.0%
Weight of Eco product range in Direct Mail line (%)[11]	45.7	42.4	-3.3p.p.
Investment in the community (€k)	883	540	-38.8%

[9] Update of 2020 data. Provisional 2021 figures. Including green energy.
[10] Update of 2020 data. Provisional 2021 figures. Including green energy.
[11] Volumes.

1.5 External Awards and Distinctions

GRI 102-32

Leadership Level A- in the Carbon Disclosure Project 2020

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

CTT 4th best in the world in sustainability

CTT ranked 4th among 20 postal operators worldwide in IPC - International Post Corporation's sustainability program, the Sustainability Measurement and Management System (SMMS), which is aligned with United Nations' Sustainable Development Goals. One of the most relevant measures in this field was the acquisition of 73 electric light goods vehicles and 84 electric motorcycles.

CTT continues to be a Trusted Brand of the Portuguese

For the 14th time, CTT was distinguished as one of the Trusted Brands of the Portuguese population, in a study carried out by Reader's Digest magazine, achieving first place in the "Postal and Logistics Services" category, with 81% of the votes.

Marketeer Awards 2021

First place in the "Corporate Brands" category of the 2021 Marketeer Awards was attributed to CTT. Already in its 13th edition, this award aims to distinguish what is best done in Portugal in marketing, advertising and communications.

World Philatelic Award

CTT won the prestigious World Post & Parcel Awards 2021, in the category "Best World Philatelic Campaign of the Year" with the Graphene Implant Philatelic Souvenir Sheet that reveals Miguel Torga's poem, "Contágio" (Contagion).

"A Tree for the Forest" distinguished with an honourable mention in the National Sustainability Award

The Project "A Tree for the Forest" was distinguished by the National Sustainability Award 20|30 with an honourable mention, in the category Sustainability Communication. This was the 1st edition of the award, promoted by Jornal de Negócios to distinguish companies and organizations that stand out for their performance and good sustainability practices in the environmental, social and governance areas.

Euronext Lisbon Awards

CTT was distinguished as "Equity Champion - SME", in the Euronext Lisbon Awards. The award recognized the Portuguese company with a market capitalization of less than one billion euros that provided the best return to its investors during the year 2021.

CTT awarded the INOVADORA 2021 Status by COTEC

Due to its positioning in innovation, entrepreneurship and its connection with the business fabric, CTT was awarded the INOVADORA 2021 Status by COTEC. The distinction especially highlights its financial soundness and economic performance, in addition to its innovation DNA.

Transformation Award of Deloitte's IRGAwards

The project "Support for the Digitalization of Local Commerce" saw its work in facilitating the online presence of local traders and small producers recognized with the Transformation Award of the Investor Relations and Governance Awards. An initiative of Deloitte, these awards recognize the best contributions to a more transparent, socially responsible and useful capital market for the Portuguese economy and society.

CTT's Program *Viver*, finalist in the Coups de Coeur awards

CTT was nominated in the "Employee" category for PostEurop's Coups de Coeur award, with the Program "Viver" (Living). This is a Health and Wellness program, focused on the prevention and monitoring of symptoms or on physical rehabilitation actions. Another important component was the dissemination of internal communication materials on topics such as Allergies, Cancer, Cholesterol or Obesity.

CTT wins Prince Michael International Road Safety Award

CTT's Road Safety Program received the Prince Michael Award, a British award dedicated to all road users that make the road safer, from pedestrians to cyclists, motorcycle or car drivers. CTT was awarded in the special category created to commemorate the 20th anniversary of the UK National Road Safety Council.

CTT Road Prevention among the best in Europe for DEKRA

CTT's Road Safety Program was one of the 17 nominees at European level for the Road Safety Award 2021, in the Safety on the Road category. The automotive consulting and services provider thus distinguished CTT, placing the Portuguese postal operator as the only organization with its own fleet to appear in this exclusive list.

CTT Contact Center wins two trophies at the APCC Conference

CTT maintained the APCC Quality Seal for CTT's operations in 2021, after a follow-up audit in February. The APCC Quality Seal, established in 2010, distinguishes the best contact centre services operating in Portugal. Moreover, the CTT Customer Support Line, in partnership with Reditus, was awarded the Silver classification during the 18th International Conference of the Portuguese Contact Center Association - APCC. For its part, the CTT Support Line for Companies received the Bronze classification.

NewSpring Services also distinguished at the APCC Conference

Newspring Services, a subsidiary that joined the CTT Group in 2021, was also distinguished at the 18th APCC International Conference. The awards received were the Gold classification for the Multicare service and Bronze for Fidelidade.

Banco CTT wins the Five Stars award again

Banco CTT was considered "Five Stars" by the Portuguese, in the category "Banking - Customer Service", with a 73.7% satisfaction rate. This award was given by U-Scoot Lda, which evaluated Banco CTT together with five other banking institutions.

Right Choice Award

Banco CTT was awarded the "Right Choice 2021" by Deco Proteste (consumer association) for its mortgage loans offer. Each year, this consumer organisation gives product recommendations that it distinguishes as Best of Test, Right Choice, Green Choice, Most Affordable and Don't Buy.

1.6 ESG Commitments (Environmental, Social and Governance)

GRI 103-2, 103-3

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

Topic	Commitment 2021	Accomplishment 2021	Prog.	CTT Commitments for 2022 and following[12]
POLICY & STRATEGY				
UN Global Compact (UNGC)	Analyse participation	Subscription of the 10 UNGC principles and membership of GCNP - Global Compact Network Portugal	● (Accomplished)	Maintain membership and subscription of the 10 UNGC principles
Carbon Disclosure Project - Climate Change	Disclosure in 2021 (Leadership position)	Position Leadership A-	● (Accomplished)	Disclosure (Leadership position)
Non-financial reporting	GRI4 - Comprehensive	Integrated Report 2021 Comprehensive GRI Standards	● (Accomplished)	GRI Standards, Comprehensive reporting and alignment with EU Taxonomy
Sustainability Committee	Regular activity	Meetings with the CGENC to analyse sustainability issues and de-carbonisation strategy. Sustainability Committee did not meet[13]	● (In progress)	Regular activity
UN Sustainable Development Goals	Alignment (continuous)	Accomplished	● (Accomplished)	Alignment (continuous)
Engagement with Stakeholders	Revision of Stakeholder engagement strategy. Segmented communication	Assessment and update of Stakeholder engagement strategy. Segmented disclosure of results to employees.		Segmented disclosure of results. Promotion of open, trusted communication channels with stakeholders.
ETHICS				
Code of Conduct (e-learning and on-the-job training)	Overall internal training: Expansion: +3,500 employees	760	● (In progress)	Expansion: ±2,500
Code of good conduct to prevent and fight harassment at the workplace	Overall internal training: Expansion: +1,000 employees	485	● (In progress)	Expansion: ±250
Prevention of money laundering and terrorist financing	Training to employees who handle monies: +250; Law 58/2020: +1,800	Initial training: +230: Update. 636 Law 58/2020: +1,808	● (Accomplished)	Expansion to employees who handle monies: +150; Update: +1,700
ENVIRONMENTAL MANAGEMENT				
Environmental Training Green Planet	Launch in 2021; 90% of the staff by 2025	158 employees (1.3%)	● (Accomplished)	90% of the staff by 2025
Paper consumption (except Production and Scanning)	0%	16%	● (Not accomplished)	Maintain office paper consumption (0%)
Waste recovery	Recovery rate above 75%	97.7% rate (-0.2%)	● (Accomplished)	Recovery rate above 75%[14]

[12] Except Corre.
[13] CGENC - Corporate Governance, Evaluation and Nominating Committee
[14] Sectoral target proposed by IPC - International Post Corporation.

Topic	Commitment 2021	Accomplishment 2021	Prog.	CTT Commitments for 2022 and following[12]
ENERGY EFFICIENCY				
Energy audit and PRE implementation for buildings	Continuous implementation	PRE in progress for production & logistics centres (Lisbon and Maia)		Implementation of the PRE for both premises (1.2% potential savings in overall CTT consumption)
100% LED lighting	Expansion to 10 operational facilities	7 facilities		Increase of 3% per year until 2030 (up to 100k m^2)
Specialized monitoring of energy consumption in buildings[15]	10% annual reduction in consumption. Facility expansion	Annual savings of 13% in premises covered. Expansion in 44 sites		Annual savings of 10% Facility expansion
Electric power consumption	-1%	-5%		-5%
PRCE of the CTT vehicle fleet – specific consumption	Improve efficiency (5% by 2023)	Actions planned in the PRCE were maintained, with an estimated gain of 2%		Improve efficiency by 5% in the period of the new PRCE
Fuel consumption	-1%	1%		-1%
MOBILITY				
Fleet of electric and less pollutant vehicles (incl. operational, for personal use and general services vehicles)	Continuation of fleet electrification	Acquisition of 82 electric motorcycles; 72 electric light goods vehicles awarded. Acquisition of 13 hybrid plug-in vehicles for personal use		Start assessment of possible replacement of 650 operational passenger vehicles to take place in 2023. Continuation of fleet electrification. Give conditions for subcontractors to join electrification.
Investment in the conventional operational fleet	Reinforcement of fleet renewal to guarantee its safety and efficiency	Reinforcement of the fleet with 134 combustion motorbikes procured in 2021, acquired with the provision for fleet renewal and 63 light goods vehicles that started contract in 2021 (in Operational Lease)		Reinforcement of fleet renewal to guarantee its safety and efficiency
Car Pooling Platform	Reactivation of new solution (in post-pandemic period)	Discontinued platform		Reactivation of new solution (in post-pandemic period)
Drivers' Challenge	International participation	National competition held. International competition postponed due to pandemic		International participation in 2023 (date to be confirmed). National competition held.
Road safety - number of accidents per km travelled[16]	-5%	-6.7% work-related accidents; -7.2% in related absenteeism		-5% (occupational accidents and absenteeism)
Efficient driving and road safety	Program + Prevention 66,000 participations (3,000 employees) + Safety Days Activity	36,686 participations (4,460 employees) + Safety Days Activity		25,000 participations (3,000 employees); Safety Days Activity
RENEWABLE ENERGY				
Acquisition of electricity of renewable origin	Maintain full coverage	100% green energy		Maintain full coverage
Production of photovoltaic energy for own consumption	--	787,064 kwh		1,662,576 kwh

[15] Includes CTT buildings with higher consumption (approx. 75% of total consumption).

[16] Road accidents with material damage and occupational accidents.

Topic	Commitment 2021	Accomplishment 2021	Prog.	CTT Commitments for 2022 and following[12]
COMBATING CLIMATE CHANGE				
CO_2 emissions for scopes 1+2 (until 2030)	-5% until 2025 -60% until 2030	-0.7%	●	Maintain (-5% until 2025) Maintain (-60% until 2030)
CO_2 emissions for scopes 1+2 (annual)	-1%	-0.7%	●	-1%
CO_2 emissions for scopes 1, 2 and 3 (until 2030)	-30%	Accumulated var.: -18.7%	●	Maintain (reduce 12% until 2025)
CO_2 emissions for scopes 1, 2 and 3 (2005-30) [17]	-30%	Accumulated var.: -20.2%	●	Maintain (reduce 10% by 2030)
Idem (annual)	-1.2%	6.6%	●	-1%
CO_2 intensity/postal item scopes 1, 2 and 3 (2013-25)	-20%	Accumulated var.: 15.8%	●	2025 goal (monitoring)
Idem (annual)	0%	9.8%	●	--
PROTECTION OF BIODIVERSITY				
Awareness actions for the preservation of biodiversity	Continuous activity	Participation in the Act4Nature programme. Promotion of internal and external awareness-raising actions (e.g. support for the Portugal Chama campaign) and release of philatelic issues on the theme	●	Continuous activity
Active promotion of the reforestation of the national territory	8th edition of "A Tree for the Forest" and expansion of the offer with a digital Kit	Launch of the 8th edition with sale of physical kits in CTT post offices countrywide and at the online store including digital offer for business customers	●	9th edition of "A Tree for the Forest" (physical and digital offer)
QUALITY OF SERVICE AND CERTIFICATIONS				
Certification of CTT access points	Maintain certification	400 certified CTT access points	●	Maintain certification with expansion to another 120 CTT access points, totalling 520 certified points
Certification of CTT Operations	Maintain certification	Maintain	●	Maintain
Certification of subsidiaries	Maintain certification	Maintain certification of CTT Expresso and CTT Contacto	●	Maintain
Corporate certification (references ISO 14001, 9001, 45001)	Maintain certification	Maintain	●	Maintain
Certification as Family-responsible Company	--	--	--	Reconciliation work-family-private life: obtain certification in 2022 and renew it every 3 years [18]
Energy management system (ISO 50001)	Launch of the project	Working Group created. Training and start of implementation postponed.	●	Training provided by the WG. Start implementation

[17] Scope 3 includes only subcontracted road transport.

[18] Certification of the companies CTT SA, CTT Expresso and CTT Contacto attributed by Fundación Másfamilia.

Topic	Commitment 2021	Accomplishment 2021	Prog.	CTT Commitments for 2022 and following[12]
Road traffic safety system (ISO 39001)	--	--	--	Launch of the project: creation of a Working Group and start analysis with implementation until 2023.
Average Response Time to Universal Service Complaints[19]	National: 25 days	16 days	🟢	National: 25 days
	International: 56 days	75 days	🔴	International 56 days
International QoS[20]	Improve/maintain the positioning in the IRA-E, K+1 ranking	20th (position)	🟢	Improve/maintain the positioning
	Maintain the inbound GMS result above the target	68.9%	🟢	Maintain the result
SUSTAINABLE OFFER				
Participatory carbon offsetting model	Voting process for express offer (in Portugal)	Accomplished	🟢	Voting process for green" mail
Offsetting unavoidable carbon emissions	--	5,474.6 tonnes of CO_2 to be offset	--	Offsetting direct carbon emissions from the Green and Express Mail offers in Portugal
Mail, Parcels and Express products made from recycled material	--	--	--	Incorporation of 60%
Green Deliveries Service (100% of the deliveries made in electric vehicles)	--	Available in the cities of Lisbon and Porto, based in dedicated routes for selected business customers	--	Increased number of express items delivered through Green Deliveries. Progressive migration to the green delivery model integrated in the base offer.
Implementation of social business /inverse logistics services	Evaluate expansion to new businesses and implementation	Survey of requirements and design of the pilot project in partnership with the regulatory authority	🟡	Implementation of the pilot. Evaluate possible expansion of the service and its deployment (continuous action)
Philatelic issues and thematic publications	10 philatelic issues	14 philatelic issues, 2 issues of franking labels, 2 editions	🟢	8 philatelic issues, 2 issues of franking labels, 3 editions
RESPONSIBLE PROCUREMENT				
Pre-contractual procedures with environmental criteria[21]	70%	99%	🟢	99%
Contracts concluded with environmental criteria[22]	70%	99%	🟢	99%
Qualification and assessment of suppliers	Supplier qualification on the electronic platform	99%	🟢	Maintain supplier qualification level (99%; continuous process)
	Assessment of critical suppliers	--		30% critical suppliers assessed
HYGIENE, HEALTH AND SAFETY				
Work-related fatalities (own liability)	0 deaths	0 fatal accidents	🟢	0 fatal accidents
Occupational accidents	-5%	-2%	🟡	-5%

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

[20] IRA (IPC Interconnect Remuneration Agreement) and GMS (UPU Global Monitoring System) results strongly impacted by the constraints associated with the pandemic and being determined at the close of reporting.

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

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

Topic	Commitment 2021	Accomplishment 2021	Prog.	CTT Commitments for 2022 and following[12]
Days lost	-5%	3%	🔴	-5%
Indoor Air Quality (IAQ)	Conducting IAQ audits	0 (IAQ assessments in progress)	🟡	Phased plan for the next 6 years (2022-2027)
Promotion and prevention of health and well-being (3 programmes)	Viver - Living (health & screenings	Launch of monthly campaigns to increase worker literacy on the topic, online sessions and seasonal flu vaccination	🟢	Continued
	Estrela - Star (absenteeism)	Monitoring of workers with absences due to illness, work accidents and personal reasons by the Social Workers team (+3,000 workers); Signalling of workers for mobility and retirement; Implementation of attendance procedures to act quickly on absenteeism; Training to reinforce leadership skills, standards and rules; Reinforcement of internal communication	🟢	Continued monitoring of employees with absences due to illness, accidents at work and personal reasons by the Social Workers team; Signalling employees for mobility and retirement.[23]
	Vitória - Victory (health at work)	Start of detailed clinical evaluations of the workers with higher work limitations; Definition and execution of a new classification matrix of conditioned workers, with the application of specific actions per worker; Classification of all conditioned workers in terms of productivity and continuity, preparation of scripts and initial contact with them and respective supervisors; Re-adaptation of functions and tasks to these workers; Evaluation of working conditions and risks in various facilities; Definition of a risk mitigation plan for work accidents and occupational diseases.	🟢	Continued, with a view to reducing workers with limitations.
TRAINING AND QUALIFICATION				
Training effort[24]	Training rate: 1.0%;	1.1%	🟢	1%
	Rate of trained staff: 90%	93%	🟢	90%
Self-development of skills	Promote autonomy and continuous development: update of resources and increased offer	PAD Programme with development opportunities available (on a free access platform) to all employees	🟢	Maintain the updating of the resources available. Increase the offer. Integration into the worker support platform.

[23] Number of days of sick leave, or due to work-related accidents and other personal reasons.
[24] Associated to CTT full-time employees.

Topic	Commitment 2021	Accomplishment 2021	Prog.	CTT Commitments for 2022 and following[12]
Welcome and integration	Boost employee experience: apply to all new hires	667 people; 8,062h		Apply to all new hires
Staff satisfaction and experience	Assessing employee satisfaction: quarterly survey	Survey conducted for the 1st half of the year - NPS (net promoter score) CTT employees		Quarterly survey
COMMUNITY SUPPORT				
Volunteering actions (social and environmental) and social support	6 actions	11 actions		6 actions
Long-term voluntary work	Maintain EPIS partnership	Launch of the 2nd year of the 3rd edition of EPIS mentoring and encouraging employees to be school tutors of young people at risk of school failure		Maintain EPIS partnership
DIVERSITY AND INCLUSION				
Professional occupation for disabled persons	13 people	0 people (due to the pandemic)		Evaluate reactivation of the protocol with CERCI post-pandemic
Equal opportunities and non-discrimination	E-learning training for managers (±800)	0		E-learning training for managers (±800)
Plan for Gender Equality	Phased implementation of the 2021 Plan	10 ongoing measures (company strategy, equal access to employment and working conditions, parental protection, reconciliation of professional, family and personal life)		Phased implementation of ongoing actions and new measures foreseen in the 2022 plan. Publication of the 2023 plan
Wage gap analysis	Completion	Not accomplished		Accomplishment
Raising awareness on equality issues and the prevention and fight against violence	--	Adherence to the Pact Against Violence promoted by the CIG (Commission for Citizenship and Gender Equality) and support to the communication of the #EUSOBREVIVI campaign. Publication of awareness-raising content aimed at workers		Strengthen internal and external communication and awareness-raising, increasing knowledge on the subject

02

Strategic Background

A future in Iberia

2. STRATEGIC BACKGROUND

2.1 Economic, Sectoral and Regulatory Environment

2.1.1 Economic framework

International economy

Following the historic contraction of 2020 due to the COVID-19 pandemic, with the world economy diminishing by 3.1%, the upturn of 2021 was significant, with the IMF[25] estimating world growth at 5.9%. In 2021, the world economy recovered its economic activity levels of 2019. The development of vaccines and the implementation of vaccination programmes contributed to restore economic confidence, with 58% of the world's population[26] vaccinated with at least one dose by the end of the year. Even so, the emergence of new variants like Delta and Omicron throughout 2021, brought in enforced periods of activity containment measures, albeit more directed than those experienced in 2020, with their impact on economic activity having been lower and with economic agents showing greater capacity to adapt. The year of 2021 was also marked by disruptions in supply chains and increased commodity prices, greatly influenced by the strong recovery of demand.

In the euro area, the economic recovery of 2021 is estimated to have reached 5.1%[27],largely underpinned by strong domestic demand.

The consumer price index of the euro area grew by 2.6% in 2021, reflecting the significant impact of commodity prices. The evolution of the consumer price index followed an upward trend over the year: standing at merely 1% in the first quarter, but having evolved to 4.7% in the last quarter of 2021, corresponding to a quarterly peak since the beginning of the single currency.

The labour market in the euro area was enormously dynamic, with an unemployment rate of 7.7% in 2021. Reference is made to its very positive evolution, with the rate varying from 8.2% in December 2020 to a historic minimum figure of 7.0% in December 2021.

The pandemic crisis support measures are still continuing to weigh heavily in public finance, with the aggregate deficit of the euro area estimated at 5.9%, following the 7.2% recorded in 2020.

The European Central Bank (ECB) upheld an expansionary monetary policy throughout the year, keeping reference interest rate levels at historically low figures. However, as a result of the economic upswing throughout the year, the ECB reduced the asset purchase rate of the Pandemic Emergency Purchase Programme in the last quarter and announced that it should be discontinued in March 2022, but with the purchase programme being increased in the second and third quarters of the following year.

The worldwide economic recovery should be maintained in 2022, when it is expected that many of the problems of the disruptions in supply chains will be overcome. The price of energy commodities and a robust labour market may keep the inflation rate at a relatively high level in 2022, where the possible the reaction of central banks to apply restrictive monetary policies may constrain growth.

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[25] Source: IMF, World Economic Outlook – Update, January 2022.

[26] Our World in Data: https://ourworldindata.org/explorers/coronavirus-data-explorer?facet=none&Interval=Cumulative&Relative+to+Population=true&Color+by+test+positivity=false&country=~OWID_WRL&Metric=People+vaccinated

[27] Source: ECB, Economic Bulletin, Issue 8, August 2021.

National economy

Portuguese Gross Domestic Product (GDP) grew by 4.9% in 2021, the highest annual growth since 1990, in the wake of the historic contraction of 8.4% in 2020, following the pandemic's negative effects on the economy. The growth of 2021 was greatly marked by the contribution of domestic demand, with private consumption and investment showing strong recovery. The contribution of external demand was far less negative than in 2020, with significant growth of exports of products and services.[28]

The recovery of the economy boosted job creation and a reduction in the unemployment rate. Employment is estimated to have risen by 2.5% in 2021, after the 1.9% contraction experienced in 2020.

The hours worked are estimated to have increased by 8.3%, after the 9.3% reduction experienced in 2020. The difference between the net change of employment and hours worked over the last two years reflects the support measures implemented during the pandemic crisis. The evolution of the unemployment rate has been very favourable, ending the year at 5.9%, a minimum figure of 2002, compared to 6.9% recorded in December 2020 and 8.2% at the peak of the pandemic crisis in August 2020. Real disposable income is estimated to have increased by 1.2% in 2021, reflecting the increased employment and some buoyancy in wages.

The Consumer Price Index recorded an annual average variation of 1.3% for 2021, following the price stability of 2020. Excluding energy and food products, the variation rate was 0.8% in 2021. The inflation rate showed a strong upward movement throughout the year, in particular in the second half of the year[29]. The year-on-year variation rate reached 2.7% in December 2021.

The economic recovery and increased employment improved the national public deficit in 2021, estimated at 4.3%. The level of Public Debt fell by 7.7% to 127.5% of GDP at the end of 2021, primarily driven by the improvement of GDP and a minor reduction of the nominal value[30].

The first half of 2022 is likely to herald the return of economic activity to pre-pandemic levels. The forecasts of Banco de Portugal[31] point to growth of 5.8%in 2022, 3.1% in 2023 and 2% in 2024.

2.1.2 Sectoral framework

Impacts of the pandemic

The overall effect of the pandemic on the postal sector in Portugal showed an average 8.1% of loss of postal volumes per quarter during the seven quarters covered by the pandemic[32]. Despite the turnaround in relation to 2020, the first quarter of 2021 was marked by the adverse pandemic context, which affected the different business units in distinct ways. A boom was experienced in e-commerce during 2020 due to the long periods of lockdown that changed the customer purchasing patterns, with an observed increase in the average number of purchases, the acceleration and anticipation of the development of e-commerce in Portugal. In 2021, despite the deceleration of e-commerce growth, it is estimated that it has grown by more than 20%[33]. The Express & Parcels activity stood out, with increased volumes in most postal operators, especially in the first two quarters of the year.

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[28] Source: National Statistics Institute (INE), Quarterly National Accounts (Base 2016) – Rapid Estimate at 30 days, 31 January 2022.

[29] Source: National Statistics Institute (INE), Consumer Price Index, 12 January 2022

[30] Source: Press Release of the Ministry of State and Finance: https://www.portugal.gov.pt/download-ficheiros/ficheiro.aspx?v=%3d%3dBQAAAB%2bLCAAAAAAABAAzNDIzMgQAaJsJnAUAAAA%3d

[31] Source: Banco de Portugal, Economic Bulletin, December 2021.

[32] Source: ANACOM, Postal Services – 3rd quarter of 2021, November 2021.

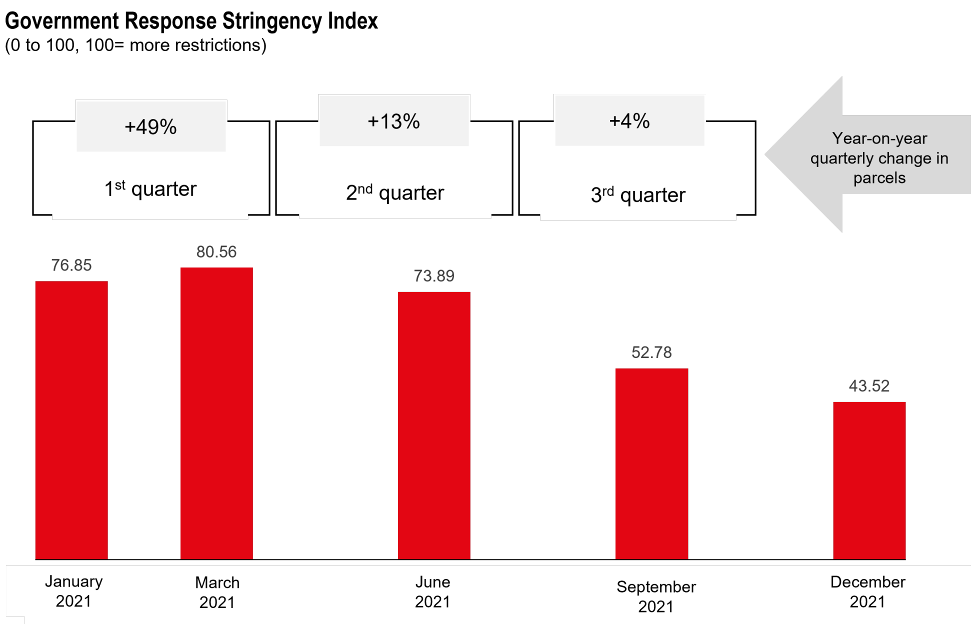
[33] Source: CTT e-commerce Report 2021.

On the other hand, there was an acceleration in the decline of postal volumes, especially in the first and third quarter, due to the lockdown measures and the growing digitisation of processes occurred in most companies. In the second quarter, with the restarting of activity, with the resumption of campaigns of various advertisers associated to a period of larger release from lockdown, letter mail volumes (including editorial mail and addressed advertising mail) recorded increased postal volumes, compared to a period in the previous year that had been greatly affected by the pandemic.

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

According to the Oxford University lockdown requirement index, in the first two quarters of 2021, Portugal was ranked in the upper half (i.e., more demanding) of the International Post Corporation (IPC) member operators due to the imposed restriction measures[34]. That period with more restrictive lockdown measures showed the highest growth of parcels (49% in the first quarter and 13% in the second quarter) but also the greatest declines of letter mail and editorial mail. Naturally, there was also a reduction of addressed advertising mail in the first period[34].

Government Response Stringency Index and increase in parcels volumes



The pandemic peaks led the Portuguese Government to implement different restrictive measures throughout the period (e.g., state of emergency, calamity, among others), with the corresponding impact on the postal sector by activity quarter of this year described below. In the quarterly comparative analysis[35] of the evolution of Mail and Express & Parcels in terms of volumes, between CTT and an average of postal operators, compared to the same periods of the previous year, it was found that:

- The decline of addressed mail volumes was higher at CTT compared to the average of the postal operators: decreased volume in the first and third quarters of 2021 with declining mail and lower increase of volume in the periods of release from lockdown (second quarter of 2021) at CTT compared to the average of the operators;

[34] Source: COVID-19 government response tracker (https://www.bsg.ox.ac.uk/research/research-projects/covid-19-government-response-tracker)

[35] Source: ANACOM, Postal Services – 3rd quarter of 2021, November 2021, and internal data.

- The same happened in the case of addressed advertising mail, with the exception of the first quarter of 2021, when the decline was significantly lower compared to the average;

- Editorial mail experienced a reduction in volumes in the first and third quarters of 2021 that was lower than that of the average of the postal operators, and an increase in volumes in the second quarter of 2021 that was higher than the average;

- Express & Parcels showed a growth rate higher than that of the average of the postal operators in the first three quarters of 2021.

Growth levels in Mail and Express & Parcels volumes, for CTT (Portugal) and for the sector average (% YoY, quarterly comparison, non-cumulative)[36]

	1st quarter		2nd quarter		3rd quarter	
	ctt	Sector average	ctt	Sector average	ctt	Sector average
Addressed mail	-15%	-14%	+7%	+8%	-10%	-6%
Advertising mail	-5%	-10%	-1%	+4%	-5%	-1%
Editorial mail	-9%	-20%	+6%	0%	-12%	-14%
Parcels	+96%	+49%	+24%	+13%	+17%	+9%

Greater pandemic impact (1st quarter)

The structural change caused by the increased weight of parcels in relation to mail obviously has impact on the operations, particularly in the delivery process. As occurred in 2020, postal operators have reacted in an agile manner, adjusting the operation to deal with changes in demand and disruptions in transport, maintaining government support, employee protection and support for the vulnerable population as priority axes.

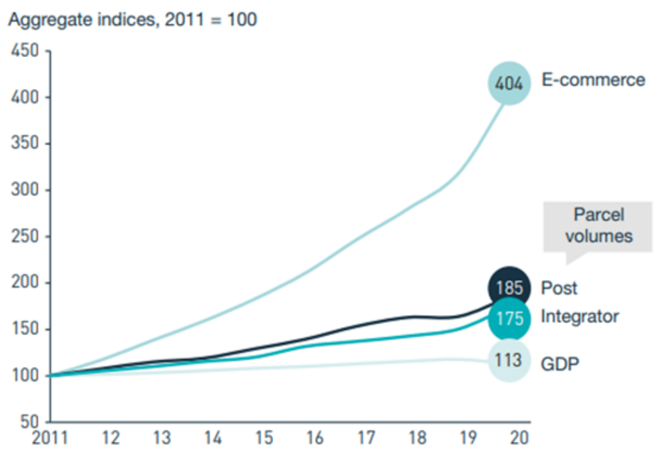
Drivers of sector growth

The constant increase in the levels of Express & Parcels, the changing consumption patterns arising from the lockdown periods, are factors that imply a long-term response from postal operators, forcing an **acceleration** in the operation's transition from mail to express and in its automation, to the detriment of manual procedures. During the periods of release from lockdown, it was observed that there was a need to increase the flexibility of working hours for the delivery of parcels outside the home, leading the operators to seek out partners with longer working hours where customers could pick up their parcels in a more convenient fashion. Deliveries referred to as "out of home" (delivery points and lockers) became more significant in the B2B segment, due to being more convenient to the customer and ensuring **"contactless"** deliveries, in the case of lockers, which are increasingly well-accepted by the consumers. Broadly speaking, the pandemic has fast-tracked the need for technological development, strengthening the growing trend of automation investments in the postal sector, and leading postal operators to search for ways to increase the capillarity of their parcel delivery network and flexibility of working hours.

[36] Source: ANACOM, Historical statistical information and internal data.

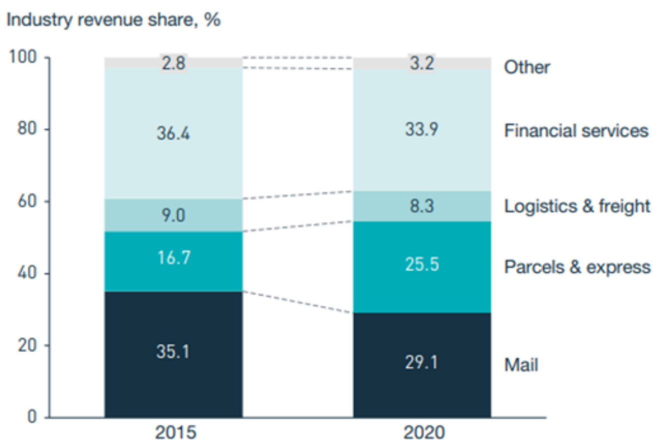
The aggregate volume of mail has declined by a quarter in the developed countries since 2009, and has actually fallen to half for some operators[37]. On the other hand, the **Parcels market** continues to be the fastest growing market in the postal sector. Consequently, the weight of the mail business in the sector is increasingly smaller, representing approximately 29.1% in 2020 (decrease of close to 6 p.p. compared to 2015). In contrast, the Parcels & Logistics segment is the business that presents the highest growth rates, representing approximately 25.5% (increase of close to 9 p.p. compared to 2015) of revenue in the postal sector.

Evolution of aggregate indices since 2011



Since 2015, approximately 75% of operators have experienced a decrease in revenues from the mail activity. However, and despite the effort to diversify revenues, mail services still contribute to more than half of revenues in around 40% of the global postal operators analysed.

Industry revenue share (%)



The increased digitalisation and decline of postal volumes pushed operators to **diversify their business**. Operators sought to improve their positioning by investing in e-commerce logistics, expand their financial services, improve their retail network, etc. In 2020, 45% of the industry's revenue came from non-mail services. Operators also seek to diversify their business portfolio at an international level.

[37] Source: International Post Corporation, "Global Postal Industry Report 2021".

Revenue from the international subsidiaries reached the peak of 24% of total revenue in 2020. On average, since 2015, the growth rate of the international business has stood at 12%[38].

Business units

GRI 102-2

Mail

The increased digitalisation and internet use has affected the mail volumes observed in postal operators, both for government, business and individual customers. The increased penetration of these alternatives in society (e.g., 53.6% of the world's population used the internet and 75.6% of households used smartphones in 2019) implies that consumers focus on digital alternatives for communication solutions (89% of internet users worldwide used applications to communicate), personal financial management (35% of internet users worldwide used banking applications) and trade (66% of internet users worldwide used online shopping applications)[38].

Despite the pressure imposed by the digitisation of postal activity, most operators showed a sustainable growth of revenues associated with postal activity (about 60% of operators covered by the International Post Corporation (IPC), with the average growth of revenues in 2019 standing at 5.0%[38].

If, on the one hand, it was evident that digitisation has negatively affected mail activity, on the other hand, it was also a driver of development. Among the various operators, three main macro trends[39] of digital incorporation in traditional mail solutions are identified. Firstly, the **increase and optimisation of the link between the physical medium and the digital medium**, through synergies between the traditional channel and the technological channel, with potential added value for, merely as an example, advertising mail (e.g., incorporation of augmented reality technologies). Second, the **trend of adding information to mail products** reinforces the operators' central priority of ensuring that mail items will have increasingly more information about their shipping status and delivery. Lastly, recognising convenience as one of the main drivers of digitisation, operators have focused on **improved convenience in channels for sending and receiving mail**, through hybrid mail solutions (i.e., preparation of mail in digital format, subsequently converted to physical mail and delivered to the recipient).

Considering the Portuguese postal market, total volumes of postal services totalled 603.6 million objects in 2020, which represents a decrease of 12% when compared to the previous year. The first nine months of 2021 amounted to 362 million items (-7% year-on-year, corresponding to a period with a strong decline in volumes)[40].

Due to the release from lockdown in the second quarter of 2021, with the recommencement of various activities, there was a minor recovery of 8% of volume compared to the same period of 2020. However, it should be stressed that the second quarter of 2020 was the period most affected by the pandemic, with the evolution of revenues and volumes having been penalised by this effect. The drop of total postal volumes is associated with the decreased volume of letter mail (i.e., transactional mail) which lost 16.3 million items in the first nine months of the year compared to the previous period (-5%). Addressed advertising mail only recovered from the decline of volume in the second quarter of 2021, having experienced a loss in volumes of 3.8 million items in the first two quarters (-12%) compared to the same period of 2020. Editorial mail shows a 0.6% decrease in the third quarter of 2021. These reductions were partially offset by increased volumes of Express & Parcels of 22% (+9 million items) in the first nine months of the year compared to the same period of the previous year[40].

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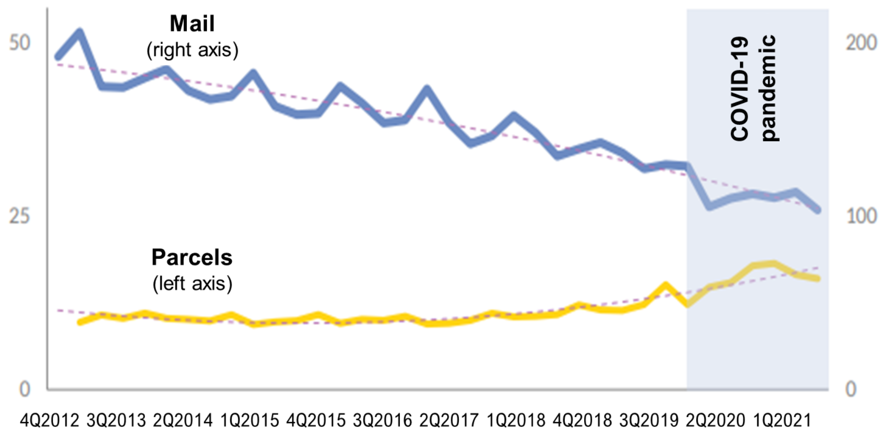
[38] Source: International Post Corporation, "Global Postal Industry Report 2021".
[39] Source: Internal study, focusing on a limited number of European postal operators.
[40] Source: ANACOM – Postal services – 3rd quarter 2021, November 2021.

From a quarterly perspective, it is evident that postal volumes were greatly affected in the first quarter of 2021, corresponding to the period of strongest lockdown, and that this effect was experienced again in the third quarter of 2021, although to a lesser extent, in line with the new restrictive measures related to the Covid-19 pandemic. It should be noted that the period with the most restrictive lockdown measures was the period when parcels increased by 49% (in the first quarter of 2021 compared to the same period of 2020).

The historical analysis of volumes in the Portuguese mail market shows a downward trend in mail activity, irrespective of the mail product analysed (transactional, addressed advertising and editorial mail)[41].

Evolution of Mail market volumes in Portugal (2013-2020)[41]



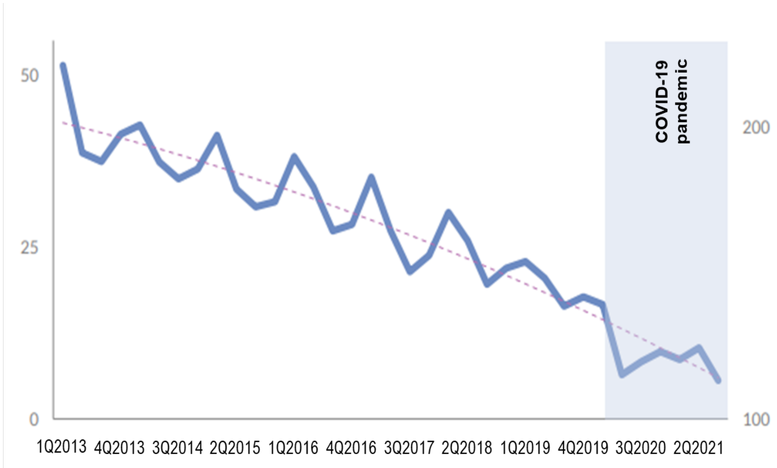
Unit: million items
Source: ANACOM

In line with the decrease in postal volume and in order to avoid cases of unsustainability in the postal service, member states have been creating postal service flexibility and compensation mechanisms. The flexibility mechanisms covered speed of delivery (e.g., in 6 European countries, next day delivery (D+1) is not part of universal service), frequency of delivery (e.g., elimination of Saturday deliveries in Norway), the scope of the universal service (e.g., exclusion of domestic parcels in Finland) and the price (commercial freedom and price flexibility in the United Kingdom). On the compensation side, it is noteworthy that half of the European Union (EU) governments subsidised incumbent operators for the financial effort imposed, but with each presenting different compensation models. This includes direct funding of the universal service (e.g., Italy, Spain and Norway), subsidies for other activities such as Services of General Economic Interest (SGEI) (e.g., Belgium and the United Kingdom) and subsidies through tax benefits (e.g., France).

Across the majority of postal operators, the percentage of revenues attributed to the Universal Service has been gradually decreasing[41]. To mitigate the effects of the decline in volumes, operators have sought to reduce service costs, as well as to stabilize revenues.

[41] Source: ANACOM – Postal services – 3rd quarter 2021, November 2021.

Quarterly evolution of universal postal service volumes in Portugal (2013-2021)[42]

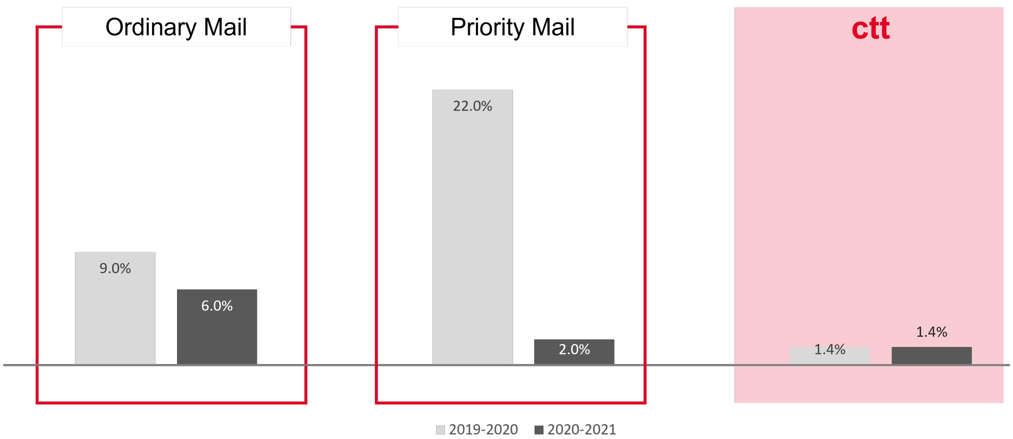


Unit: million items
Source: ANACOM

In parallel with the reduction in operating costs, several operators highlighted the increase in tariffs for postal services as an essential factor for maintaining (or growing) revenues from the postal activity. In the majority of European postal operators, significant price increases have been observed in recent years in the main postal products, mainly in terms of priority mail. In the Portuguese case, the postal service is entirely funded by the users, through the price of the services and without any direct public funding. The last mail price increase announced by CTT (2021) was of 1.35%[43] (cap in conformity with the limits established by the regulator), significantly below the average increases observed in other European countries. The profitability of the Mail business at CTT has fallen, with the Mail business having recorded negative earnings before interest and taxes (EBIT) in the second quarter of 2021, an EBIT margin of -3.6%, and close to zero in the third quarter of 2021, with an EBIT margin of 0.8%.

Average increase in postal tariffs of the European postal operators[44]

(% year-on-year price increase)



[42] Source: ANACOM – Postal services – 3rd quarter 2021, November 2021.

[43] Note: Update corresponding to an average annual variation in the overall price of letter mail, editorial mail and parcels services (excluding the prices of reserved services (services of summons and postal notifications), nor the provision of universal service to senders of bulk deliveries, to whom a special pricing applies).

[44] Source:IPC, Website operators, internal data. Internal analysis. Note: The following operators were considered in the analysis: An Post, Bpost, Correos, Croatian Post, CTT, Cyprus Post, Czech Post, Deutsche Post DHL Eesti Post, Hellenic Post-ELTA, Iceland Post, Latvian Post, Le Groupe La Poste, Lithuania Post, Magyar Posta, Österreichische Post, Poczta Polska, POST Luxembourg, Posta Romana, Poste Italiane, Posten Norge, Posti Group, PostNL, PostNord Denmark, PostNord Sweden, Royal Mail, Slovenska Posta, Swiss Post. .

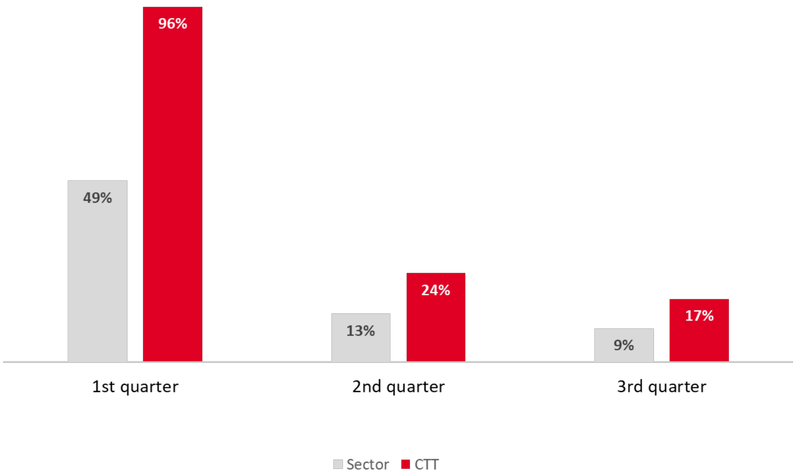
Express & Parcels

The express and parcels market continues to show significant growth with the volume having grown by around 27.6% in 2020 for postal operators internationally compared to the same period of the previous year. It should be noted that this value does not allow direct comparability with annual growth, but is merely intended to situate the marked growth in 2020[45].

In Portugal, the market grew by 22% in the first nine months of 2021[46]. It is important to note that, in general, half the acquisitions by the operators tend to be companies in the parcel and logistics segment, and one third of the acquired companies are in markets in which the operators seek to diversify their business[45].

Express & Parcels average volume growth in postal operators[46]

(% volume change vs. previous year)



This growth was essentially due to the increased B2C parcels, boosted by the continuous growth of e-commerce. In Portugal, the number of e-buyers amounted to 4.4 million Portuguese in 2020. A growth rate above 20% was estimated for 2021. This growth arises from the increased frequency of purchases, the average price of the basket, as a result of the satisfaction in the purchase experience[47].

[45] Source: International Post Corporation, "Global Postal Industry Report 2021",
[46] Source:ANACOM – Historical statistical information and internal data,
[47] Source: CTT e-commerce Report 2021.

Evolution of the Portuguese e-buyer profile in 2021[48]

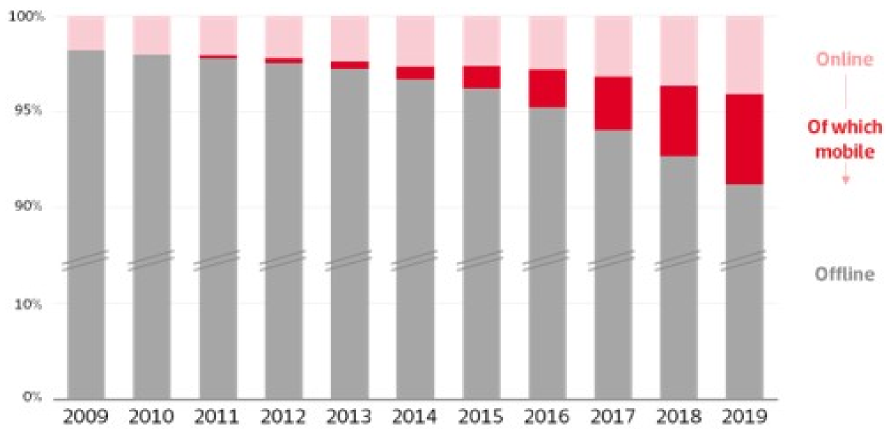
	2019	2020	2021	Annual evolution 20-21
Average number of purchases Per year	15.8	-18.7	20.4	+9%
Average number of products Per purchase	3.8	4.3	4.9	+14%
E-commerce expenses Per year	807.2€	997.8€	1,075.10€	+8%
Average ticket	51.1€	53.36€	52.65€	-1%

In Portugal, parcels with deliveries within 2 days account for 45.6% of online purchases, which increased by 5.1 p.p. compared to 2020. Same-day deliveries increased to 5% in 2021[49].

Mobile phones grew significantly as the preferred device throughout the customer journey in 2021 (52.4% of purchases are made through this device). The price is one of the key drivers leading to online purchases. In payments, the convenience of means of payment such as PayPay (48.6% of online purchases) and MBWay (39.2%) is observed[49].

Evolution of the online sales market share[50]

(% of total global sales)



Regarding purchase channels, the consumers show preference for brand websites (68.9% of respondents) and marketplaces (68.1%).

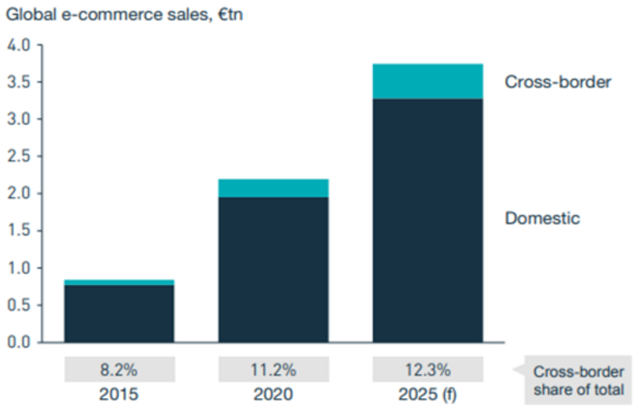
Alongside the growth of e-commerce, there was a trend of increasing levels of cross-border trade. After the end of the pandemic, 24.1% of e-sellers envision the internationalisation of their activity. Since 2014, online turnover from foreign online stores has quadrupled, and it is expected that in 2024 this turnover should exceed 400 billion euros and represent 12% of all e-commerce, according to Euromonitor[50].

48 Source: CTT e-commerce Report 2020 and CTT e-commerce Report 2021.

49 Source: CTT e-commerce Report 2021.

50 Source: International Post Corporation, “Global Postal Industry Report 2020”.

Global e-commerce sales (€ tn)[51]
Global flows



Besides the growth in the volume of revenues (on average +21.0% in 2020) associated with the growing e-commerce parcel volumes that has been observed (6.2% increase in 2020 compared to 3.9% in 2019)[52]. The fierce competition has led to price pressures, with operators adopting promotional price strategies (such as, for example, offering free delivery) to counter the high bargaining power of large shippers. On the other hand, the operators are still investing in improving their parcel delivery service, investing in their distribution network, in human resources, acquiring companies of the parcel and logistics sector, among others.

In the Iberian market, there is also an overall growth trend in the express and parcels market. In Portugal, it is estimated that the value of expenditure by the Portuguese related to online purchases reached 4.4 billion euros. The number of e-buyers stood at 4.41 million Portuguese in 2020[52].

Concerning the origin of the purchased products, in Portugal, there is a tendency to buy on Portuguese websites (55.8% of e-buyers), with the second shopping option being the neighbouring country, Spain (17.2%). Spain surpassed China (15.1%), which had consistently been the foreign country from which the Portuguese bought most products[52].

The convenience (easier in comparison to physical shops) and the possibility of buying at any time of the day or night, are the main reasons given by e-buyers for their online shopping (with 74.2% and 62%, respectively), but they continue to prefer promotions/lower prices when shopping (56.3% and 52.4%, respectively)[52].

Financial markets[53]

The year of 2021 continued along the previous year's trend, with appreciation of the main risk assets. Developed stock markets and commodities recorded gains, in contrast to the bond market that recorded devaluations.

Observing the FTSE Global All Cap Total Return Index, that encompasses the developed and emerging markets, the stock market appreciated by 18.5% in 2021. The stock market was bullish practically throughout the entire year. Within the stock market, the European banking sector was the most

[51] Source: International Post Corporation, "Global Postal Industry Report 2020".

[52] Source: CTT e-commerce Report 2021.

[53] Source: Bloomberg.

outstanding, with an appreciation of 42%, strongly underpinned by the prospects of the resumption of the distribution of dividends and increased interest rates.

The evolution of the German 10-year interest rate was characterised by distinct moments. In the first half of 2020, the expectations of economic recovery, supported by the progress in vaccination, raised interest rates from -0.57% at the end of 2020 to -0.20% at the end of June. During the summer period, the appearance of the Delta variant once again exerted pressure on interest rates, which fell to -0.50%. In the months of September and October 2021, fears that inflation levels could be longer-lasting than had previously been expected, further raised the interest rate to -0.10%. The last month of the year recorded abrupt movements, at a first stage the initial fears of the new Omicron variant lowered the interest rate, but when it was perceived as a less harmful variant, the interest rate rapidly recovered to -0.18% at the end of the year.

The credit spread of Portuguese sovereign debt showed a relatively stable performance, with an average value of 60 basis points throughout the year, varying between approximately 50 and 70 basis points. The Spanish spread also showed a stable performance, with an average value of 67 basis points. Italy recorded an average spread of 109 basis points, with an evident increase in the last months of the year.

Corporate credit spreads also showed some stability of performance, with the Markit. iTraxx Europe CDS index with a 5-year maturity showing an average value of 49 basis points, having closed the year with exactly the same value as at the end of 2020.

Commodity prices showed a very significant rise, in particular energy commodities. The price of Brent appreciated by 50%, having closed the year at $77.8 per barrel. In the European market, the spotlight was on the price of natural gas, with futures contracts for the next month in the market of the Netherlands having appreciated by 243%. In Portugal and Spain, the price of electricity for the next month in the OMIP wholesale market appreciated by 274% in 2021, to €210/MWh (having reached a peak of €408/MWh in December).

Volatility in the stock market was relatively contained in 2021, although at values higher than those recorded in the pre-pandemic year of 2019, showing an average value of 20 points, according to the Euro Stoxx 50 volatility index. On the other hand, it is important to highlight the significant rise in volatility implicit in the interest rate market in the last quarter of the year. Observing the Merrill Lynch Swaption Option Volatility Estimate Euro 6 Month, there was an appreciation from the 31 basis points at the end of 2020 to 61 basis points at the end of 2021.

In the foreign exchange market, the euro devalued nominally by 5.2% when compared to the 19 currencies of the main business partners of the euro area, having devalued by 7% in relation to the US dollar and appreciated by 6% in relation to the pound sterling.

Portuguese banking system[54]

A review of the first 9 months of 2021 of the Portuguese banking system portrays a balance sheet structure with a 7% increase of total assets, standing at €440.7 billion, when compared to the end of 2020. This variation was primarily driven by the increased deposits at central banks repayable on demand, with a negative contribution of the portfolio of public debt securities. Customer deposits continue to be at very high values, accounting for 67.7% of the assets, and funding from central banks reached 9.2% of the assets in September, a trend shared with other banks of the euro area in the context of the monetary policy of supporting the banking system’s liquidity. The loan-to-deposit ratio fell from 84.7% at the end of 2020 to 82.5% in September 2021.

[54] Source: Banco de Portugal, Portuguese Banking System: Recent Development – 3rd quarter 2021, December 2021.

Asset quality maintained its trend of improvement started in 2016, with the ratio of non-performing loans (NPL) reaching 4% and 1.8% net of impairment. Consulting the most recent information available by November 2021, reference should be made to the figure of merely 0.1% of the portfolio of loans to individuals still under the moratoria introduced in the context of the pandemic. Non-financial companies accounted for 1.4% of the total loans under moratorium, representing a significant reduction in relation to the 33.3% recorded at the end of 2020.

Profitability showed improvements in the first 9 months of 2021, with the return on assets reaching 0.46% and the return on equity standing at 5.4%. The increased profitability was primarily the result of the reduction of credit impairment, with the cost of risk amounting to 0.37%. The cost-to-income ratio also remained on its downward trend, having reached 53.3%.

Concerning solvency, the ratio of total own funds stood at 17.8% and the ratio of common equity tier 1 stood at 15.2%, compared to 18% and 15.3% respectively at the end of 2020.

2.1.3 Regulatory Framework

Postal sector

The **universal postal service concession agreement** of 01.09.2000 remained in force until 31.12.2021, beyond its expiration date - 31.12.2020 -, following its unilateral extension decided by the Government, pursuant to article 35-W(a) of Decree-Law No. 10-A/2020, of 13 March, as amended by Decree-Law No. 106-A/2020, of 30 December. In disagreement with said extension, in February 2021, CTT initiated a formal procedure aimed at the resolution of the issues related to the sustainability of the concession agreement concerning the years 2020 and 2021. In this context, and following the Government's understanding that the proper mechanism for the resolution of said issues would be arbitration, on 11.06.2021, CTT initiated arbitration proceedings against the Portuguese Government, as Grantor of the concession. This proceeding aims to protect CTT's rights, specifically: (a) the impact and contractual effects, as those of a compensatory nature (estimated at around €23m), of the pandemic associated with COVID-19, as well as the public measures adopted in this context, particularly in light of the clauses of the Concession Agreement which regulate changes of circumstance; and (b) the legal compatibility, impacts and contractual effects, as those of a compensatory nature (estimated at around €44m), of the decision to extend the agreement. The proceedings are pending a decision and the production of evidence will start soon. The aforementioned amounts are those that CTT considers it is entitled to in accordance with currently available data and are subject to updating, assessment and decision in the proceedings that are underway.

Through Executive Order no. 1849/2021, of 18 February, the Government created a working group with the purpose of analysing the evolution of the universal postal service, as well as assessing the need to introduce adjustments in the scope of the universal service and the obligations of its provider. On 03.11.2021, the Council of Ministers approved Resolution no. 144/2021 of 23.09.2021, which determines the opening of a direct award procedure aimed at appointing CTT as the provider of the universal postal service.

On 29.04.2021, ANACOM approved several decisions relative to the provision of the universal postal service ("USO") after the term of the current concession. These decisions refer to: (i) the criteria setting the formation of prices; (ii) the quality of service parameters and performance targets; (iii) the concept of unreasonable financial burden for purposes of compensation of the net cost of the universal postal service; (iv) the methodology for calculating the net costs of the universal service; (v) the information to be provided by the universal service provider(s) to the users; and (vi) the delivery of postal items at premises other than the domicile.

On 23.12.2021, the Council of Ministers communicated the approval on that date of the decree amending the legal framework applicable to the provision of postal services in Portugal. The corresponding decree was promulgated on 05.02.2022 and the Decree-Law no. 22-A/2022 was published on 07.02.2022. The new concession agreement entered thus into force and will have a duration of approximately seven years - until 31.12.2028. The main amendments considered in the new regulatory framework arising from the law and the new concession agreement are as follows:

1. **With regard to pricing:**

- Pursuant to the law, pricing criteria will be defined by agreement between CTT, ANACOM and the Consumer Directorate-General for periods of three years or, if no agreement is reached, by the Government. This definition shall take into consideration the sustainability and the economic and financial viability of the USO provision, and shall also consider the variation in volumes, the change in relevant costs, the quality of the service provided and the incentive to an efficient provision of the universal service;

- For the year 2022, which will be the transition period, the agreement stipulates that the prices to be implemented by CTT shall respect a maximum annual average variation of 6.80%, which considers the decline in volumes observed in the first nine months of 2021 and the variation of the Consumer Price Index for the Transport expense category, as communicated by the National Statistics Institute for the month of October 2021.

2. **With regard to quality of service indicators and performance targets:**

- Quality criteria shall be approved by the Government upon ANACOM's proposal, also for three-year periods, following a set of clear guidelines: ensure high levels of quality of service in line with current best practices in the European Union and the relative importance of the postal services covered by the USO, and taking into account the average standards of the European Union countries, applicable for each indicator;
- Quality indicators and performance targets defined by ANACOM on 29.04.2021 shall apply until the definition of new indicators and performance targets; as long as the current indicators remain in force, specifically in 2022, should there be any penalties, these will be translated into investment obligations that result in improvements for the benefit of the service provision and end users;
- In the event of non-compliance with the new quality indicators, the penalty to be applied by the Government will translate into investment obligations or price revisions, in accordance with the principles of proportionality, adequacy, non-discrimination and transparency.

3. **Density of the postal network:**

- The procedure to define the objectives of postal network density and minimum service offers is maintained, which foresees a decision by ANACOM upon CTT's proposal;
- The current criteria for the definition of objectives remain in force, with the additional obligation of ensuring the existence of a post office in each municipality. This situation already occurs, following the reopening of post offices in municipality seats voluntarily concluded by the Company.

This framework improves the decision-making mechanisms and provides clear criteria to guarantee the provision of the USO under sustainable economic conditions, promoting a better balance between the continuity of the postal service provision and the reinforcement of the Company's capacity to face the challenges of digital transition, pursuing the consistent implementation of its transformation process. For reasons of general interest, only the following activities and services have remained reserved to the concessionaire: sitting of letter boxes on the public highway intended for the deposit of postal items, issue and sale of postage stamps bearing the word Portugal and the registered mail service used in court or administrative proceedings.

As the international public health emergency continued due to the **COVID-19 pandemic**, Portugal remained in a state of emergency until 30.04.2021, followed by a declaration of disaster situation and by the state of alert as of 19.02.2022, which shall be in force until 22.03.2022. As in the previous year and in the scope of the force majeure clause of the concession agreement, CTT continues to implement the public health rules issued by the competent authorities and to adopt the necessary and appropriate measures to protect workers and customers while ensuring the functioning and continuity of postal services. CTT continues to periodically submit an update on the situation of the postal network to the Government, as a counterparty in the agreement, and to ANACOM, the regulatory authority responsible for overseeing the provision of the universal postal service, until 21.02.2022. By decision on 28.10.2021, ANACOM granted CTT's request regarding the records deduction, in all domestic flows directly affected by the COVID-19 pandemic for the purposes of calculating the Quality of Service Indicators (QSI) for the year 2021.

The proposal regarding the **prices of the universal postal service** submitted by CTT on 17.02.2021 was approved by ANACOM by its resolution of 25.03.2021[55]. The prices underlying this proposal, which complied with the defined principles and criteria of price formation, entered into force on 01.04.2021. This update corresponded to an average annual change in the price of the basket of letter mail, editorial mail and parcels services of 1.35%, not including the offer of the universal postal service to bulk mail senders, to whom special prices apply.

The **special prices of the postal services included in the universal postal service offer** applicable to bulk mail senders were also updated[56] on 01.04.2021 following a proposal presented to the Regulator on 25.03.2021. The aforementioned updates correspond to an average annual price change of 1.72% for 2021, and also take into account the increase in the prices of the reserved services (services for the transmission of judicial and other postal notifications) and of the special prices of bulk mail.

On 24.06.2021, ANACOM stipulated the cost of capital rate to be taken into account in CTT's cost accounting system results in 2021, which was set at 7.4712%, under the terms of the methodology approved by that authority in 2019.

By decision dated 02.09.2021, ratified on 06.09.2021, ANACOM approved the statement of conformity of the results of CTT's **cost accounting system** for the 2018 financial year, as well as the final decision regarding the determinations to improve the system, following the respective audit, and the report of the prior hearing. The determinations will remain in force after 2021, until the approval of a new decision on this matter.

Financial sector

In 2021, the European and national regulatory agenda was once again dominated by the COVID-19 pandemic crisis. The concern to ensure the funding of companies was extended during 2021, not only through the moratorium measures but also through additional protection offered under the Action Plan for Default Risk (PARI) and the Extrajudicial Procedure to Settle Situations of Default (PERSI).

Due to the pandemic crisis, in the national and European sphere, the beginning of 2021 was marked by the updating of the timeline for the application for the General Moratoria of payment, in order to ensure

[55] Pursuant to the criteria of price formation defined by ANACOM's decision of 12.07.2018, supplemented by a decision of 05.11.2018, under article 14(3) of Law 17/2012, of 26 April (Postal Law), as amended by Decree-Law no. 160/2013, of 19 November, and Law no. 16/2014, of 4 April.

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

the continuous funding of companies and households. As a follow-up of the reactivation, in December 2020, of the Guidelines of the European Banking Authority (EBA) related to legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis, Banco de Portugal published Circular Letter No. CC/2021/00000001 in January. This Circular Letter and, likewise, the EBA Guidelines, stipulated the timeline for the application of the moratorium scheme of 31 March 2021, nevertheless applying two restrictions – a maximum time limit and the introduction of reporting requirements. The time limit determined that moratoria granted after 30 September 2020 could only benefit from these measures for a maximum period of 9 months. The second restriction imposed mandatory reporting requirements of documentation on the assessment of the low likelihood of payment, requiring the institutions to submit, to the competent authorities, a plan describing the process, information sources and responsibilities inherent to the assessment of potential situations of "unlikeliness to pay" due to exposures/borrowers subject to general moratoria of payment.

The end of the support measures regarding public banking moratorium was followed by the publication of Decree-Law No. 70-B/2021 of 6 August, which established protection measures for bank customers covered by the exceptional and temporary loan protection measures, and also changed the arrangement for prevention and settlement of situations of default on loan contracts. This decree-law defined that, under PARI, an assessment should be made of any signs of deterioration of the bank customer's financial situation within 30 days prior to the end date of the moratorium, and proposals should be submitted taking into account the financial situation, objectives and needs of the customers with a view to preventing default, within 15 days prior to the end date of that moratorium. Concerning PERSI, the decree-law also defined that any customers included in this procedure during the 90 days following the termination of the moratorium, maintain the guarantees established in Decree-Law No. 227/2012 of 25 October, for the period of 90 days counted from the date of inclusion in PERSI (if the payment or an agreement between the parties does not take place in the meantime), namely the guarantee against the cancellation of the contract or against the lending institution filing judicial proceedings.

The year of 2021 was also marked by the regulation of matters related to the organisation of institutions subject to the supervision of Banco de Portugal, particularly on matters of internal governance, and organisational, technical, material and advertising resources.

In order to clarify the arrangement applicable to payment and electronic money institutions, Banco de Portugal published Notice 2/2021 concerning the definition of the regulatory framework applicable to these entities, which include Payshop. This notice updated the regulatory framework on the matters that payment institutions and electronic money institutions are subject to under the supervision of Banco de Portugal. As a result, this notice makes a selective reference to certain provisions of Banco de Portugal Notice 3/2020, where its rules on internal governance become applicable to those institutions.

Also in the national sphere, Banco de Portugal published Notice 4/2021 that regulates the type and registration of branches and the framework applicable to branch extensions. This notice defines the separation of spaces of the branches when shared with other institutions, whether financial or not, and determined that their customer care area should be endowed with technical, material and advertising means that ensure their exclusive use by the actual institution as well as the clear identification of the acting institution.

Furthermore, due to the need for entities to ensure a high degree of resilience, the National Council of Financial Supervisors (CNSF) approved new recommendations on business continuity management in 2021, aimed at reflecting the Portuguese legal system, the harmonised legislative and regulatory framework at a European level, and the principles of the Basel Committee on Banking Supervision on the management of operational risk and operational resilience.

In the European sphere, the EBA revised the Guidelines on sound remuneration policies, on internal governance, and on the assessment of the suitability of members of the management body and key function holders. The Guidelines on sound remuneration policies (EBA/GL/2021/04) were updated so as to clarify various provisions contained in the previous Guidelines on severance pay and retention bonuses with a view to reinforcing the specific framework applicable to these types of remuneration. The Guidelines on internal governance (EBA/GL/2021/05) updated the previous guidelines in accordance with the relevant legislation in the European Union, with Banco de Portugal having disclosed that most of the amendments were made early, in advance of their mandatory requirement, being established in Banco de Portugal Notice 3/2020. Finally, the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2021/06) also aimed to enshrine the European legislative amendments arising from various European legislative documents, primarily concerning the combat of money laundering and terrorist financing.

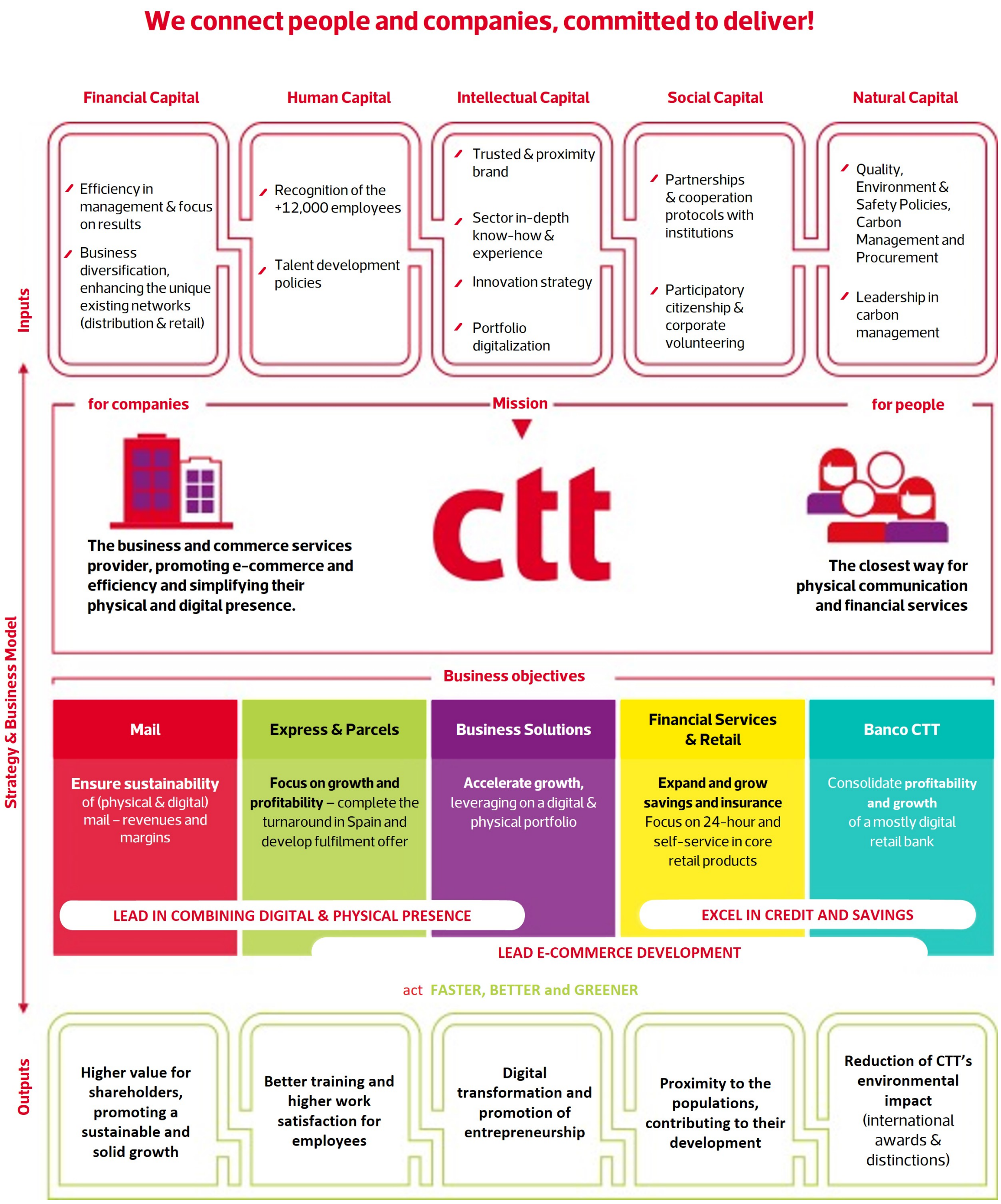
Regarding insurance activity, it is important highlight the publication by the Insurance and Pension Funds Supervisory Authority (ASF) of Circular Letter No. 1/2021 of 6 April on market information related to reporting duties concerning insurance and reinsurance distribution. The aim of this Circular Letter was to facilitate the preparation of the different reports established in ASF Regulatory Standard No. 13/2020-R of 30 December, that the entities bound to such must carry out during 2021, in particular (i) Information about insurance brokers and insurance brokers acting on an ancillary basis used for distribution of insurance products, and excluded entities; (ii) publication of the annual financial statements; (iii) list of persons directly involved in the insurance distribution activity (PDEDS); and (iv) report on the management of complaints.

The growing concern to combat corruption led to the publication of Decree-Law No. 109-E/2021, creating the National Anti-Corruption Mechanism and establishing the general arrangement for prevention of corruption. Pursuant to this decree-law, it should be noted that legal persons in Portugal (or branches on national territory) that employ 50 or more workers should implement a programme of regulatory compliance that includes at least a plan for prevention of risks of corruption and related offences, a code of conduct, a training programme and a whistleblowing channel.

Finally, the year of 2021 closed with the publication of Law No. 93/2021 of 20 December, that establishes the general arrangement for protection of whistleblowers, transposing Directive (EU) 2019/1937 of the European Parliament and Council of 23 October 2019, on the protection of persons who report breaches of Union law. This law foresees the creation of a general arrangement for protection of those that, in good faith and based on information obtained in a professional context that they reasonably consider to be true, report on breaches or disclose offences to European Union law, or acts of crime, especially when violent or highly organised. To this end, and apart from the necessary measures of protection against acts of retaliation, it is stipulated that legal persons of a certain size or engaged in certain activities should create channels for reporting breaches and establish procedures for analysis of breaches that assure the confidentiality and security of the information received.

2.2 Strategic Lines

GRI 102-2, 102-6, 102-15, 102-45, GRI 203-1, 203-2



CTT's strategy continues to be focused on the Company's transformation, associated with the challenging and disruptive context in which it is involved, aimed at growth of business units such as Express & Parcels, Banco CTT, and Financial Services and Retail, while seeking to ensure the sustainability of the Mail business. CTT thus seeks to further diversify its business and reduce its dependence on the Mail business, while working to achieve high efficiency levels to ensure the sustainability of the business and the Company. CTT believes that it performs a unique and leading role by combining a physical and digital presence, and being one of the main drivers of the development of e-commerce in Portugal, both among large customers and in supporting the business structure of small and medium-sized enterprises, contributing to modernisation and digital transformation. On the other hand, CTT strengthens the value of its proximity to the population, through physical communication and financial services with saving, credit and insurance solutions, attained through its operating and retail networks and digital channel.

Specifically in 2021, CTT implemented various initiatives that contribute to long-term sustainability, as illustrated by the following examples:

- **Economic** sustainability: consolidation of the turnaround strategy in Spain, with increased market share, scale and operating efficiency, achieving break-even and contributing positively to EBITDA; investment to increase capacity in sorting parcels in Portugal and respond to the growth of volumes; partnership agreement between Banco CTT and Sonae Financial Services, making the Bank the management entity of the portfolio of financial products and services under the brand of Universo; acquisition of the company NewSpring Services, a reference company in the sector of Business Process Outsourcing (BPO) and contact centres, strengthening CTT's offer in the segment of business solutions; creation of joint ventures with the Chinese logistics company, YunExpress, to manage the locker network business; consolidation of the 2-hour delivery service by establishing partnerships with Worten, NOS and Zomato; launch of a new service for companies to create online campaigns, in partnership with a company of the Omnicom Media Group; partnership with Santos e Vale for the provision of cargo delivery services, with a view to the turnaround of this segment at CTT.

- **Social** sustainability: completion of the process of reopening the 33 post offices in municipal capitals; relaunch of the voluntary work project with EPIS, where mentors and volunteers support youth at risk of educational underachievement; launch of a campaign to promote national cinema, through *Cine Caravana* that took Portuguese cinema to the squares and parks of 27 cities countrywide, passing through all the districts; continuation of the CTT Road Accident Prevention programme, with very positive and internationally distinguished results, having won the Prince Michael International Road Safety Award, at a European level, for the Road Safety Award 2021; continuation of the partnership with *Pirilampo Mágico*, marketed at post offices, with the value being donated to children, young people and adults with intellectual disabilities and/or multiple disabilities; consolidation of the Prepaid School Account (School Wallet) enabling municipalities to manage the supply of meals at a central level, and implement an integrated payments system at a municipal level; extension of the solution for local trade and creation of online stores, driving e-commerce and supporting the process of digital transformation of small and medium-sized enterprises.

- **Environmental** sustainability: increased ecological fleet; continuation of the "A Tree for the Forest" campaign with Quercus, that was distinguished with an honourable mention in the national sustainability award; installation of production units for own consumption of photovoltaic energy; launch of reusable packaging for e-commerce sellers and buyers, aimed at launching disruptive sustainable solutions and boosting the circular economy; launch by Banco CTT of a Sustainable Investment product, in partnership with Zurich, a fund that invests in financial assets of companies and institutions that pursue and promote the Sustainable Development Goals; sale of Christmas decorations produced with used disposable individual protection masks.

2.3 Sustainable Development Goals

GRI 205-2, GRI 305-5, 306-2, GRI 403-9

The United Nations Sustainable Development Goals (SDG) reflect 17 priority topics, at a global level, for the preservation of the planet and the dignity of human beings.

CTT has mapped and prioritised the SDG for its value chain[57], in addition to aligning its environmental management strategy with the SDG considered priority for the sector in an International Post Corporation (IPC) study. SDG Compass methodology, developed by the WBCSD, UN Global Compact and GRI was used for this purpose. This exercise related to the SDG goals enabled identifying potential positive impacts and how to mitigate/avoid negative impacts, taking into account the risks and opportunities. The majority of these goals are already incorporated in CTT's activities and programmes, in various aspects, and feature in the table on Environmental, Social and Governance (ESG) Commitments (point 1.6). In the GRI index (Annex IV), the indicators were associated with the corresponding SDGs.

CTT's commitments are aligned with these global goals, with a view to achieving balance between the creation of economic value and the preservation of the dignity of human beings.

Accordingly, this year, CTT endorsed the Ten Principles of the United Nations Global Compact concerning Human Rights, Labour Practices, Environmental Practices and Anti-Corruption, expressing its intention to support and disseminate these principles in its sphere of influence.

CTT is committed to ensuring that the Ten Principles are reflected in the strategy, culture and daily operations of the organisation and to engaging in cooperative projects that promote the most far-reaching development goals of the United Nations, in particular the Sustainable Development Goals.

The table below presents the performance in 2021 in relation to the goals defined by CTT for that year.

Good Health and Well-Being **Focus on road accident and prevention goals** 5.2% fewer labour-related accidents and incidents than in 2020.	**Quality education** **Focus on training goals in response to employee needs** More than 217k hours of training were carried out, 16% up on the previous year.
Affordable and clean energy **Focus on renewable energy and energy efficiency goals** 100% of the electrical energy consumed is produced through renewable sources.	**Decent work and economic growth** **Focus on the goals for working conditions and support to SMEs, especially in local trade** CTT plug-ins launched for some of the online sales management tools most commonly used by small retailers.
Sustainable cities and communities **Focus on electric and smooth mobility and carbon neutral offer** 57% increase in the number of kilometres travelled in electric vehicles.	**Responsible consumption and production** **Focus on the eco portfolio and the production of the circular economy** Sale of ToBeGreen's Christmas decorations, made from disposable mask waste and packed with recycled materials.
Climate Action **Focus on carbon management, in the compliance with international standards and environmental education** Leadership Level and A- rating in the Carbon Disclosure Project 2021.	**Peace, Justice and Strong Institutions** **Focus on anti-corruption and bribery, governance and ethics, and engagement with stakeholders** Public lawsuits related to corruption filed against the organization or its employees: 0.

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

2.4 Materiality Analysis

GRI 102-42, 102-47; 103-1

The materiality analysis reflects contributions that result from the last stakeholder consultation exercise, carried out by CTT in accordance with the guidelines of AA1000SES - Stakeholder Engagement Standard.

The analysis enabled identifying the relevant topics and critical stakeholders for the Company and a mapping exercise that led to the definition of the strategy of engagement with these stakeholders, that has been systematically applied.

The most recent stakeholder consultation exercise started in 2019 and extended over various months, with longer time frames due to the changes to the conditions of conducting the study caused by the pandemic. This study was expected to identify new critical topics and enable the appropriate positioning of CTT in light of the needs and perceptions of the stakeholders.

Mapping of the Stakeholders

Source: Stakeholder Engagement Exercise – Ernst & Young

The materiality matrix and material topics

GRI 103-1, 102-42, 102-47

The stakeholder consultation exercise was based on a process of benchmarking the reference peers, so as to enable identifying a set of potentially relevant topics to underpin the process. In order to assess the impact of the topics for the business, several focus groups were held with members of the Board of Directors and senior CTT directors, aimed at obtaining their perception.

This exercise led to the identification of 23 potentially relevant topics, whose relevance to the stakeholders was subsequently assessed through a series of strategic interviews and an online questionnaire. The following stakeholder groups were consulted at this stage: Investors and Shareholders, Employees and their Representative Entities, Customers, Community Representatives, Suppliers, Partners, the Media and other public entities.

The topics were represented in a materiality matrix, grouped into three distinct levels of relevance: material topics, important topics and emerging topics. The hierarchy of topics took into account the relevance criteria indicated by AA1000SES - Stakeholder Engagement Standard. Drawn up in partnership with the consultant Ernst & Young, in a service that was hired before the end of 2020, the final composition of the matrix resulted in the crossing of the perceptions and points of view of the stakeholders with the vision of the Company's senior management.

Materiality Matrix

Source: Stakeholder Engagement Exercise - Ernst & Young

Material topics	
21	Client experience and satisfaction
9	Employee experience and satisfaction
1	Greenhouse gas emissions and climate change
16	Ethics, transparency and anti-corruption
11	Development and training of employees
10	Health and safety at work
2	Energy management

Important topics	
22	Privacy and data protection
17	Financial performance
13	Community engagement
15	Accessibility of postal services
6	Consumption of materials and resource efficiency
8	Diversity and inclusion
20	Sustainable supply chain management
14	Respect for human rights
7	Emission of atmospheric pollutants
18	Operational excellence

Emerging topics	
19	Product and process innovation
23	Indirect economic impacts
12	Attraction and retention of talent
4	Waste management
5	Ecosystem protection and biodiversity
3	Water consumption

The structure of this report and the importance given to each topic arise precisely from the results of the materiality analysis and the level of criticality assigned to the different topics. Nevertheless, CTT continues to present data on the less critical issues, as they continue to be pertinent for the financial statements, for alignment with the SDG and for the actual engagement with the stakeholders. These topics include, for example, sustainable marketing, biodiversity and equal opportunities.

In the questionnaire, the stakeholders were asked to assess the importance of each topic for CTT and express their vision of the Company.

The stakeholders were questioned about their perception of CTT's activity, where the aspect that was most highly acknowledged, both by the employees and by the stakeholders, was the reputation of the CTT brand, as a symbol of credibility.

A particular issue for which it appears necessary to communicate more effectively outside the Company is that of the environmentally responsible products (the so-called "green products"). This was the issue that showed the greatest deviation between internal and external perceptions, with the external stakeholders showing more unawareness of the Company's offer in this field.

2.5 Stakeholder Engagement

GRI 102-21, 102-43, 102-44, 207-3

The different forms and means of engagement used have been reflected in regular actions of consultation and dialogue, as well as the monitoring of stakeholder needs and satisfaction. Examples of this type of engagement are found in the request to complete questionnaires and, on the other hand, CTT's written response to requests for information from different institutional investors, research analysts, other investors and the public in general. Internal meetings were also held with customers, market analysts and investors and shareholders, CTT received visits, held and attended conferences, working groups and panels, and informative newsletters were produced. Timely disclosures have been issued on privileged information and on qualifying holdings related to transactions and acquisitions, in addition to periodic reporting exercises and other types of external and internal communication undertaken by the Company in its current activity.

The stakeholder consultation enabled updating the engagement strategy and the identification of critical stakeholders that could thus benefit from enhanced communication and involvement.

The communication channels, the most common approaches and some of the measures implemented during this year to meet stakeholder expectations are listed below. CTT aims to establish effective, permanent and transparent dialogue with its stakeholders by strengthening all the forms and channels of hearing and engagement.

Table 1 – List of stakeholders and forms of engagement

GRI 102-21, 102-34, 102-40, 102-41, 102-43, 102-44

Stakeholders	Expectations and needs	Forms of communication with stakeholders and their consultation	Measures adopted
Shareholders and investors	Provision of clear, transparent and timely information that enables knowing the Company's evolution and its economic, financial and governance reality Management alignment with shareholder guidelines Guarantee the commitment to ensure the long-term sustainability of the Company Guarantee the creation of value, through the alignment of the interests of the various stakeholders	Quarterly, half-yearly and annual reporting presented in a rigorous, reliable and consistent manner through presentations, press releases and annual and interim reports disclosed to the market and the general public on CTT and CMVM's websites Participation in conferences, roadshows, meetings and conference calls with investors and research analysts Clarification of shareholders and other investors through the telephone line and electronic mailbox provided for the purpose	Social and environmental initiatives and investments Ongoing communication with research analysts, seeking to increase the number of analysts who cover CTT Maintaining and deepening engagement with stakeholders through participation in conferences, roadshows, meetings, conference calls and webcasts for the dissemination of results and communication of management guidance on the Company's business strategy Participation in corporate ratings on environment and sustainability
Regulators	Quality of service of the Universal Postal Service Prices of the Universal Postal Service Criteria for density of the postal network and minimum service offers Compliance with competition rules Establishment of a relationship of greater proximity and dialogue to improve the effectiveness of regulation	Information on services Participation in hearings and/ or public consultations of draft decisions Regular report of indicators Regular response to requests for information and clarification	Procedure for collecting and organizing information to comply with reporting obligations Compliance with universal service obligations in terms of quality, prices and network coverage Maintenance of an analytical accounting system and calculation of the net cost of universal service (CLSU) Monitoring of the application of EU and national principles and rules on market competition Response to Regulators' requests for information
Other Legal Authorities	Maintaining accessibility to the postal network (post offices and postal agencies) Maintaining cooperative relations with all local entities Audits Clarification meetings Legislative compliance	Good Company practices Company Strategy Ethics and transparency Regular reporting	Regular provision of information Compliance with legal and contractual requirements Protocol with the National Association of Parishes

Stakeholders	Expectations and needs	Forms of communication with stakeholders and their consultation	Measures adopted
Customers	Improvement of responsiveness and involvement with the customer - customer care Need to improve self-care tools, in order to simplify the problem-solving process Increase of service detail, such as parcel tracking, delivery events, transport links Improvement of customer communication More effective incident management process Need for better management of customer expectations, complying with procedures and programmed/ communicated events Reliability and trust Satisfaction Security of mail items (liability) Security of banking operations Geographic coverage and accessibility Responsibility and environmental image	Listening channels related to quality of service SMS/e-mail Social media NPS Information campaigns Personalised and permanent communication Advertising and accessibility of information Call centre /hotlines Regular surveys on delivery and customer services Decentralized meetings of the Management Board with customers	Improved customer satisfaction Launch and reformulation of new customized business solutions 212 Banco CTT branches Environmentally more responsible operating model (fleet and buildings) Studies on the adequacy of the offer of products and services Consolidation of the eco-friendly portfolio (products and services)
Competitors	Participation in initiatives of common interest Sector benchmarking Give access to the postal network	Participation in forums Participation in benchmarking exercises Representation in bodies of the postal sector	Compliance with market rules Intervention in joint projects, in the context of sectoral bodies

Stakeholders	Expectations and needs	Forms of communication with stakeholders and their consultation	Measures adopted
Employees	Stability (employment security, wage, social protection) Adequate remunerations Opportunities for career development and professional progression Good working conditions Merit-based performance reward Participative management Maintenance of social support measures Equal opportunities and management of diversity Better work-family balance Retirement conditions	Information in due time Personalized communication through the leadership/ dialogue chain Team meetings Written internal communication (magazine, thematic newsletters, electronic formats, SMS, letters, intranet) Training Forums Systems for suggestions Surveys	Widespread disclosure of work-related information Hygiene & Safety Program continuity Assessment of working conditions Modernization and renovation of infrastructure and equipment Training on safe/defensive/ ecological driving 98% of employees covered by training Participation in the INOV+ program Forum Organizations for Gender Equality Trainee programs Integration of trainees in voluntary work projects
Workers' Unions/ Committee	Proximity in the relationship with the organisations representing the workers aiming at their involvement Feedback and proposals for approaches on labour issues Management of collective bargaining Respect for their opinions/ positions Transparent negotiation Consultation on matters of corporate responsibility Participation in collective bargaining and contracting processes Compliance with Public Service Obligations Maintenance of social support measures to employees and their families	Monthly and/or extraordinary meetings with senior management Written internal communication (magazine, electronic formats, letters, intranet) Meetings with Union Organizations and Associations Representing Functional Groups, whenever needed Relevant management communication	Entry into force of the first CTT Expresso Company Agreement 98.9% of employees covered by collective bargaining agreements Signing and entry into force of the Wage Review Agreement of the CTT Company Agreement Signing and entry into force of the Wage Review Agreement of the CTT Expresso Company Agreement

Stakeholders	Expectations and needs	Forms of communication with stakeholders and their consultation	Measures adopted
Suppliers	Equal opportunities and transparency (clear rules) Compliance with payment deadlines Increased volume of new supplies Tightening of relations Registration of suppliers for the different purchasing categories Supplier qualification Supplier evaluation	Information and communication of company projects Sustainable procurement policy – contractual clauses Regular communication on non-compliance in supplies – opportunity for improvement Electronic platform	High standards in social, human rights and environmental requirements Eco-friendly Procurement Policy – compliance with objectives Participation in the development of new products/services and improvement of existing ones Invitation of suppliers to meetings for presentation of products/services provided Implementation of an electronic platform
Media	Access to reliable and relevant information Communication to the market	Media Advisory (direct contact with media) Press releases Press conferences Presence in the social networks Media reports	Disclosure of information on services, projects, results and other aspects of corporate life

Stakeholders	Expectations and needs	Forms of communication with stakeholders and their consultation	Measures adopted
Community	Compliance with Public Service obligations Proximity/presence on the ground Stimulation of the local economy Capacity of communication/ dialogue with local partners Accessibility to services Good corporate citizenship, in social and environmental terms	Direct/personalized information CTT website Presence in local and national press and social networks Direct contact with the postman and customer service personnel Philatelic issues and book publishing, among other items. Topics: culture, history, national and international events, protection of biodiversity	Accessibility for people with reduced mobility in 95% of CTT post offices, with the construction of a new ramp at the Odemira CTT post office Sale of Pirilampo Mágico (Magic Firefly), "A Tree for the Forest" kits, CTT - ToBeGreen Christmas decorations packages and solidarity sales in favour of the Portuguese Oncology Institute and the organization Animais de Rua (Street Animals) 73 participations in voluntary, one-off and ongoing actions, despite the pandemic context limiting face-to-face actions Renovation of CTT post offices premises Initiatives with a call for public participation, such as the selection of carbon offsetting projects or "A Tree for the Forest" Targeted measures to improve energy efficiency in electricity and fuels, including enhancing sustainable mobility Optimisation of resource consumption Maintenance/increase of the waste recovery rate Initiatives to protect biodiversity and raise environmental awareness, with an impact on GHG emissions and other pollutant emissions

Memberships and significant participation

GRI 102-12, 102-13

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

CTT is also a member of APDC (Portuguese Association for the Development of Communication), APAN (Portuguese Advertisers Association) Self-Discipline Agency), COTEC (Business Association for Innovation), APEL (Portuguese Association of Publishers and Book Sellers), IPAI (Portuguese Internal Audit Institute) and IPCG (Portuguese Corporate Governance Institute), among others.

As a founding member of the Universal Postal Union (UPU), CTT is present in a number of other affiliated organisations such as PostEurop (Association of European Public Postal Operators) where CTT chairs the Innovation Forum, UPAEP (Postal Union of the Americas, Spain and Portugal), Euromed (Postal Union of the Mediterranean) and AICEP (International Association for Portuguese Expression Communications) whose board is chaired by CTT since 2009.

CTT was elected in 2016 to represent Portugal for four years at the Council of Postal Operations of UPU, having left this Council following the 27th Universal Postal Congress held from 9 to 27 August, in Abidjan (Ivory Coast). CTT is a member of the International Post Corporation (IPC) and, since 2020, through its Chief Executive Officer, Professor João Bento, CTT joined the Board of Directors for a three-year term of office, representing countries South of the Alps. At PostEurop, CTT holds the position of Vice-Chairman of the Environment work group and Chairman of the Innovation Forum.

CTT has also fully joined the United Nations Global Compact and endorsed its 10 Principles. Annex IV, GRI Index, matches these indicators with the Global Compact principles observed by the implementation of measures meeting those indicators.

2.6 Corporate Ethics

GRI 102-16, 102-17, 102-31, GRI 205-1, 205-2, 205-3

The “CTT and Subsidiaries Code of Conduct” aims to reinforce the relationships of trust between the CTT Group and its stakeholders (shareholders, customers, depositors, investors, suppliers, business partners and society in general), and clarify the rules of conduct to be observed by all employees in the relations that they establish, both in-house or with external entities, highlighting fundamental principles such as equality, transparency, impartiality, loyalty and integrity, strengthening a common culture within the Group.

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

In line with the provisions of the Codes of Conduct (“CTT and Subsidiaries” and “CTT and Bank”) and “Code of Good Conduct for the Prevention and Combat of Harassment”, this year, 771 and 496 employees, respectively, successfully completed training actions in e-learning format. Various training actions were ministered on the combat of money laundering and terrorist financing, covering 2,412 employees, essentially those directly involved in the marketing of financial products.

The Ethics Committee is responsible for the monitoring and supervision of the application of the “CTT and Subsidiaries Code of Conduct” and “Code of Good Conduct for the Prevention and Combat of Harassment at the Workplace”, where there are specific channels for communication of irregularities related to situations of breach of rules of conduct and procedures defined for their handling. The Audit and Quality Department was entrusted with the technical support in terms of its operationalisation, assuring the confidential handling of the communications received and preservation of the principle of confidentiality and non-retaliation in relation to the persons reporting irregularities.

This Committee focused on monitoring the information received through the existing channels on possible situations of breach of the Code of Conduct, and on redesigning the approach to the topic of Ethics in the CTT Group, more centred on the organisation’s involvement, on the definition of the most pressing issues to the addressed, on more personalised disclosure, continuously involving the stakeholders.

In 2021, the Ethics Committee received seven communications, which were analysed and decided upon, in order to assess possible irregularities related to breach of the rules of conduct and combat of harassment, of which two were dismissed and filed for not falling within the scope of ethics/conduct, and the rest were analysed by the competent department.

There is also the figure of the CTT Group's Customer Ombudsman whose mission is to defend and promote the legitimate rights and guarantees of customers, and contribute to strengthening trust in the relationships between the Group and its customers, operating as a review body for appraisal and settlement of claims not answered by the competent services or with which the claimant does not agree.

CTT also has a whistleblowing system for matters of fraud or corruption, banking and financial crime, money laundering and terrorist financing, insider dealing and other issues identified in the Regulation on the Communication of Irregularities (RPCI), with the Audit Committee being the competent body to receive such communications, and counting on the collaboration of the Audit and Quality Department. In this context, no cases were received for handling under the RPCI.

Preventive procedures have been implemented concerning money laundering and terrorist financing, and on the use of the financial system by persons and entities subject to sanctions and restrictive measures by the United Nations (UN) and European Union (EU), covering the financial products provided on its own behalf and those marketed on behalf of entities with which CTT has partnership agreements.

In 2021, 43 communications were reported to the competent authorities (Central Department of Investigation and Criminal Action of the Attorney General's Office and the Judicial Police Financial Intelligence Unit) involving financial operations amounting to approximately 4.4 million euros.

CTT has procedures in place for the identification of active and passive perpetrators of situations of bribery and corruption with a view to their legal and criminal framing, where whistleblowing and complaints are investigated, and procedures and practices that cause or configure irregular and corrupt behaviours are analysed.

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

It should also be highlighted that the “CTT and Subsidiaries’ Code of Conduct” includes the Standard of Individual Conduct alluding to the “prohibition of corrupt and bribery practices and external influences”, in which the prohibition of the practice of corruption is stated in all its active and passive forms, whether through acts and omissions, or through the creation and upholding of situations of favour or irregularity. In relation to Banco CTT, the Code of Conduct is disclosed to all employees and members of the governing bodies, in addition to being available on the Bank’s intranet and website.

As a result of the audit and inspection actions, 125 post offices, 65 postal agencies and 59 delivery offices were audited, representing, respectively, 22%, 18% and 28% of the total number. During the investigative actions, there were 4 rescissions of employment contracts of permanent employees and fixed-term employees, due to theft/breach of postal items (3 cases) and unlawful appropriation of products/cash (1 case).

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

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

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

Compliance with ethical requirements

GRI 102-13, 102-19, 103-2, GRI 206-1, GRI 307-1, GRI 419-1

Pursuant to laws and regulations relative to products and services, CTT was fined the value of €87,699. CTT was not the object of any legal actions in the context of unfair competition and anti-trust conduct with application of significant fines or non-monetary penalties, derived from non-compliance with environmental or corporate laws and regulations.

There were 154 occurrences or proceedings related to breach of labour laws and regulations (21 less than in 2020), 39 of which were closed in 2021. Also, 173 cases from previous years were resolved. Fines were paid in this regard, amounting to €47,502 (€40,103 less, or 54.2% less, than last year).

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

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

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

- Audit of the annual values of quality of service indicators and of CTT's complaints and information requests system, to verify the reliability of results and adequacy of methodologies for determining service quality levels, as well as the complaints management system and requests for information. Following the audits for the years 2016 and 2017, concluded in 2018, ANACOM defined adjustments in the scope of the measurement system for the quality of service indicators, implemented on 1 July 2019. The results of the audit process relative to 2018, 2019 and 2020 are awaited.
- Audit of CTT's cost accounting system, to check the conformity of the system and the obtained results, as well as compliance with national and international rules, standards and good practices. On 14 September 2020, ANACOM announced the compliance of the results of the analytical accounting system of CTT for 2016 and 2017, pursuant to ANACOM's decision determining the reformulation of those results, imposing new criteria for the allocation of expenses between its postal activity and banking activity. The statement issued by ANACOM on 6 September 2021, on the

audit to the results of the analytical accounting system for 2018, indicates that the results were produced in accordance with the applicable legal and regulatory provisions.

2.7 Risk Management

2.7.1 Description of the risk management process

GRI 102-29, 102-30, 102-31, GRI 205-1

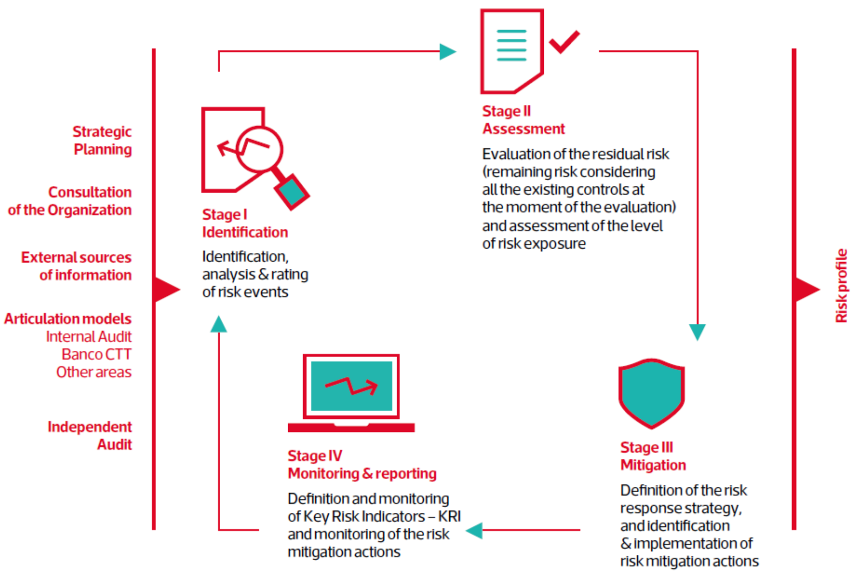
The risks arising from the activity of CTT and its subsidiaries are managed pursuant to the manner described in the **Regulations of the Risk Management System** approved by the Board of Directors. This document, in addition to establishing guiding standards, principles and procedures for Risk Management,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

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

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

Risk management

Integrated Risk Management System



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

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

The evolution of CTT's main risks (those with higher level of exposure) is monitored in Stage IV through **Key Risk Indicators (KRI)**. The KRI operate as a barometer of CTT's current level of exposure to risks, warning of possible changes of the probability of occurrence and/or impact of the risk event, thus allowing timely action in order to reduce the level of exposure to comfort values within the defined risk appetite.

Governance Model

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

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

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

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

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

The **Risk Management Function**, performed by the Risk Management division of the Audit & Quality department, is responsible for the centralized coordination of the CTT Risk Management System and the planning and implementation of risk management programs supported by the Company's Regulations of the Risk Management System.

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

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

2.7.2 Identification of risks and CTT response

GRI 102-2, 102-11, 102-15, 102-43, 102-44, GRI 201-2, 203-1, 203-2, GRI 413-2

Given their importance in 2021, we highlight in the following table the evolution over the year of the main strategic and operational risks faced by CTT:

Business affected	Risk rationale	Evolution and mitigation
	**Cyber incidents** **Class: Business interruption risk** Cybercrime is one of the most serious economic and national security challenges facing governments around the world. In view of the increasingly stronger dependence on information technologies in CTT's business lines, the security and protection of information is, therefore, a very critical issue. The growth in volume and sophistication of cyber-attacks is of particular concern today, especially in a pandemic context. The implementation of teleworking for quite a large number of employees (more than 2 thousand) represented a huge challenge to the performance and security of CTT's information systems and considerably increased the level of exposure to this risk.	CTT continued to focus on strengthening technological security controls and on training its employees on good teleworking practices and cybercrime awareness. At the same time, the investment effort in information security solutions continued, namely by reinforcing the standard of robustness and quality and implementing control procedures and tools for the identification of vulnerabilities and threats.

Business affected	Risk rationale	Evolution and mitigation
	**Conditions of the new Universal Postal Service concession agreement** **Class: Regulatory risk** The Universal Postal Service concession agreement, which was due to expire on 31 December 2020, was extended for a year, until 31 December 2021. In the context of the configuration of the execution aspects of the future concession agreement, the legal and contractual framework that will be defined, particularly in in terms of network density, quality and pricing, may present a level of demand and complexity of the conditions and obligations that may not safeguard the expected balance between continuity and sustainability in the fulfilment of the universal postal service obligations.	The Portuguese Government has approved the Resolution of the Council of Ministers no. 144/2021 of 23 September 2021 ("RCM"), which determines the provision of the universal postal service ("SPU") by a sole provider throughout the whole national territory, by means of the signature of a new, seven-year concession agreement. Considering that "there is no alternative or reasonable substitute to the provision of the SPU in national territory by CTT", the Government concludes that it is inevitable to proceed to a direct award for the SPU concession agreement and, in this context, CTT should be invited to present a proposal. During 2022 CTT signed the new concession agreement for the provision of the SPU. The new agreement entered into force on 8 February 2022 and will have a duration of seven years, including a first transition period - to take place in 2022 - followed by two three-year periods. This new agreement reflects the changes to the rules regarding the model for defining the SPU pricing criteria - which will now be established by multi-year agreement - and the setting of service quality parameters and performance objectives associated with the service provision, in accordance with Decree-Law no. 22-A/2022.
	**Epidemics** **Class: Business interruption risk** Researchers have long warned of the possibility that pandemic outbreaks could occur with increasing frequency. As with the current COVID-19 pandemic, phenomena of this nature can cause high economic and social damage while inducing the emergence of new risks and increasing exposure to existing risks. In light of the current pandemic, some uncertainties remain about the future, including the possible emergence and severity of new waves/variants of the virus that may escape the protective effect of current vaccines, and, in general, the capacity for economic recovery at national and international level.	During 2021, in a test of the resilience of its operations, CTT never failed to ensure the provision of services to its customers, always with a very low level of disruption, notwithstanding some operational constraints resulting from high levels of absenteeism seen especially throughout the 1st quarter of the year. Within the scope of the containment measures decreed in the course of the pandemic, whenever mandatory or recommended, CTT adopted teleworking in all functions that allowed it.

Business affected	Risk rationale	Evolution and mitigation
	**Mail volume plummet** **Class: Demand risk** The intensification of the phenomenon of digitalization and substitution of physical mail by other forms of digital communication have led to a continuous decline of postal volumes over the last decade. The effects of the pandemic on the economy further accelerated this trend, with demand for mail services reaching historic lows. Although some uncertainty remains as to the future of the pandemic and, consequently, the evolution of the decline in postal volumes, in a sustainability logic, CTT will have to rethink its current operating models to adapt them to substantially lower volumes.	After the record drop in 2020, addressed mail volumes resumed the rhythm of "natural decline" that had been evidenced prior to the outbreak of the pandemic. In order to offset this systematic pressure on revenues, which are still relatively dependent on mail, CTT continues to focus on business diversification while developing new efficiency initiatives aimed at adjusting the fixed cost structure to medium-term needs. CTT is also convinced that a structural improvement of mail profitability requires a more balanced and sustainable universal postal service concession model.
	**Iberian Express & Parcels operations** **Class: Competitiveness risk** CTT's strategy for the Express & Parcels (E&P) business aims at a strong Iberian presence through a leading platform, which is fundamental to promote the competitiveness of its offer, both in Portugal and in Spain. In addition to strengthening its leading position in the domestic market, the successful implementation of the turnaround plan in Spain is of particular importance, as it is crucial given the size and speed of growth of the Spanish market.	By continuing to invest in the implementation of complementary solutions in the e-commerce value chain, CTT managed to grow sustainably in 2021, consolidating its leadership position in the postal services market in Portugal. In Spain, the implementation of the transformation plan in operations initiated in 2019 continued. The focus on diversifying the customer base towards more profitable small B2B accounts and reducing operating costs has enabled profitability to be improved while gaining market share with B2C customers. As a result of this growth, CTT Express reached EBITDA breakeven in the second quarter of 2021.
	**Natural disasters** **Class: Business interruption risk** Natural disasters are currently a growing threat, causing thousands of deaths and huge economic losses every year all over the world. In particular, the increased frequency and severity of extreme phenomena associated with climate change, such as droughts, floods, cold or heat waves, have become a major concern for companies at a worldwide scale. The risk to CTT arises from the potentially devastating effects caused by the occurrence of this type of phenomena and the direct and indirect economic losses derived thereof.	The damages (human and material) to buildings and the fleet caused by Natural disasters are covered by insurance. In case these events occur, CTT has established communication channels with the authorities, namely the Civil Protection, aimed at ensuring the protection of the facilities and its employees.

Business affected	Risk rationale	Evolution and mitigation
	**ESG (environmental, social and governance) performance** **Class: Sustainability risk** ESG (environmental, social and governance) performance is increasingly an essential factor for the sustainable development, success and survival of companies these days. CTT's activity implies direct and indirect environmental impacts, namely the depletion of energy resources of fossil origin, the emission of atmospheric pollutants, in particular greenhouse gas emissions, the consumption of natural resources (e.g., paper and water), potential soil contamination and effluents due to waste produced by CTT as well as noise emission. The environmental impacts may also be felt at the social level. More than the response to compliance with legal and regulatory obligations, the risk arises mainly from reputation damage resulting from failures in the commitments assumed with mitigation and adaptation to climate change and energy transition, as well as an external perception of CTT as an environmentally unfriendly company.	To minimize its carbon footprint, CTT has implemented certified environmental management sustainability program in line with the UN sustainable development goals and certified environment management systems. Energy and carbon efficiency are ensured through energy rationalisation and efficiency measures, the promotion of green energy consumption and the development of the supply of green and/or carbon-neutral products and services that support the transition to a more sustainable economy. Sustainable mobility is also promoted by CTT through the management and streamlining of fleet consumption, the expansion of the electric fleet and the search for smooth mobility solutions. Non-financial reporting, complemented by training actions and communication initiatives (internal and external), also strengthen engagement with employees and stakeholders.
	**Health and safety** **Class: Human capital risk** Notwithstanding the permanent effort to prevent work accidents, their occurrence constitutes a significant risk in such a vast universe of workers. Operating one of the largest fleets in Portugal, CTT is particularly exposed to the risk of road accidents. On the other hand, the pandemic had an enormous impact on the workers' access to health care, implying the cancellation or postponement of medical appointments, exams and surgeries, a situation that has not yet been fully normalised. In addition, there is the problem of mental health, which has been made worse by the interruption of normal working routines and conditions and by isolation during the pandemic, and which may result in increased levels of absenteeism and/or a fall in productivity.	CTT is committed to ensuring its employees safety conditions in all aspects of their work, in order to prevent injuries and provide health conditions. In 2021, CTT continued to implement several preventive measures aimed at safeguarding employees' health and safety in a pandemic context. Following the Health Promotion and Prevention initiatives, the Viver (Living) Programme was launched which, besides the prevention and alert approach to workers on health-related themes, includes specific screening campaigns, informative documentation and remote or face-to-face counselling. Within the scope of road safety, to further clearly mark the commitment in this area, CTT's Road Safety Commitment was approved, a further stage in the development of a road safety culture.

Business affected	Risk rationale	Evolution and mitigation
	**New working models and talent management** **Class: Human capital risk** The ability to hire and retain skilled workers and to manage the risks associated with the development of critical and high-level talent plays a key role in the sustainable success of companies. In recent years (pre-pandemic), a trend towards the development of new models of work and organisation of human resources more flexible than the traditional ones was perceptible. The pandemic and the "forced" adoption of telework accelerated this gradual evolution. In this context, as the demand for qualified talent with specific skills is much higher than the existing supply in the market, many qualified candidates will be willing to make changes and opt for offers that allow them to work from anywhere with total autonomy. On the other hand, these new work models with less personal interaction may contribute to the erosion of team cohesion and organisational culture.	CTT has pursued an effort to retain the appropriate skills and high levels of motivation. From a talent management perspective, both actions to attract and recruit new knowledge and skills in the market and actions to develop technical staff and management have been considered. Within the scope of the transformation process underway, one of the pillars of action aims to increase employee satisfaction through a number of actions based on four vectors: communication, engagement, leadership and enhancement of the employer brand. In this last area, the 5th edition of the Trainee Programme 2021/22 began. This programme aims to attract and retain young people with high potential, promote their development, contribute to the rejuvenation of the workforce, foster a culture of mobility and position CTT as an Employer of first choice.
	**Customer satisfaction and experience** **Class: Efficacy and reputation risk** Operating in a highly competitive market, CTT's growth and sustainability are strongly dependent on the offer of products and services focused on customer satisfaction. In this regard, it is essential to anticipate, assess, respond in a timely manner and monitor their needs, offering adequate and differentiating products and services at competitive prices and high quality levels.	In recent years CTT has been developing a very significant work to transform its business portfolio with the objective of focusing the experience around private and business customers. In addition to the implementation of new solutions, there are also ongoing initiatives aimed at getting to know the client better, fostering an omni-channel approach and increasing revenue sources. At the same time, there is a modernisation and investment effort in operations, focused above all on intelligent management of network capacity and optimisation of processes through lean projects in the operational area supporting the activity.

03

CTT Business Units

A future in e-commerce

3. CTT BUSINESS UNITS

3.1 Mail

GRI 102-2, GRI 201-1

Mail revenues amounted to €440.3m in 2021, which corresponded to a growth of €17.4m versus 2020 (+4.1% y.o.y).

The growth registered in this business unit resulted mostly from: (i) the very positive contribution of **business solutions** (+€13.1m; +82.8% y.o.y), which includes four months of activity of the new company NewSpring Services (+€8.0m) and an increase of €5.1m in revenues relative to business solutions projects largely explained by the revenue related to a computer sales project in 4Q21 (€5.2m); (ii) a very positive increase in **registered mail** (+€11.3m; +10.1% y.o.y); and (iii) the favourable performance of **international outbound mail** (+€6.2m; +15.9% y.o.y), boosted by additional revenues booked in December 2021 associated with the January 2022 parliamentary elections (€5.9m).

Business solutions recorded revenues of €29.0m in 2021 (+€13.1m; +82.8% y.o.y), driven by the integration of NewSpring Services in CTT's Business Solutions base offer in September 2021. This acquisition is part of CTT's portfolio diversification strategy aimed at accelerating growth in business solutions, by combining NewSpring's expertise in Business Process Outsourcing (BPO) and Contact Center solutions with CTT's commercial network, thus creating cross-selling opportunities with the B2B sales channel already in place.

The growth registered in these business lines was partially penalized by the revenue decline in **international inbound mail** (-€8.3m; -21.3% y.o.y) and in **ordinary mail** (-€5.2m; -3.6% y.o.y).

The year 2021 allowed for the recovery of growth in other products in this business unit (+€1.9m y.o.y), which benefited from the boost in **advertising mail** (+3.5% y.o.y), **editorial mail** (+1.5% y.o.y), **universal service parcels** (+7.4% y.o.y), **philately and other mail products and services** (+5.2% y.o.y).

Against a backdrop of continued restrictions in the access of customers to the CTT Retail Network, **philately** revenues totalled €5.4m. Thirty-two stamps of the Republic were issued, as well as 24 postal stationery, three thematic books and two annual books.

In 2021, the average price change of the universal postal service[58] was 1.72% y.o.y.

In 4Q21, revenues of the Mail business unit amounted to €123.6m, which corresponds to a growth of €9.4m (+8.3% y.o.y) vis-à-vis 4Q20, due to the above-mentioned good performances of **business solutions** (+€12.8m; +371.6% y.o.y) and **international outbound mail** (+€4.8m; +42.0% y.o.y).

Mail volumes

In 2021, the **addressed mail** volumes registered an improvement in the negative trend (-16.5% in 2020 compared to 2019 and -6.3% in 2021 compared to 2020), benefiting from the comparison with the more restrictive lockdown period in 2020.

[58] Including letter mail, editorial mail and parcels of the Universal Postal Service, excluding international inbound mail.

Mail Volumes

Million items

	2020	2021	Δ	4Q20	4Q21	Δ
Transactional mail	447.2	415.7	-7.0%	110.4	102.2	-7.4%
Advertising mail	39.7	39.9	0.4%	11.3	13.0	15.9%
Editorial mail	30.0	29.0	-3.5%	7.9	7.5	-4.6%
Addressed mail	**516.9**	**484.6**	**-6.2%**	**129.6**	**122.8**	**-5.3%**
Unaddressed mail	**412.3**	**449.9**	**9.1%**	**107.0**	**116.7**	**9.1%**

In 2021, **transactional mail** volumes declined by 7.0% y.o.y, primarily driven to the declines in **ordinary mail** (-8.0% y.o.y) and in **international inbound mail** (-27.8% y.o.y). The performance of ordinary mail was affected by the trend registered in contractual clients of the banking and insurance and utilities and telecom segments, which made the biggest contribution to this decline. The worsening of the decline in **international inbound mail** in 2H21 was greatly impacted by the entry into force as of 1 July 2021 of the regulation abolishing the exemption of VAT on mail items below €22 ("de minimis"), which means that every item originating in extra-EU countries is now subject to customs clearance which translates into increased customs transit times.

In the opposite direction, it should be highlighted the growth of **registered mail** (+8.3% y.o.y), driven by the dynamics of contractual customers, especially the government sector, and that of **international outbound mail** (+14.5% y.o.y), impacted by the December mailing of ballot papers associated with the legislative elections. Excluding this effect, the growth would have been 4.8% y.o.y.

In 2021, **unaddressed advertising mail** volumes increased by 9.1% y.o.y. and **addressed advertising mail** volumes by 0.4% y.o.y. In 2021, the **CTTAds** brand was launched to reinforce CTT's positioning as a business partner for advertising solutions, with emphasis on the offer of digital advertising packages and databases that will allow companies to carry out segmented actions to their potential targets and thus obtain better results in their campaigns.

In 4Q21, addressed mail volumes declined by 5.2% y.o.y. This improved performance in 4Q21 as compared to the remainder of the year reflects a noteworthy growth in **addressed advertising mail** (+1.8 million items) and a lower decline in volumes from customers of the utilities and telecom sectors, with a strong contribution in the period from the government and municipalities' mail flows.

Accessibility

GRI 102-6, GRI 203-1, 203-2, GRI 302-4, GRI 413-2, 414-2

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

With over 17 million customers being served in our post offices in 2021, accessibility is one of its distinctive features. The company provides the largest contact network at a national level, operating as a structuring and determinant element for social cohesion within the country.

At the end of the year, network of contact with the public consisted of 2,356 operational access points, comprising 570 post offices and 1,786 postal agencies (with 18 postal agencies being temporarily closed, due to the COVID-19 pandemic situation), as well as 4,648 postman delivery rounds, ensuring the availability and accessibility of the attendance and delivery service, embodying a convenient and multi-service platform.

Supplementing this, the network also had 1,513 points of sale of stamps, 83 automatic stamp vending machines and 11 automatic vending machines of mail products. The network of letter boxes and mailboxes was composed of 10,742 items of equipment, located at 9,630 geographic points at a national level. Apart from these, there are also 5,161 Payshop agents.

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

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

Any alteration and impact on the community of possible changes in the operating model are analysed internally, based on information collected onsite by internal and external agents, so as to assure the satisfaction of the population.

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

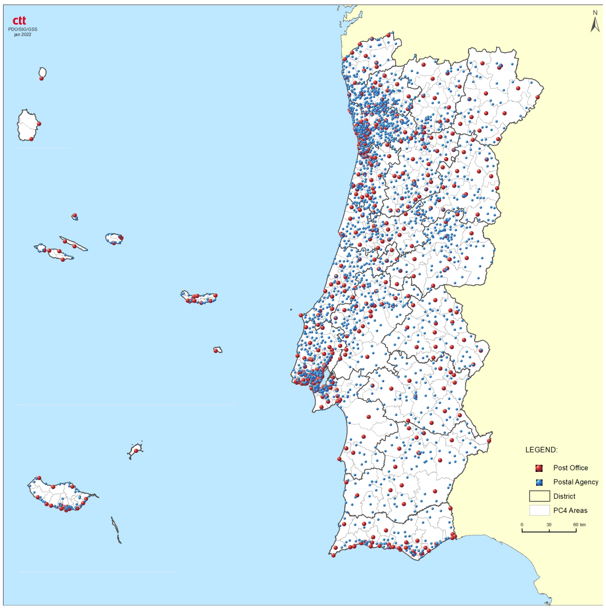
In European terms and based on the available data, CTT continues to show a good level of penetration of the postal services, with a postal coverage above the EU average.

Density and postal coverage

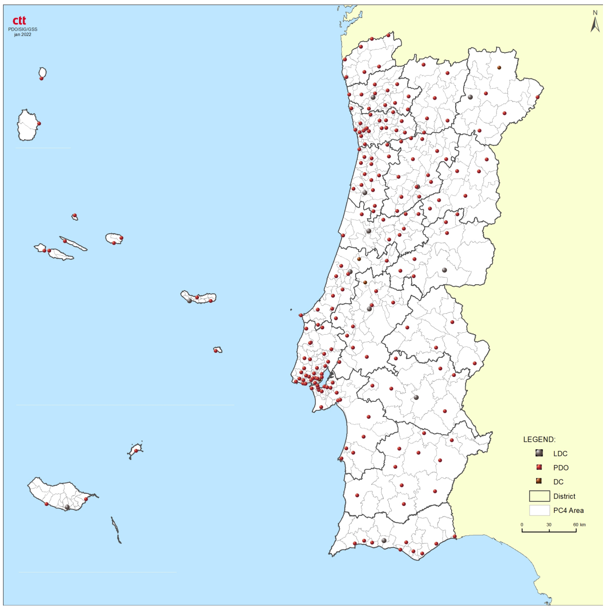
	Inhabitants per postal establishment					Km^2 per postal establishment				
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
EU average	5,167	4,989	5,030	4,967	n.a.	45	43	43	46	n.a.
Portugal	4,350	4,314	4,346	4,354	4,393	39	39	39	39	39

Source: UPU.
Note: Considering fixed postal establishments.

Retail network of post offices and postal agencies



Network of postal delivery offices



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

Reference is made to the improvement works of the accesses to Odemira post office, in 2021, involving the construction of ramp and the creation of an outer door opening on the façade of the post office.

Eco portfolio

GRI 102-43, 102-44, GRI 302-5, 305-5, 306-2

CTT has found that its customers progressively and consistently use more mail products that incorporate environmental protection features, demonstrating the customers' growing awareness of these arguments. Since its launch in 2010, the total sales of the range of CTT eco products represent a revenue of approximately €139m, to a large extent driven by the visibility of their environmental and carbon attributes.

Green mail is a 100% ecological offer leveraged on its convenience combined with environmental protection, ensuring the carbon neutrality of its products through the offsetting of unavoidable direct emissions, without extra costs to the customers. In spite of the decline in absolute terms, the eco range of "green mail" recorded close to 7.9 million items sold, corresponding to a 3% decline in relation to the previous year. On average, 49 grams of CO_2 are emitted for each "green mail" item delivered by CTT, arising from the Company's direct activity. For this purpose, CTT acquires carbon credits, funding two projects. One is the national project "Conservation of Woods", which fosters the planting of indigenous species, original trees and bushes of the Portuguese flora, and the other is an international project that promotes the use of renewable biomass, through a factory that produces bricks and other construction materials in the Northeast of Brazil.

The range of eco direct marketing services provides a distinctive symbol for the campaigns which stand out positively due to their environmental performance, through compliance with various ecological criteria. This measure sought to project the use of the channel of mail with ecological merit, through the use of ecological raw materials, responsible production processes and appropriate end-of-life cycle management. In 2021, the eco range maintained its relative weight (42%) in the domestic volume of Direct Mail, involving around 16.9 million items.

Philately

GRI 102-2

In 2021, CTT's Philately issued 32 stamp issues of the Republic, 24 Postal Stationery, 3 thematic books and 2 annual stamp books.

During the year there were still significant restrictions on the access of customers to our post offices, and therefore the limitations to potential revenues were maintained due to this constraint. Revenues accumulated during the period amounted to €5.5m, a negative evolution of 2.5% compared to the previous year.

From 1962 to 2021, CTT Correios de Portugal was awarded 41 major philatelic design awards, to which must be added another 10 prizes for the graphic quality and contents of our books. With 51 of these distinctions granted, mostly by independent international juries, CTT's Philately is considered the most award-winning in Europe and one of the most awarded in the world. In 2021, it once again stood out for its innovation and art with the launch of the world's first graphene philatelic souvenir sheet, with the insertion of Miguel Torga's "Poema Esperança", and received the Philatelic Campaign of the Year Award from the World Post and Parcels Awards.

Commemorative philatelic issues of 2021	
• Figures from History and Culture • King Manuel I • 100 Years of the Portuguese Communist Party • Centenary of the League of Combatants • 200th Anniversary of the End of the Inquisition in Portugal • World Tuberculosis Day 2021 (labels) • Centenary of the Faculties of Pharmacy: Coimbra, Lisbon and Porto • Holocaust Memory • Alfredo da Silva's 150th Birthday • 400th Anniversary of the Terço da Armada • EuroMed 2021 - Traditional Jewellery of the Mediterranean • Bicentenary of Freedom of the Press in Portugal • Archbishops of Braga (4th group) • World Figures from History and Culture • Seara Nova - 100 Years	***National and International Events***
• 90 Years of Madeira Regional Archive • Tiger Meet 2021 • Europa Issue – Endangered National Wildlife • Portugal-Singapore – Joint issue • Terras do Barroso – World Agricultural Heritage • The Discovery of Antarctica • Hunting in Portugal (1st group) • Portuguese Presidency of the Council of the European Union • United Nations Decade of Ocean Sciences for Sustainable Development • Protected Areas in Portugal • Five Centuries of the Portuguese Presence in the Southern Seas: Remembering João da Nova • 440 Years of the Battle of Salga • 500th Anniversary of Ferdinand Magellan's Arrival in the Philippines • 2021 – European Year of Rail • International Year of Peace and Trust (labels)	***Environment and Sustainability***
• Numismatics Self-adhesive stamps (2nd group)	***Self-adhesive***

Definitive stamps issue
• Portuguese Numismatics (2nd group)

Book editions
• The History of Ballet in Portugal • The Post Office – Faces and Stories • King Manuel I – Adventures and Misadventures of a King of Portugal • My Stamp Album 2021 • Portugal in Stamps 2021

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

3.2 Express & Parcels

GRI 102-2, GRI 201-1

Express & Parcels **revenues** totalled €255.7m in 2021, an increase of €62.7m (+32.5% y.o.y).

In the **Iberian market**, revenues stood at €252.5m, growing of €62.2m (+32.7% y.o.y) compared to 2020. **CEP** (Courier, Express and Parcels) represented €234.4m (+39.7% y.o.y), and volumes totalled 72.8 million items, growing by 43.5% over 2020. CEP growth in the Iberian market was boosted by e-commerce (B2C) growth in Iberia, which was particularly reflected in the good performance of the CEP operation in Spain.

In **Portugal**, Express & Parcels **revenues** recorded €135.1m in 2021, growing €17.1m (+14.5% y.o.y) over 2020, and volumes totalled 32.7 million items, representing a growth of 15.2% y.o.y.

The Express & Parcels business performance in Portugal in 2021 was based on the **CEP** business growth, whose revenues amounted to €118.5m (+22.8% y.o.y). The **cargo** business revenues totalled €8.2m (-28.3% y.o.y), those of the **banking** documents delivery business €4.4m (-32.5% y.o.y) and those of the **logistics** business amounted to €3.2m (+31.0% y.o.y).

The performance of the **CEP** business was mainly related to e-commerce (B2C), with particular focus on large global marketplaces, due to market growth and to the capture in 2Q21 of a major worldwide e-commerce platform. The “back-to-school” campaign gave a relevant contribution to this performance, as a result of CTT gaining the schoolbook logistics and distribution operation of one of the largest sales channels for this product. As a result, CEP volumes reached 31.7 million items (+22.7% y.o.y). Moreover, it should be noted that the schoolbook logistics and distribution operation also impacted positively the **logistics** segment.

In the **cargo** product line, the strong reduction in revenues is related to the change in the operating strategy which aimed to address the negative margin of this business line, leading to its outsourcing to a partner, who is now responsible for its operation. This change implied commercial renegotiations with certain customers and the implementation of decisions that penalized revenues, such as the discontinuation of the tyre delivery service, which ultimately had a positive impact on margin. As a result of these actions, the Company was able to achieve a positive contribution margin in this product line in 4Q21.

The **banking** documents delivery product line continued under pressure in a context of continued reduction of the capillarity of banking networks and increasingly lower utilization thereof.

CTT continued to roll out its **24-hour Locker** strategy to both the general public and private premises (both residential and corporate), as well as Click&Collect. These allow the clients to pick up their parcels with maximum convenience, 24 hours a day, every day of the week (24/7). Lockers also improve operational efficiency at the delivery point, as they concentrate more items per delivery point, thus reducing unitary costs. At the end of December 2021, CTT's parcel locker network comprised 187 lockers, in various locations around the country, namely in hospitals, intermodal transport platforms, shopping centres, university campuses, physical retail networks, parking lots, gas stations or, in the case of private lockers, in condominiums and in office/business areas.

On 06.12.2021, CTT signed a **partnership agreement with YunExpress**, the logistics business unit of the Chinese company Zongteng Group, to create a joint venture that aims to manage the business of a locker network for parcel pick-up in Portugal and Spain. This partnership aims to further develop CTT's already leading network of lockers for e-commerce in Portugal, which will be open to any carrier. CTT plans to install 1,000 lockers by the end of 2022, thus offering the largest and most widespread national network of lockers that will be part of the current network of more than 2,000 CTT Pick-up / Drop Off Points (PUDOs) where clients can collect their parcels.

CTT and Sonae revisited the terms of their e-commerce partnership, with the aim of CTT focusing on its core logistic competences. Hence, in January 2022, CTT sold its stake in the **Dott marketplace**[59] to Worten with both entities, CTT and Worten, reinforcing their strategic logistics partnership.

Revenues in Spain stood at €117.3m in 2021, growing by €45.0m (+62.3% y.o.y). In 4Q21 revenues amounted to €32.4m, representing a growth of €8.4m (+34.7% y.o.y) over 4Q20. Volumes totalled 41.1 million items, an increase of 65.0% y.o.y.

During 4Q21, the Black Friday, Christmas and Sales campaigns boosted online commerce, and CTT Express saw an increase in activity, handling circa 11 million items, 33.7% above 4Q20, with a daily average of over 200k items in peak times.

CTT Express ended the year 2021 positioned as a reference operator in the Iberian urgent parcels market. Significant investments were made in quality of service and in the capillarity of its network - nationwide in Spain - and its differentiation from the competition has evolved sustainably over time.

The Company proceeds with its strategy of investing in technology and innovation and is rolling out new solutions that will improve the consumers' purchase experience. The investment already made, together with activity growth and new business processes implemented in distribution software, new partnership remuneration models and the renegotiation of existing agreements allowed for a reduction in unit handling costs (-9.4%), transportation (-28.0%) and distribution (-4.1%) in 2021 compared to the previous year. Investment and growth also allowed for the dilution of structural costs and, thus, the consequent increase in the profitability. As a result, Spanish operations exceeded the target announced in 2019 by achieving positive EBITDA in the full-year 2021.

CTT's ambition for its operation in Spain is to increase market share and improve profitability. More specifically, CTT aims to grow in the B2C market through a more efficient distribution network based on its own operations, capture B2B market share through a more competitive business model in attracting franchisees, and become the benchmark operator for Iberian shipments.

Revenues in Mozambique in 2021 stood at €3.2m, growing by 19.0% y.o.y. The growth achieved was supported by the business in the health area (collection of biological samples) and the banking sector. On a domestic level, 4Q21 was characterized by a more favourable economic environment, with companies experiencing an increase in demand that led to renewed growth in production and the hiring of more personnel.

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

Eco portfolio

GRI 102-43, GRI 302-5, 305-5, 306-2

CTT launched an innovative pilot project in 2021, aimed at the use of reusable packaging for online purchases. The new Reusable Eco Packaging has a stipulated resistance capacity for sending it up to 50 times, enabling reduction of waste associated with the single-use packaging solutions used in the e-commerce market, reduction of the carbon footprint associated with its production, and promoting a more circular economy through reuse.

The Green Deliveries offer also aroused the curiosity of CTT customers in 2021. This offer is available for corporate customers and enables all deliveries in the contracted places, currently in Lisbon and Porto, to be made exclusively with electric vehicles. This service fosters an improvement in the quality of the air in urban centres, as these vehicles do not imply emissions of pollutant particulates. Since its launch in mid-2020, over 124 thousand items have been delivered, representing a revenue of approximately €182k. It should be noted that CTT also acquires 100% of the electricity it consumes through renewable sources, which positively affects the carbon footprint associated with this offer.

CTT once again put the projects for carbon offsetting of the express offer in Portugal to public vote, through the CTT website. The direct emissions that were not possible to avoid are fully offset by supporting two projects, one in Portugal and the other international, with positive environmental benefits in terms of the biodiversity and development of the local communities in which they operate. The winning projects, those most voted by the public, were the national project of “Wildlife recovery”, which seeks to restore the wildlife biodiversity of Portuguese forests and make them more resilient to the effects of the climate change forecast for our country, and the project of “Prevention of deforestation”, in Brazil, promoting the prevention of unplanned and illegal deforestation of the native forest in an area inside the Amazon Biome and supporting the local community in the management of its forestry resources.

In Spain, CTT Express launched new packaging formats that incorporate recycled plastic and are recyclable. This packaging possesses the Blue Angel stamp, a German certification that testifies to the endorsement of good ecological practices applied to the manufacture and functioning of a product or service.

3.3 Banco CTT

GRI 102-2, GRI 203-1, 203-2

Banco CTT **revenues** reached €98.9m in 2021, an increase of €16.8m (+20.4% y.o.y).

This growth was mainly driven by the partnership with Sonae Financial Services (which started in April 2021) whereby Banco CTT became the sole lender for the **Cartão Universo** loan book. This business generated revenues of €10.2m, with a net balance sheet volume of €292.1m in December 2021, thus surpassing the initial plans.

Revenue growth was due to the positive performance of **net interest income** that reached €55.8m in 2021, €11.1m above 2020 (+25.0% y.o.y).

Interest from **consumer credit** grew by €4.3m (+12.7% y.o.y), as **auto loans and leasing** reached a loan portfolio net of impairments of €648.8m (+15.8% vs. December 2020). Auto loans production stood at €213.8m in 2021 (+10.3% y.o.y), as 321 Crédito increased its production market share in the 2nd half of 2021 by 1.1 p.p. (from 10.2% as at the end of June to 11.3% at the end of the year) compared to the remaining players in the auto loan market for used vehicles.

Interest from **mortgage loans** recorded a decline of €0.2m (-3.9% y.o.y), with a €594.8m mortgage loan portfolio net of impairments (+13.4% vs. December 2020). Mortgage loan production amounted to €133.0m, a decrease of €26.9m (-16.8% y.o.y) compared to 2020. This decline stems from the change in focus to products with higher risk-adjusted profitability, such as consumer credit and auto loans.

Commissions received in this business unit reached €39.3m, up by €5.8m versus 2020 (+17.5% y.o.y). It should be highlighted the positive contributions of (i) commissions received regarding **accounts and cards**, which amounted to €10.6m, an increase of €3.4m (+46.8% y.o.y), (ii) **savings products** (off-balance sheet), which totalled €3.6m, growing by €1.2m (+49.0% y.o.y) that resulted from a net volume off-balance sheet of €708.6m, corresponding to 65.3% above December 2020, and (iii) **payments**, which totalled €17.5m, a growth of €0.6m (+3.3% y.o.y).

Banco CTT commercial performance continued to allow for growth in **customer deposits** to €2,122.8m (+25.7% vs. December 2020) and in the **number of accounts** to 573k (56k more than in December 2020).

The **loan-to-deposit ratio** reached 72.7% at the end of 2021.

As at 31 December 2021, Banco CTT had no active **moratoria** in any credit segment. Of the expired moratoria, there are about €3.5m in arrears of more than 30 days, which represent circa 5.4% of the total private moratoria expired.

Eco portfolio

GRI 102-43, GRI 302-5, 305-5, 306-2

Committed to expanding the offer of savings and investment solutions, the Banco CTT Sustainable Investment product was launched in partnership with Zurich insurance company. This is an insurance product linked to an investment fund for companies and institutions that carry out their activity by incorporating sustainable development principles and goals in line with the United Nations 2030 Agenda.

Furthermore, Banco CTT joined the Eco-Schools Programme of the European Blue Flag Association to support the BIO Vegetable Gardens project, contributing to the creation of vegetable gardens at 14 national schools. The objective is that these vegetable gardens should be used to create awareness and educate the school and local communities on the topic of sustainability, in particular by encouraging the students to create and maintain school vegetable gardens, cultivated in a biological manner, deepening knowledge related to biological agricultural practices and healthy and sustainable eating habits.

In an eco-friendly attitude, the new Banco CTT debit cards sent to the customers are 100% produced using recycled plastic.

3.4 Financial Services

GRI 102-2, GRI 201-1, 203-1

Financial Services & Retail **revenues** amounted to €48.9m in 2021, representing an increase of €4.8m (+11.0% y.o.y).

Financial services (excluding other revenues) obtained revenues of €31.1m in 2021, an increase of €0.2m (+0.7% y.o.y), broken down as follows:

- **Public debt certificates** (Savings Certificates and Treasury Certificates Savings Growth) posted revenues of €22.7m, which increased by €0.6m (+2.9% y.o.y) compared to 2020. Placements of these certificates amounted to €4,428.0m, an average of €17.6m/day versus €15.2m/day in 2020. This was the result of greater commercial dynamism, with the recapture of amounts relative to maturing certificates.

- Revenues originated by the **remaining savings and insurance products** (capitalization insurance and others) amounted to €1.2m, growing by 10.6% (+€0.1m y.o.y). The negative impact of the maturity of a part of the product portfolio was offset by the actions taken to enlarge the offer of new investment, savings and insurance solutions. As a result, placements amounted to €43.7m in the second half of 2021, thus allowing the diversification of savings in the customer base as well as the attraction of new clients.

- **Money orders** revenues reached €5.5m, corresponding to -€0.5m (-8.6% y.o.y), as a result of the structural changes in the means of payment.

- **CTT payment services** posted revenues of €1.6m in 2021, slightly above the previous year's (+1.9% y.o.y). In 1H21, this product benefited from the payment of taxes at the CTT Retail Network, which reduced the structural effect of e-substitution in this service. However, in 2H21 there has been a slowdown.

In 4Q21, CTT continued to develop its savings offering, with the objective to enlarge the range of products available, and of non-life insurance, which already includes auto, health, personal accidents, and third-party liability products. This segment presents a significant growth potential and will be strategically addressed in the context of the Financial Services segment offering, thus leveraging further CTT's distribution network.

Revenues of **Retail products and services** (excluding other revenues) reached €17.6m in 2021, an increase of €4.6m (+35.2% y.o.y), underpinned by the distribution of lotteries and "scratch cards", with the latter commercialized as of 4Q20 and gradually expanded to the whole Retail Network.

The easing of the lockdown restrictive measures has led to a gradual pickup of the Air Transport Allowance business, with a growth of 138.9% y.o.y. in 2H21 following a decrease of 38.0% y.o.y. in 1H21.

To be noted is also the increased demand for p.o.boxes (+17.2% y.o.y) and books (+13.6% y.o.y), evidenced by the results of the campaigns launched for their marketing. Conversely, merchandising products sales declined by 40.5%, heavily influenced by the decrease in sales of "personal protective equipment" due to the change in the pandemic context in 2021.

A number of retail initiatives were launched in 2021, of which the following are highlighted: (i) the resizing of the lottery and "scratch cards" segment and of its supplier management; (ii) the launch of own editions of books and the repositioning of the offer; (iii) the partnership with Worten for the launch of a line of small household appliances with their own display in CTT post offices and the launch of a line of small gadgets from other suppliers, with a counter display; (iv) the reformulation of the partnership with ForAll Phones and of the reconditioned products business model; and (v) the opening of CTT's first outlet store, located in Lisbon (Restauradores), with the aim of selling older products at lower prices, allowing for improved sales and stock management.

3.5 Future Perspectives

GRI 102-2, 102-6, GRI 203-1

2021 was a year of marked transformation at CTT across all business areas: (1) **Express & Parcels** registered significant and continued growth, on the back of increased e-commerce penetration, which reflects a transformation of consumer habits, and of solid market share gains in Spain; (2) the decline of international inbound revenues in **Mail & other** was more than compensated by the growth registered in business solutions in the wake of the acquisition and consolidation of NewSpring Services and focused commercial stance in the marketing of outsourcing services and other projects and contracts thus enlarging CTT's share of wallet in its mail clients; (3) **Financial Services & Retail** went through a record year in the placement of public debt using CTT's branches and launched new insurance and savings solutions together with a broader retail offering anchored on the new store layout, and (4) **Banco CTT** established a partnership with Sonae Financial Services to become the sole lender of the Universo credit card while continuing to register noticeable growth in the auto loans space, in mortgage loans and in on- and off-balance sheet savings. 2021 was also characterized by a strong focus on productivity and efficiency of logistics operations, including mail and express and parcels, with CTT launching relevant initiatives to reduce unitary costs while improving quality. As a result of this transformation, CTT has a differentiated and truly Iberian value proposition and its Spanish operation is already the largest contributor to express and parcels volumes. CTT aims at continuing the transformation of its business and the optimization of its operations.

The main pillars of Company's strategy for 2022 are: (1) CTT will be focused on expanding its integrated Iberian footprint to enable grabbing the full potential of e-commerce convergence in Portugal and Spain; (2) CTT will continue to carry out transformation initiatives, namely through inroads in business services and logistics, to drive revenue sustainability by reducing dependence on traditional mail services; (3) CTT will continue to launch new services and products to increase the appeal of CTT's retail offering, and (4) CTT will continue to foster Banco CTT's growth, which is underpinned by balance sheet optionality and potential equity and industry partnerships.

Moreover, the new universal service framework with a more balanced and sustainable concession contract should allow for a structural improvement in profitability of mail services. CTT will also continue to focus its efforts on rolling out more initiatives to further improve efficiency and profitability of its operations, which are already visible, aiming at compensating pressure in mail revenues.

The Company will be watchful and will analyse inorganic expansion opportunities, that may exist, namely in logistics and fulfilment segments.

CTT will focus on minimizing the impact of relevant and persistent macro and industry risks, including geopolitical uncertainty, inflation, cost of energy and raw materials, COVID-19 and de minimis impact on mail revenues as well as of those severe risks that are affecting the functioning of logistics chains, namely those originated in Asia.

For 2022, the guidance is as follows:(1) high single-digit decline is expected in mail volumes; (2) Iberian Express & Parcels volumes are expected to grow by low double digit, subject to normalization in supply chains; (3) expected revenue growth of mid-to-high single digit, and (4) recurring EBIT is expected to be within €65-75m range, more geared towards 2H22. In effect annual mail price increases entered into force on 7 March 2022 while the de minimis impact will annualize as from 3Q22 and Express & Parcels will have a more demanding comparable in 1H22 due to the lockdown period of 1Q21.

CTT aims to implement a remuneration policy that is attractive, constituting an adequate source of income for its shareholders, and that, simultaneously, continues to enable the Company's financial capacity to maintain strategic flexibility to meet the goals of investment in business growth and to continue to position CTT as a reference in logistics and e-commerce in Portugal and Spain. This remuneration policy includes an ordinary dividend component, which is intended to have a greater recurrence, and a share repurchase component, which will be more casuistic and applicable according to market conditions.

04

Performance

4.1 Financial Capital
4.2 Human Capital
4.3 Intellectual Capital
4.4 Social Capital
4.5 Natural Capital

A future in sustainability

4. PERFORMANCE

4.1 Financial Capital

Revenues

GRI 201-1

CTT's **consolidated revenues**[60] grew in 2021 as a result of the business transformation process, with less reliance on traditional mail and greater focus on growing businesses such as Express & Parcels, Banco CTT and Business Solutions. In 2021, CTT consolidated its Iberian presence, investing in the expansion and coverage of its Express & Parcels network and benefiting from the growth of this business in Portugal and Spain.

Revenues grew by 13.8% in 2021 to €847.9m, up by €102.6m compared to 2020, reflecting the notable performance of (i) Express & Parcels, which grew €62.7m (+32.5% y.o.y), followed by (ii) Mail & other with +€18.3m (+4.3% y.o.y), (iii) Banco CTT with +€16.8m (+20.4% y.o.y) and (iv) Financial Services & Retail with +€4.8m (+11.0% y.o.y). It should be noted that all business areas of CTT posted growth in 2021.

Revenues

€ million

	2020	2021	∆	∆%	4Q20	4Q21	∆	∆%
Revenues	**745.2**	**847.9**	**102.6**	**13.8%**	**211.0**	**235.0**	**24.0**	**11.4%**
Mail & other	426.1	444.4	18.3	4.3%	115.3	125.5	10.2	8.8%
Mail	422.9	440.3	17.4	4.1%	114.2	123.6	9.4	8.3%
Central Structure	3.2	4.1	1.0	29.9%	1.2	2.0	0.8	63.9%
Express & Parcels	193.0	255.7	62.7	32.5%	61.5	69.3	7.9	12.8%
Banco CTT	82.1	98.9	16.8	20.4%	22.4	26.8	4.4	19.7%
Financial Services & Retail	44.0	48.9	4.8	11.0%	11.8	13.3	1.5	13.1%

[60] Excluding specific items.

Operating Costs

Operating costs totalled €786.0m in 2021, a growth of €75.3m (+10.6% y.o.y) over 2020.

Operating Costs

€ million

	2020	2021	Δ	Δ%	4Q20	4Q21	Δ	Δ%
Staff costs	338.6	346.9	8.2	2.4%	88.0	87.6	-0.4	-0.5%
ES&S	254.1	327.4	73.3	28.8%	73.9	92.3	18.4	24.9%
Impairments & provisions	15.3	11.4	-3.9	-25.5%	2.1	2.6	0.5	24.2%
Other costs	33.6	44.1	10.6	31.4%	8.8	17.3	8.5	97.5%
Operating costs (EBITDA)[61]	**641.6**	**729.8**	**88.2**	**13.7%**	**172.8**	**199.8**	**27.0**	**15.7%**
Depreciation & amortization	62.1	58.0	-4.1	-6.6%	16.1	14.8	-1.3	-8.0%
Specific items	7.0	-1.8	-8.8	-125.5%	4.9	4.0	-0.9	-18.4%
Corporate restructuring costs and strategic projects	4.2	12.7	8.5	»	2.7	2.9	0.2	6.0%
Other non-recurring revenues and costs	2.8	-14.5	-17.2	«	2.2	1.2	-1.1	-48.0%
Operating costs	**710.7**	**786.0**	**75.3**	**10.6%**	**193.7**	**218.6**	**24.9**	**12.8%**

Staff costs increased by €8.2m (+2.4% y.o.y) in 2021, essentially in the growth business areas, in particular in Banco CTT (+€3.4m y.o.y) – due to increased commercial activity and team reinforcement in the wake of the partnership with Sonae Financial Services - and in Express & Parcels (+€3.3m y.o.y), primarily due to activity growth in Spain. In the Financial Services & Retail business unit staff costs decreased €0.8m. In Mail & other these costs grew €2.2m y.o.y, due to the acquisition of NewSpring Services (+€3.9m). Excluding this change in the consolidation perimeter, these costs would have declined by €1.6m, as a result of the measures taken to increase productivity and the focus on operating efficiency.

External supplies & services costs increased by €73.3m (+28.8% y.o.y) in 2021, mostly due to the increased Express & Parcels activity in Iberia and the commercial boost, with emphasis on: direct and commercial costs (+€57.8m), physical and technological resources (+€7.7m), temporary work (+€5.9m) and uniforms (+€0.5m). Excluding the effect of NewSpring Services (+€2.8m), the growth in external supplies & services costs would have been €70.4m (+27.7% y.o.y).

Impairments and provisions decreased by €3.9m in 2021 (-25.5% y.o.y), as a result of the changes in the credit risk matrices and the improvement of the economic situation, given that the same period of the previous year was strongly impacted by the pandemic and uncertainty, mainly at the level of auto loans. In 4Q21, impairments and provisions were negatively impacted by the growth in the Universo card consumer credit portfolio, which requires the initial recognition of estimated impairments related to the estimated duration of the credit.

Other costs grew by €10.6m (+31.4% y.o.y), mainly in the Mail & other business unit (+€4.4m) due to the growth of business solutions (+€5.0m y.o.y in connection with the laptop sale project referred to above) and printing & finishing, and in Financial Services & Retail business unit (+€4.8m), the latter due to the growth of “scratch card” sales.

Depreciation & amortization posted a decrease of €4.1m in 2021 (-6.6% y.o.y), positively impacted by the revision of the useful life of some assets (-€6.8m) and partially offset by new building lease contracts which impacted amortization (+€1.9m), due to the IFRS 16 accounting standard.

[61] In 2021 and in 2020 (proforma), operating costs (EBITDA) include impairments and provisions; also, the impact of the leases covered by IFRS 16 is presented pursuant to this standard

Specific items amounted to -€1.8m, due to: (i) a capital gain of €17.8m booked in connection with the sale of public debt securities to optimize Banco CTT's balance sheet against a backdrop of the rollout of the partnership with Sonae; (ii) a net capital gain of €1.0m booked essentially in connection with the sale of real estate; (iii) restructuring costs of €11.1m, of which €10.6m correspond to suspension agreements of employment contracts, (iv) an impairment loss of €1.4m related with the initial IFRS 9 adjustment with the acquisition of the credit stock of Cartão Universo, (v) recording of an impairment for a €2.2m investment in the entity Mktplace, and (vi) €2.3m of other costs related to the COVID-19 pandemic and one-off projects.

EBIT and Net Profit

In 2021, **recurring EBIT** stood at €60.1m, growing by €18.6m (+44.8% y.o.y) compared to 2020, with a margin of 7.1% (5.6% in 2020). Note that all business units contributed favourably to recurring EBIT growth.

This performance was mainly due to the strong recurring EBIT growth of €12.2m in Express & Parcels and €3.4m (+70.0%) in Banco CTT. The contribution of Mail & other was €1.7m (+10.6% y.o.y) and Financial Services & Retail €1.3m (+6.4% y.o.y).

Despite this growth, the international inbound mail revenue loss resulting from the elimination of VAT exemption on mail items below €22 ("*de minimis*"), as of 1 July 2021, strongly impacted the recurring EBIT of 2H21.

Recurring EBIT by business unit

€ million

	2020	2021	Δ	Δ%	4Q20	4Q21	Δ	Δ%
EBIT by business unit	**41.5**	**60.1**	**18.6**	**44.8%**	**22.1**	**20.4**	**-1.8**	**-7.9%**
Mail & Other	16.0	17.7	1.7	10.6%	9.7	7.9	-1.7	-18.0%
Mail	70.1	65.0	-5.1	-7.2%	21.6	17.4	-4.2	-19.4%
Central structure	- 54.1	- 47.3	6.8	12.5%	- 12.0	- 9.5	2.5	20.5%
Express & Parcels	0.2	12.4	12.2	»	3.9	5.4	1.5	38.4%
Banco CTT	4.8	8.2	3.4	70.0%	4.4	2.4	-1.9	-44.6%
Financial Services & Retail	20.5	21.8	1.3	6.4%	4.3	4.7	0.4	10.5%

The **consolidated financial results** amounted to -€11.1m in 2021, corresponding to an improvement of €0.3m (+2.8% y.o.y).

Financial Results

€ million

	2020	2021	Δ	Δ%	4Q20	4Q21	Δ	Δ%
Financial results	**-11.4**	**-11.1**	**0.3**	**2.8%**	**-3.0**	**-3.0**	**-0.0**	**-0.5%**
Financial income, net	-9.6	-8.5	1.1	11.8%	-2.3	-2.1	0.2	8.8%
Financial costs and losses	-9.7	-8.5	1.1	11.7%	-2.4	-2.1	0.2	8.7%
Financial income	0.0	0.0	0.0	26.4%	0.0	0.0	0.0	10.3%
Gains/losses in subsidiaries, associated companies and joint ventures	-1.7	-2.6	-0.8	-46.9%	-0.7	-0.9	-0.2	-33.4%

Financial costs and losses incurred amounted to €8.5m, mainly incorporating financial costs related to post-employment and long-term employee benefits of €3.6m, interest expense associated to finance leases liabilities linked to the implementation of IFRS 16 for an amount of €3.1m and interest expense on bank loans for an amount of €1.7m.

In 2021, CTT obtained a **consolidated net profit** attributable to equity holders of €38.4m, which is €21.7m above 2020, positively impacted by the evolution of EBIT (+€27.4m) and financial results (+ €0.3m), and negatively by the corporate income tax for the period (+€5.9m).

Investment

Capex stood at €36.1m in 2021, corresponding to 8.1% more (+€2.7m) than in 2020.

The Company maintained the focus of investment on the fastest growing business unit where the transformation of its business model is being streamlined, i.e. the Express & Parcels (+€3.8m), thus ensuring increase in capacity and optimization of its processes.

Investment decreased in the remaining business units (-€1.1m), particularly in Banco CTT's information systems, given the high investment made in previous years.

To be noted is the investment of €2.9m relative to the adaptations made to information systems, postal equipment and new facilities in order to accommodate the new model for customs clearance of extra-EU items in response to changes in the VAT regulation for e-commerce, which entered into force on 01.07.2021 across the EU.

Cash flow

In 2021, the Company generated an operating **cash flow** of €61.8m, corresponding to €18.8m more than in 2020.

Cash flow

€ million

	2020	2021	Δ	Δ%	4Q20	4Q21	Δ	Δ%
EBITDA	103.6	118.1	14.5	14.0%	38.2	35.2	-3.0	-8.0%
Non-cash items*	-13.1	-18.9	-5.8	-44.3%	-5.4	-5.1	0.3	6.1%
Specific items **	-7.0	1.8	8.8	125.5%	-4.9	-4.0	0.9	18.4%
Capex	-33.4	-36.1	-2.7	-8.1%	-15.2	-14.7	0.5	3.5%
Δ Working capital	-7.2	-3.0	4.1	57.6%	14.2	-1.1	-15.2	-107.4%
Operating cash flow	**42.9**	**61.8**	**18.8**	**43.9%**	**26.9**	**10.4**	**-16.5**	**-61.3%**
Employee benefits	-12.1	-12.8	-0.7	-5.8%	-3.8	-3.3	0.6	14.5%
Tax	-9.0	-3.6	5.3	59.6%	-1.1	-1.2	-0.2	-15.2%
Free cash flow	**21.8**	**45.3**	**23.5**	**107.5%**	**22.0**	**5.9**	**-16.1**	**-73.2%**
Debt (principal + interest)	-1.5	-10.8	-9.2	<<	-0.6	-0.6	-0.0	-4.8%
Dividends	0.0	-12.8	-12.8	-	0.0	0.0	0.0	-
Acquisition of own shares	0.0	-6.4	-6.4	-	0.0	0.0	0.0	-
Disposal of buildings	0.0	2.2	2.2	-	0.0	0.0	0.0	-
Financial investments	-0.3	-15.7	-15.4	«	-0.6	-0.7	-0.1	-10.6%
Change in adjusted organic cash	**20.0**	**1.9**	**-18.1**	**-90.4%**	**20.8**	**4.6**	**-16.2**	**-77.9%**
Inorganic cash - NewSpring	0.0	4.9	4.9	-	0.0	0.0	0.0	
Change in adjusted cash	**20.0**	**6.8**	**-13.2**	**-65.9%**	**20.8**	**4.6**	**-16.2**	**-77.9%**
Δ Liabilities related to Financial Serv. & others and Banco CTT, net[62]	63.9	351.3	287.4	>>	112.8	-59.1	-172.0	<<
Δ Other[63]	-8.8	1.6	10.3	117.8%	-1.0	-0.6	0.5	45.7%
Net change in cash	**75.2**	**359.7**	**284.5**	**>>**	**132.6**	**-55.1**	**-187.7**	**-141.6%**

*Impairments, Provisions and IFRS 16 affecting EBITDA.

**Specific items affecting EBITDA.

The positive evolution of the operating cash flow in 2021 resulted mainly from the positive performance of EBITDA, a level of investment equivalent to that of the previous year, as well as a positive evolution of the change in working capital (+€4.1m). This is largely explained by the lower level of investment in 4Q20 vis-à-vis the same period of 2019, which positively impacted the working capital related to investment in 2021.

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

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

Consolidated Balance Sheet

Consolidated Balance Sheet

€ million

	31.12.2020	31.12.2021	Δ	Δ%
Non-current assets	1,984.3	1,970.3	-14.0	-0.7%
Current assets	910.6	1,614.9	704.3	77.3%
Assets	**2,894.9**	**3,585.2**	**690.3**	**23.8%**
Equity	**150.3**	**174.5**	**24.3**	**16.2%**
Liabilities	**2,744.6**	**3,410.7**	**666.0**	**24.3%**
Non-current liabilities	493.4	705.3	211.9	42.9%
Current liabilities	2,251.2	2,705.4	454.1	20.2%
Equity and consolidated liabilities	**2,894.9**	**3,585.2**	**690.3**	**23.8%**

The key aspects of the comparison between the **balance sheet** as of 31.12.2021 and that as of 31.12.2020 are as follows:

- **Assets** grew by €690.3m, mostly due to the strong growth in credit to banking clients (+€448.6m) especially auto loans and credit cards, cash & cash equivalents (+€359.7m), following the strong increase in clients' deposits at Banco CTT and the securitization operation carried out by 321 Crédito. The growth was also due to investments in assets at fair value through profit or loss (+ €25.0m) as a result of the investment in participation units of a real estate investment fund (REIT) and other assets (+€35.8m) was offset by the decrease in the captions investments in securities (-€177.5m) resulting from the disposal of securities portfolios.

- **Equity** increased by €24.3m due to the recognition of a net profit attributable to the CTT Group equity holders in 2021 corresponding to €38.4m, the increase in reserves as a result of the constitution of the reserve associated with the share plan (€1.2m) and the increase in other changes in equity (€3.6m) following the update in liabilities related to employee benefits. In the opposite direction, there was the distribution of dividends amounting to €12.8m and the acquisition of own shares in the amount of €6.4m.

- **Liabilities** increased by €666.0m, underpinned by the increase in banking clients' deposits and other loans (+€433.0m), and in other banking financial liabilities (+€238.8m) arising from the securitization operation carried out by 321 Crédito. Conversely, there was a decrease in items such as bank loans (-€5.7m), mostly as a result of the payment of the first tranche of the BBVA/Bankinter loan.

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

Consolidated Balance Sheet with Banco CTT under equity method

€ million

	31.12.2020	31.12.2021	Δ	Δ%
Non-current assets	638.8	680.2	41.4	6.5%
Current assets	484.0	454.9	-29.2	-6.0%
Assets	**1,122.8**	**1,135.0**	**12.2**	**1.1%**
Equity	**150.3**	**173.9**	**23.5**	**15.7%**
Liabilities	**972.5**	**961.1**	**-11.4**	**-1.2%**
Non-current liabilities	444.0	422.5	-21.5	-4.8%
Current liabilities	528.5	538.6	10.1	1.9%
Equity and consolidated liabilities	**1,122.8**	**1,135.0**	**12.2**	**1.1%**

The **liabilities related to employee benefits** (post-employment and long-term benefits) stood at €283.1m in December 2021, corresponding to €0.1m above December 2020, broken down as specified in the table below:

Liabilities related to employee benefits

€ million

	31.12.2020	31.12.2021	Δ	Δ%
Total liabilities	**283.0**	**283.1**	**0.1**	**0.0%**
Healthcare	271.2	263.5	-7.6	-2.8%
Healthcare (321 Crédito)	1.4	1.5	0.0	2.5%
Suspension agreements	2.8	9.5	6.7	244.6%
Other long-term employee benefits	6.9	6.5	-0.4	-5.6%
Other long-term benefits (321 Crédito)	0.2	0.2	-0.0	-5.8%
Pension plan	0.3	0.3	-0.1	-17.4%
Other benefits	0.2	1.6	1.4	»
Deferred tax assets	-79.3	-78.6	0.7	0.9%
Current amount of after-tax liabilities	**203.7**	**204.5**	**0.8**	**0.4%**

These liabilities related to employee benefits are associated with deferred tax assets amounting to €78.6m, which brings the current amount of liabilities related to employee benefits net of deferred tax assets associated with them to €204.5m.

Consolidated net debt

Consolidated net debt

€ million

	31.12.2020	31.12.2021	Δ	Δ%
Net debt	**71.4**	**58.9**	**-12.6**	**-17.6%**
ST & LT debt	**206.9**	**201.1**	**-5.7**	**-2.8%**
of which Finance leases (IFRS16)	115.2	115.3	0.1	0.1%
Adjusted cash (I+II)	**135.4**	**142.3**	**6.8**	**5.1%**
Cash & cash equivalents	**518.2**	**877.9**	**359.7**	**69.4%**
Cash & cash equivalents at the end of the period (I)	**498.8**	**857.0**	**358.1**	**71.8%**
Other cash items	19.4	20.9	1.6	8.1%
Other Financial Services liabilities, net (II)	**-363.4**	**-714.7**	**-351.3**	**-96.7%**

The key aspects of the comparison between the **consolidated net debt** as of 31.12.2021 and that as of 31.12.2020 are as follows:

- **Adjusted cash** increased by €6.8m, as the positive performance of the operating cash flow (+ €61.8m) more than offset the payment of employee benefits (-€12.8m), debt service (-€10.8m), the payment of dividends (-€12.8m), the acquisition of own shares (-€6.4m) and financial investments for an amount of €15.7m.

- **Short-term & long-term debt** decreased by €5.7m, mainly due to the reduction in short-term bank loans of CTT (-€5.8m) in the context of the scheduled amortization.

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

Consolidated net debt with Banco CTT under equity method

€ million

	31.12.2020	31.12.2021	Δ	Δ%
Net debt with Banco CTT under equity method	**153.9**	**182.4**	**28.5**	**18.5%**
ST & LT debt	**204.7**	**198.5**	**-6.2**	**-3.0%**
of which Finance leases (IFRS16)	113.0	112.6	-0.4	-0.3%
Adjusted cash (I+II)	**50.8**	**16.1**	**-34.7**	**-68.3%**
Cash & cash equivalents	**286.4**	**215.2**	**-71.3**	**-24.9%**
Cash & cash equivalents at the end of the period (I)	**286.5**	**215.2**	**-71.3**	**-24.9%**
Other cash items	-0.0	-0.0	-0.0	-43.6%
Other Financial Services liabilities, net (II)	**-235.7**	**-199.1**	**36.6**	**15.5%**

Economic value

GRI 201-1

The Company distributed over 358 million euros in wages and benefits (an increase of 4.5% compared to the previous year) and is an important taxpayer and directly invests in the community.

Direct economic value generated and distributed by CTT

€ thousand	2020	2021	∆ 2021/2020
Direct economic value generated	**743,519**	**845,338**	**13.7%**
Revenues	743,519	845,338	13.7%
Direct economic value distributed	**726,752**	**819,497**	**12.8%**
Operating costs	364,641	424,465	16.4%
Wages and Employee benefits	342,488	358,013	4.5%
Payments to providers of capital	9,660	21,282	120.3%
Payments to the Government	9,080	15,197	67.4%
Community investments	883	539	-39.0%
Accumulated economic value	**16,767**	**25,841**	**54.1%**

4.2 Human Capital

People management is guided by the following priorities: to conceive, develop and implement the strategy and respective development policies of CTT People, that enable the promotion of skills, reward performance and streamline the organisation, as well as maintain a good social and welfare environment. Thus, we intend to promote the improvement of the employees' experience, continuously investing in health, training and qualification, optimising and adapting CTT People, always aware of the evolution and challenges of the market and customers.

4.2.1 Characterization of human capital

GRI 102-7, 102-8, GRI 401-1, 401-3, 403-9

As at 31 December 2021[64], the CTT headcount (permanent and fixed-term staff) consisted of 12,608 employees, corresponding to 374 more (+3.1%) than a 31 December 2020. These figures include the inorganic effect of NewSpring Services and HCCM, with an impact of +770 workers. Without this effect, the number of employees would be 11,838, down 396 (-3.2%) compared to 2020.

Headcount

	31.12.2020	31.12.2021	∆ 2021/2020	
Mail & other[65]	10,445	10,866	421	4.0%
Express & Parcels[66]	1,319	1,258	-61.0	-4.6%
Banco CTT[67]	435	455	20	4.6%
Financial Services & Retail	35	29	-6	-17.1%
Total, of which:	**12,234**	**12,608**	**374**	**3.1%**
Permanent	10,767	11,283	516	4.8%
Fixed-term contracts	1,467	1,325	-142	-9.7%
Portugal	11,671	12,015	344	2.9%
Other geographies	563	593	30	5.3%

Excluding the inorganic effect, there was a decrease in the number of employees in almost all business units, with a special focus on the Mail business unit and Others (-346), largely due to the ongoing projects to increase the productivity of operations, which have adapted the network to the new profile of the mail flows and reduced the need for additional hiring, as well as the HR optimisation programme

[64] For further information, see Table – Employees in Annex III.
[65] Includes NewSpring Services and HCCM.
[66] CTT Expresso, Corre and CTT Express (Spain).
[67] Includes Payshop and 321 Crédito.

underway mainly in the central structure, which resulted in 97 suspension agreements of employment contracts so far and is envisaged to accommodate 38 more.

The number of departures and entries was 2,194 and 3,728 respectively, and the turnover rate was 18.5%. The overall absenteeism rate stabilised, with a trend towards a slight decrease, both in CTT, S.A., where the calculated rate was 8.7% (-0.1 p.p. than in 2020), and in the CTT Group, where the rate decreased to 8.1% (-0.2 p.p.). The reasons that most contributed to absences were: illness (5.89%), accidents (0.73%), union activity (0.44%) and parenthood (0.38%). It should be noted that the rate of absenteeism, excluding maternity/paternity, was 7.6%. The absenteeism rate calculated in accordance with GRI guidelines (which excludes absences due to maternity/paternity, bereavement or study hours) is 6.9%. The rate of return to work after parental leave was 95.7%.

4.2.2 Remuneration

GRI 102-36, 102-37, 102-41, GRI 405-2

Following the signature of the first Company Agreement, on 25 November 2020, between the company CTT Expresso and 6 union associations, on 3 January 2021 this agreement came into force which represented the beginning of a new stage with people management policies aligned with the new strategy for People and Culture. It is intended that it contributes to the full development of the Company's activity, its affirmation as a leader in the market in which it operates, both in the economic and social dimension, and to a better service experience among its customers.

Still regarding CTT Expresso, a start was made to the salary revision process, with the parties having signed the corresponding agreement on 12 March. Associated with this agreement was the commitment of the company to hire 70 employees to the permanent staff in 2020, and the final number of admissions was reached and exceeded.

As regards CTT S.A., the year 2021 marked the signing of the Salary Revision Agreement of the CTT Company Agreement, on 7 May. Associated with this Agreement was the commitment to hire 130 permanent staff (the final number of admissions was also reached and exceeded), the willingness to establish talks with the trade unions in order to identify their main concerns regarding some operational allowances, as well as to start the discussion on the current career model for non-executive staff.

Ratios and remunerations, by gender and professional category

Professional category	Average female salary (€)	Average male salary (€)	F/M Ratio
Senior personnel	1 964,37 €	2 444,44 €	0.80
Middle management	1 259,23 €	1 336,28 €	0.94
Counter service	1 075,01 €	1 141,56 €	0.94
Delivery	844,63 €	922,71 €	0.92
Other groups	844,19 €	969,55 €	0.87
Total	**1 114,89 €**	**1 111,70 €**	**1.00**

4.2.3 Career development and talent management

GRI 404-2, 404-3

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

The CTT People management strategy aims to improve the experience of the employee, his/her level of satisfaction, his/her involvement in the organisation, the sense of belonging and pride in the brand, in order to increase everyone's commitment, making each employee an ambassador of the CTT brand, consequently improving customer experience.

In order to improve the worker's experience, several projects were implemented and continued this year, with emphasis on the employee support line, called CTT TOU HOTLINE, which aims to provide support in the most pressing issues related to COVID-19, but also in all other issues related to human resources, such as attendance, salary processing, performance evaluation, CTT MEDIS health plan, recruitment and mobility, hygiene and safety at work. Employees responded enthusiastically to the challenge.

The 2nd phase of the ‘Teleponto’ project was concluded, with the automation of subsidies arising from the provision of work. The aim of this phase was to automate the calculation of the salary items arising from the service provision, based on the teleprompter data.

In order to promote everyone's involvement and knowledge about the organisation, the publication of the internal communication newsletter "Somos CTT" (We are CTT) continued, as did the items that aim to make the Company and its employees known, namely a section called "Zoom in", which allows employees to get to know an area/directorate, what is done there and the respective teams, and another section "À Conversa com..." (Chatting with...), whose objective is to make employees and their interests known beyond the position they currently hold and/or their professional path.

More partnerships and protocols were established with companies with benefits for employees and continuity was given to the ‘D. Oferta’ project, which offers discounts (up to 20%) to CTT employees and pensioners on products purchased in the CTT Retail Network.

Good health and well-being actions were promoted, thinking of all those on the front line, but also of employees working from home, given the conditions imposed by the pandemic.

In order to measure the degree of satisfaction of employees, as to whether CTT is the best Company to work for, as well as the quality of their experience and the impact of policies/actions, the first survey was launched using the Net Promoter Score methodology dedicated to CTT employees.

Believing that conciliation between professional, personal and family life is fundamental for the balance of each one of us and of the organisation, CTT proposed, in this context, to obtain certification as a Family Responsible Entity (EFR - Entidade Familiarmente Responsável), both for CTT, CTT Expresso and CTT Contacto Companies, as well as for Banco CTT and its subsidiaries. The objective is to implement the EFR Management model, in accordance with Standard 1000-1 ed., and to obtain the respective certifications during 2022, by the certifying entity - Fundacíon Másfamilia.

The performance assessment process is carried out annually, in the year after that of the year to which it refers and covers all the permanent employees with a contract of six months or more who are not in a situation of unpaid leave or suspended contract. The performance management system is based on the assessment of behaviours and the achievement of objectives, established for the employees, according to the various activities and functional groups, with a view to reinforcing the alignment between the business and performance, the consolidation of the corporate culture and values, and the recognition and differentiation of the contributions. This process involves communication between the senior staff and the employees, including the summing up of the activity and the presentation of the objectives for the new cycle, favouring the identification of training actions and development.

4.2.4 Training

GRI 205-1, GRI 403-5, 404-1

Academia CTT pursued its activity according to the strategic focus on the development of the skills of CTT's employees based on the following methodological approach:

- Customer Excellence: Promote the systematic updating of knowledge of CTT's offer and increase the effectiveness of the strategy and processes involved in the sales act, commercial contact, relationship and negotiation, with a view to satisfying customer needs and adding value to the business

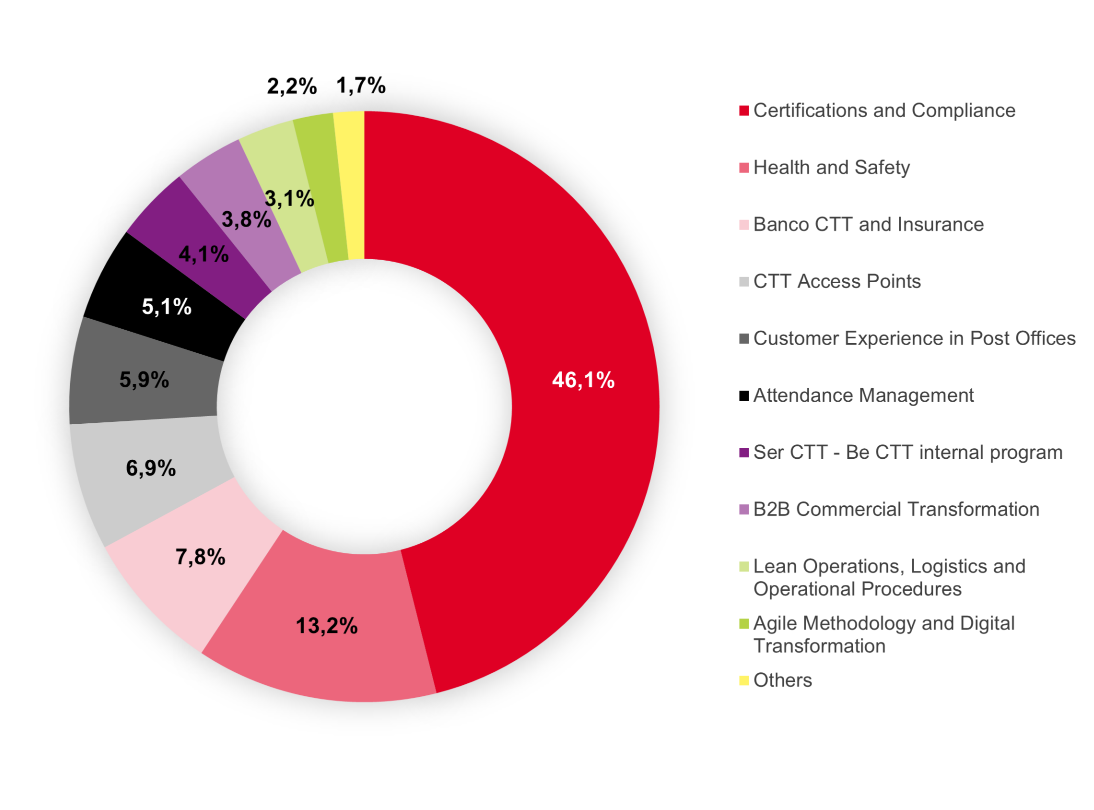
- Operational Excellence: Develop the skills to deliver what is promised to customers, through knowledge of processes, equipment, systems and the adoption of operating practices that lead to asset efficiency, at the different stages of the operational flow, in regulatory compliance and promoting quality and sustainability

- Culture and Leadership: Foster individual commitment, reconnecting people and teams, overcoming limiting beliefs and valuing the purpose in each person's actions, with a view to creating value. In addition to being facilitators of this process, we will seek to ensure that leaders continuously develop the distinctive capacities that allow them to make a difference in transforming challenges into opportunities.

This methodological approach had, as a common vector to all these aspects, the promotion of conduct of total transparency and responsibility, in a healthy working environment, that values people's dignity, contributes to their personal and human development and prevents the practice of less correct acts in the name or on behalf of CTT and Subsidiaries, with negative effects on its reputation and image.

14 programmes incorporating the Strategic Development and Training Plan were developed and the volume of training was distributed as follows:

Training programs



The training provided covered 94% of the population (permanent and fixed-term contract employees), with more than 215 thousand hours of training having been carried out (16% more than the previous year), at an effort rate of 1.1% (7% more than in 2020). We highlight the following actions:

- **Ser CTT** (Be CTT), in which the use of the Digital Manual and communication with new employees was consolidated, involving around 1,000 participants and more than 8,700 hours.

- **Customer experience in the post offices**, training that touches on the axes of Business and Innovation, with reinforcement in the Buzz project and in the communication and training plan integrated in the commercialisation of financial and retail products and the start of the commercialisation of the B2B offer, which involved more than 6,500 participations and almost 12,500 hours and has already increased the sales results of these products.

- **B2B Commercial Transformation**, a programme aimed at Commercial Managers with a view to maximising value for customers, offering the right services for their business and building customer loyalty through knowledge and optimisation of the service provided. The action involved more than 1,900 participants and a total of more than 8,000 hours.

- In the whole vector of operational excellence, in a strictly Business context, the training courses entitled **Lean Operations** were extremely important, with emphasis on Train the Trainer. The Kaizen project was started for the production and distribution operations areas, and support was given to the process of moving the customs management line to Famões, as well as the implementation of new dispatch plans throughout the operating cycle. These actions involved 4,749 participations, accounting for a total of 6,565 hours.

- The **Attendance Management** which was a project to transform the CTT culture, enhanced by the new version of the Teleponto application. The training dedicated to this new tool covered all employees of the CTT universe, using the distance training platform (Formare) and briefings carried out by supervisors. It involved 13,151 participations, for a total of 10,889 hours.

- The actions under the theme 'Health and Safety at Work' represented more than 8,800 hours and almost 2,500 participations for the general population. The specific road safety programme for the areas of operations, which involved more than 33,000 participations and more than 19,000 hours, focused on 25 different themes. It is a programme with recognised success, which has promoted the reduction of absenteeism caused by road accidents, registering, between 2017 and 2020, 35% fewer accidents per kilometre travelled and 49% fewer days lost per accident.

- The training area of **Certifications and Compliance**, continued to hold great relevance, with more than 97,000 hours of training being disseminated on topics such as ethics, information security, prevention of money laundering and terrorist financing, or data protection.

- In the sustainability area, the environmental training programme, **Green Planet**, was relaunched at the end of 2021. Other training not individually listed in the chart above dealt with topics such as leadership or language teaching, namely English, as well as specific training dedicated to the trainee programme

Also of note was the 13th edition of the Human Resources Development Programme, a programme that brings together trainees from various Portuguese and Spanish-speaking countries and which was born of a partnership between International Management and the Training department. This year there were 110 participants.

Given the pandemic context, the focus remained on distance learning, which accounted for 53% of the total volume of training provided.

4.2.5 Management of labour relations

GRI 102-41, 102-43, 102-44

The employees have a communication channel with management, through the various representative bodies. The Workers' Committee and its 98 subcommittees exercise the powers conferred upon them by law. CTT maintains permanent contact with the Workers' Committee, through monthly meetings, at the highest level and specific meetings, whenever necessary, both with the Workers' Committee as a whole, and with each of the unions.

As at 31 December 2021, 95.8% of employees were covered by the Company Agreement and 75.4% were unionised (permanent and contracted), a significant growth of 6.1 p.p. and 1.8 p.p., respectively, in relation to 2020[68] of the employees were covered by the Company Agreement and 73.6% were union members (permanent and on fixed term), reflecting a decrease of 0.7 p.p. and 0.3 p.p. in relation to the previous year, respectively.

In the European context, the company maintained its participation in the European Social Dialogue Committee for the Postal Sector, which involves representatives of the unions and postal operators of the European Union. As with other institutional participations, due to the pandemic, the meetings were held by videoconference.

[68] The figures for coverage under the Company Agreement and unionisation do not include CTT Express Spain, 321 Crédito, CORRE, NNS or HCCM.

4.2.6 Social benefits and social action

GRI 201-3, GRI 401-2

Since 2015, a new Social Works Regulation has been in force, which aims at the social protection of its beneficiaries (employees and their families) within the scope of health care, social security benefits and social action.

On the other hand, access to the CTT Health Plan guarantees co-payment of medication, medical-surgical services and auxiliary diagnostic means, nursing services and hospitalisation, as well as benefits for family expenses for subscribers to Caixa Geral de Aposentações (CGA), attributing family allowances for children and youths, in addition to other bonuses.

Health benefits are guaranteed to active employees, pensioners, pre-retired employees, retired employees and family members under certain conditions, as long as they have subscribed to the Health Plan. Employees of CTT's subsidiaries benefit, as a rule, from health insurance which enables coverage of their household members. In the network agreed with the Health Plan, the company covers 75% of the health costs related to outpatient care, 80% in private hospital services, and all the costs in special cases (maternity support, children up to 2 years old and serious illness). The contribution to medication costs implies that up to 50% is incurred by the beneficiary. At the end of the year, CTT's health plan had 37,728 beneficiaries, 19,142 of whom were holders, 9,485 of whom were active and 18,587 family members. There were 693 special terminations and 778 deaths, among holders and family members.

To guarantee social support, the Company has a Social Service team that provides psychosocial support in the areas of mental health, addictions, senior citizens and social action. This support translates into the identification, evaluation, framing and response to workers in the most diverse problems, such as, among others: disability, chronic, acute and/or serious illness, economic deprivation, social dysfunctions, labour issues. Socioeconomic study and case-by-case analysis can give rise to specific support to overcome situations of vulnerability and/or economic deprivation.

During 2021, the Serious Illness and Major Illnesses cases were centralised in order to speed up the response to employees.

At CTT Express Spain, employees enjoy the same conditions and benefits, regardless of their employment relationship. The only difference is in holiday days, since employees with an indefinite contract have the right to one more day of holiday.

4.2.7 Occupational health and safety

GRI 201-3, GRI 403.1, 403-1, 403-3, 403-6, 403-7, 403-8, 403-9

As in the previous year, 2021 continued to be marked by the pandemic, and CTT continued its prevention policy to mitigate contagion by COVID-19 in the workplace, namely through a series of measures such as the purchase and distribution of individual protection material, hand and surface disinfectants, dissemination of information on individual prevention behaviours, reinforcement of cleanliness, timetable mismatch and limitation of space capacity.

In the event of confirmed cases of infection by COVID-19, a risk assessment of the workplace was carried out, specific measures were taken according to the risk and the case was communicated to the Health Delegate. Depending on the risk assessment, the company initiated additional measures in some workplaces, such as mass testing of employees and spraying of spaces.

In 2021, a **New Approach to Health** was implemented, which aimed, on the one hand, to act in the maintenance of health, acting in advance and avoiding work accidents and illness situations; and, on the other hand, to act to promote health, with actions to improve the well-being and quality of life of employees.

In this context, three transversal and distinct, though complementary, action programmes were designed and implemented:

- Estrela (Star) – Programme aimed at creating a healthier working environment, focused on productivity and quality, with lower absenteeism rates and greater motivation and satisfaction. The strategy aimed to reverse the current trend in the level of absenteeism, namely in terms of working days lost.
- Vitória (Victory) – Occupational medicine approach adapted to the specific needs of the most perennial and complex cases of conditioned aptitude, with a view to determining that condition with greater rigour, reliability and support for the employees.
- Viver (Living) – Raising the awareness of human resources on health prevention and the development of initiatives that promote health and well-being in the organisation.

There were 789 accidents and incidents at work, 2% less than in 2020, despite an increase in the number of days lost. In the same way, there was also a 5.7% decrease in the number of work-related road accidents. This positive result should be a consequence of the continuity of the measures that have been implemented by the company. The reasons that most contributed to the occurrence of accidents were road accidents (34%), which include traffic accidents and pedestrian collisions. This is followed by wrong movements (17%) and slips/tripping (13%). Occupational diseases translated into 461 working days lost in 2021.

Accidents and injuries at CTT

Group	No. of accidents	No. of injuries	Injury rate	No. of days lost	Rate of days lost	Number of occupational diseases
Female	196	137	2.0	4,451	66.4	10
Male	593	436	3.3	15,771	120.8	11
Total	**789**	**573**	**2.9**	**20,222**	**102.3**	**21** [69]

No data for 321 Crédito, CORRE, NNS and HCCM.

In the calculation of the rates, the result was multiplied by 100,000 for easier reading.

In terms of safety, the collaboration with the criminal police bodies continued, providing the information requested of us, with a view to dismantling or capturing elements that were targeting CTT and customers.

Self-protection measures were submitted and approved for 102 of our premises, and almost all the buildings now have this type of measure approved.

Following an incident in the Centre of Production and Logistics (CPL) South, the employees who receive and process orders were retrained, with a view to the preliminary identification of hazardous materials that may cause damage.

[69] This figure is three times that presented in 2020. These are processes reported by Social Security whose date of recognition and onset of the occupational illness may be different from and prior to the date of reporting, even covering employees who are already retired, and processes for reassessing the degree of incapacity for occupational illnesses already recognised. The procedures associated to Professional Illnesses are defined and managed by Social Security. CTT assesses each case of occupational illness and implements prevention measures to mitigate the risk.

4.2.8 Diversity and equal opportunities

GRI 401-3, 405-1, 406-1, 408-1, 409-1

Also in the area of equality and diversity, the Company's actions are guided by respect for the guarantees and rights set out in the United Nations Universal Declaration of Human Rights, the Charter of Fundamental Rights of the European Union, the Constitution of the Portuguese Republic and the law, in particular labour legislation.

The prolonged pandemic situation led CTT to reinforce the guarantees so that all its employees felt safe. Useful information was continuously disseminated and measures to mitigate the main risks were promoted, always preserving the integrity of the front-line workers to ensure, as far as possible, equality in the face of the risk of illness in relation to those who were able to provide their services through working from home.

CTT's work in the field of **Gender Equality** continued to take place, namely within the scope of activities with the Forum Organisations for Equality (commonly known as iGen), and involvement with CITE – Commission for Equality in Labour and Employment. 2021 was marked by the launch of the Forum's pedagogical book, O Longo Caminho para a Igualdade (The Long Way to Equality), written pro bono by the writing duo, Ana Maria Magalhães and Isabel Alçada, aimed at readers between 10 and 13 years of age, with the objective of raising awareness among future generations on the issue of equal opportunities for men and women in the labour market. It should be noted that this work has just been included in the National Reading Plan.

In 2021, the take-up of parental leave continues to focus mainly on women. Although leave taken by men already reaches around 33% of all requests, this figure should take into account that 62.5% of people working at CTT are male. In relation to family support, the situation is close to parity in absolute terms, with men requiring 42 per cent of all days of absence for this purpose (again, this should be seen in light of the disparity in the total number of male workers). Regarding the retention of employees who had parental leave, of the 232 people who requested it, 23 left the Company at the end. Of these, ten did so on their own initiative, one (in Spain) left due to termination of employment and the remaining 12 were not retained after the conclusion of the fixed-term contract that bound them to CTT, 5 men and 7 women.

Attention is also due to the Return Rate, a metric included for the first time in this reporting exercise and which aims to accommodate the cases of employees leaving the Company right after the end of parental leave. Of the 232 employees who took parental leave, 222 returned to the Company at the end of their leave, which means that the Return Rate is very high: 95.7%. Even so, there was a visible difference between men (98.4%, with only two employees not returning) and women (eight employees did not return, placing the rate at 92.5%).

With regard to diversity in management positions, the Board of Directors continues to meet the objective established in the CTT Equality Plan and in Law 62/2017, integrating 33.3% women in the Board of Directors and Supervisory bodies. With regard to the weight of first line female management, this fell by 7.9 p.p. to 12.5% and the second line leadership remained practically the same, with a slight reduction of 1 p.p. to 47.6%.

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

- A commitment to develop policies aimed at equal opportunities, namely by promoting the balance between women and men in strategic positions in the company, the principle of equal pay for equal work or work of equal value and guaranteeing the right to parental leave for male and female employees;

- Participation in iGen, of which it is a founding member, by pursuing its commitments with regard to differences in salaries. Participation in work meetings, albeit with a significant reduction in activities due to the COVID-19 pandemic.

- Strengthening the internal working group to fulfil the commitments made in the Company's Plan for Equality.

Although the connection with CERCI Lisbon (Cooperative for the Education and Rehabilitation of Nonadapted Citizens) has been maintained, it was not possible to provide the experiences of labour integration for young people with disabilities that had been maintained for 18 years. Logistically, the change in location and operation of the ‘Sala das Malas’, where the work was carried out, and the COVID-19 pandemic made it impossible to resume this activity in the new facilities, which is expected to take place in 2022, possibly with an adapted format.

With regard to the **balance between personal space, family and work**, employees and their families were encouraged to participate in internal hobbies with prizes for family enjoyment and were invited to practical online initiatives/classes for health protection and well-being. The SOU CTT partnership programme, with various entities, continued to be promoted and continued to offer preferential tariffs for employees in various areas, with special focus on health, sport and family.

4.3 Intellectual Capital

GRI 102-2, 102-44, GRI 201-1, 203-1

The digital transformations that continue to permeate all organisations also force CTT to adapt its activity to new paradigms. In 2021, these transformations inspired multiple achievements in Innovation and Development of the Company.

In relation to the **dynamisation of e-commerce**, the creation of a joint venture with YUN Express to manage the parcel locker business in Portugal and Spain was promoted. Also, in the field of lockers, which experienced great momentum in 2021, the first refrigerated locker and the first locker in condominiums were installed, increasing the type and total number of lockers available. The development and implementation of outdoor lockers, in stainless steel, and of the first small lockers, 1.6 m high, for indoor solutions, namely in commercial establishments, was also completed. Finally, click&collect lockers were installed at El Corte Inglês and Leroy Merlin premises.

CTT explored **new markets for deliveries**, creating agreements with Zomato for food-delivery, as well as Worten and NOS for CTT Now deliveries in a store2client model, in order to broaden the network of providers and increase its capillarity and coverage.

Plug-ins were developed and released for Magento2, Prestashop, Shopify and Woocommerce that allow **automatic integration with CTT shipping systems**, the generation of object codes, the scheduling of collections, the updating of the order status in the shop and delivery at points, as an alternative to home delivery. CTT Express Spain has also launched a plug-in for Woocommerce, with the aim of assisting customers in their online purchases as well as managing and acknowledging online orders, enabling product traceability and solving possible problems. In addition, they have launched the Easy Return service for customers and recipients, which aims to collect returns for online shops without the need to print a label or travel to a physical post office. Through an email with a QR code, recipients can now request home collection, with a CTT Express courier collecting the return in less than 24 hours.

A focal point of the 2021 developments was the implementation of the **new fully electronic customs clearance model** based on a portal and supported by the latest technologies of machines and postal systems (Tax Machine), to accommodate the new European regulations on the application of VAT on the import of low-value consignments and the strengthening of security control of imported goods.

In terms of **events**, CTT e-Commerce Moments and CTT e-Commerce Day were once again held, in which various specialists discussed the most relevant current e-commerce topics. Integrated in the latter, the big novelty of 2021 was the organisation of the first edition of the CTT e-Commerce Awards, which aimed to reward the best practices in areas such as apps, payments, websites, SMEs and sustainable initiatives, among other categories. There were also sessions of "What's Next?" which addressed the topics of "Cybersecurity" and "Monetisation of the data handled by Postal Operators".

In June, CTT launched a **pilot project for reusable packaging** in the city of Lisbon, in collaboration with Portuguese e-sellers. The CTT ECO Reusable Packaging was presented as a packaging alternative for e-commerce parcels in Portugal, which is intended to replace traditional ones and has an expected endurance capacity of up to 50 shipments. Customers who receive parcels in these packages may return them, free of charge, at any of CTT's contact points, including post offices. They can also reuse them themselves in new shipments, delivering them directly to the distributor. By allowing reuse, this packaging is an important step in supporting the transition to a circular economy, with particular impact on a growing market such as e-commerce.

Regarding the **reinforcement of operational aspects**, a separating machine was acquired to make the new customs clearance process more agile and efficient, resulting from the aforementioned European rules that came into force in July, applicable to objects coming from outside the Union. The first phase of the Dynamic Routes (Rotas Dinâmicas) project has also been implemented to define the most efficient route for our distributors. In this way, it is possible to predict when the customer will receive his order, reducing delivery costs, with fewer kilometres travelled and the consequent reduction in fuel consumption and respective associated emissions. A business rules automation engine associated to distribution was also installed, called Decision Server, which allows distribution to be altered and optimised based on new variables, such as weight, volume, destination or customer. The CAMS – Computer Aided Manual Sorter equipment was installed to serve as a computerised aid to the manual sorting of mail of all formats. It is an innovative system that, through optical character recognition technologies, instantly validates more than four million addresses and guides the operator through the division process without the need for specialist knowledge of the route. The introduction of this type of equipment, 32 units by the end of 2021, made manual pre-distribution tasks, traditionally performed in postal distribution centres, more flexible, taking advantage of synergies, rationalising teams and combating absenteeism in distribution centres.

With regard to the **digital customer experience**, a shipping simulator was developed on the website which allowed private customers to identify the most suitable shipping solutions, directing the completion of the process to a CTT shop or point, or continue in an online environment, when possible. A new experience was also provided in the CTT Customer Area of the website, with an updated front-end which now allows the monitoring of ongoing shipments in a more intuitive manner and with the possibility of acting on the action on them. A new shipping portal was also developed for contract customers, an express mail and parcel shipping tool, which was based in a completely online environment. In the same way, it was possible to improve the experience of business customers when contracting online shipping solutions, and it is now possible for them to access CTT's express offer more directly.

In the **Retail Network**, of note is the implementation of 24/7 self-service spaces in concept shops and their respective extension to the rest of the network. These spaces have equipment available for the purchase of pre-paid mail, allowing mail to be sent at any time of day, either from the box existing in the space itself or from any post or letter box. Lockers were also made available which, in addition to the delivery point function by customer decision, allow access to orders placed in shop within a longer and thus more convenient timetable. In the concept post offices, this space was also complemented with a fitting room that allows customers to try on one of their orders and return it on the spot, if they so choose.

In the **financial area**, Banco CTT participated in the Fintech365 Programme, created by Microsoft for technological innovation in the financial system, in partnership with Portugal Fintech. The aim was to identify startups and propose them to present proofs of concept to solve business use cases in this sector. For its part, Payshop participated in the creation of the National Association of Payment Institutions and Electronic Money, which aims to defend and represent the interests of payment institutions and electronic money. A new Rest API was also created for integration of the Payshop Reference payment solution, which allows the connection between different systems in a secure manner, enabling client applications to access these payment references and manage them, namely through the generation and activation of references, the notification of payments in real-time and the creation of sandbox environments for integration tests. Finally, responding to the increase in available channels and new payment methods, including the possibility of paying in real time, technology partner BHMI collaborated in the development of a new payments core, based on the Concourse platform, creating a unified and omnichannel back-office, used by Payshop in all its operations.

In the **corporate transformation and processes department**, chatbots were implemented in order to take the important step of starting to respond to and support customers who interact with CTT on Whatsapp. The same tool was implemented in the new Customs Portal and important steps were taken in the development of chatbots for Facebook and for the CTT website, whose launch is planned for 2022. The process automation procedure has been reinforced with the entry into production of 34 more robots, thus giving continuity to this new way of acting in the organisation. In addition, the foundations were laid for the digital analytics project, which will enable the collection and analysis of all CTT's digital activity, from the moment of acquisition to that of conversion. Although data will already be collected and analysed in 2021, with its full implementation in 2022, it will be possible to analyse and adapt the customer journey, with a view to increasing sales of CTT products.

The **Product Portfolio for the Business Segment** was further boosted, through the launch, within the advertising services and campaigns offer, of a new Digital Media management offer for Companies. This new service allows Portuguese companies, especially SMEs, that do not usually work with media and advertising agencies, to run campaigns and make the necessary advertising investments in digital media, simply and quickly, with the support of CTT and a specialised partner, Opera Media. For the Water Sector, a new mail solution was created, with conditions adjusted to the specific characteristics of this sector, which add value through their differentiation. Through the expansion of the Business Process Services (BPS) integrated offering, various solutions were made available, from mailrooms, contact centers, payroll, management of back-offices, among others. These solutions have enabled companies to outsource the management of areas and/or activities that support their core operation. The BPS model allows applying a more evolved concept of Business Process Outsourcing, that is, using advanced technology and relying on a specialised team to jointly create an ideal working model for your activity or service, thus contributing to reduce failures, increase productivity, streamline processes and reduce costs. Finally, a new solution for the Certified Destruction of Documents was launched as a service that introduces innovative aspects in relation to the existing offer on the market: the Homeoffice Boxes. The offer is supported in boxes designed for the destruction of documents at home and subsequent CTT transport. This ensures a more flexible data destruction process for home offices or offices far from the corporate headquarters, with guaranteed and documentable security, which guarantees tracking during transport and complies with all the requirements of the legal regulations in force.

Regarding **Philately**, CTT was awarded the World Post and Parcel Awards 2021, in the category Best Philatelic Campaign of the Year, for the philatelic souvenir sheet "É tempo de Esperança" (Time for Hope), a pioneer worldwide for its insertion in graphene of the poem "Esperança" (Hope), by Miguel Torga.

Other **corporate outreach initiatives** were launched. In order to foster research, development and innovation initiatives, CTT, Banco CTT, CTT Express, CTT Contacto applications were prepared for the SIFIDE programme. With regard to the Recovery and Resilience Plan, four mobilising agendas were approved in Phase I of the Call C5 Business Innovation, on themes of mobility, sustainability and productive efficiency. The execution of CTT Expresso's 'Portugal 2020 SI Inovação Produtiva' project on the modernisation of operations was also approved and started. The 1520 CTT Startup Programme continued its mission of identifying startups aligned with CTT's objectives and strategy, in addition to stimulating the realisation of various initiatives, such as the analysis of solutions resulting from the scouting and dissemination of the programme to various incubators, such as UPTEC and IPN. Partnerships with organisations such as Portugal Ventures, Beta-i and the exchange of experiences with other postal operators (e.g. Swiss Post), as well as the identification of investment opportunities within the scope of the Techtree Fund, are also being established and made operational. CTT was also involved in the launch of the 5th edition of the PostEurop Innovation Award, an initiative of the Innovation Forum, a working group of that association whose chairmanship is ensured by the Company's Innovation area.

The **internal idea management platform INOV+** was once again energised with the launch of new cycles of challenges suggested by different areas of the Company. Employees respond with ideas, following the logic of collective and collaborative intelligence. Each cycle ends with the holding of a Pitch Day, where the authors of the selected ideas present them to the Executive Committee and 1st line directors, with the winning ideas to be implemented.

In terms of communication of innovation in CTT, the production of the Postal 360 newsletter and the 1520 Newsletter continued, aimed at internal and external recipients of the Company.

Innovation at CTT Express Spain

Also of note are the CTT Express initiatives in Spain. In the **operational** axis, 16 new delivery offices were opened, namely in Pamplona, Salamanca, Córdoba, Lugo, Castellón, Algeciras, A Coruña, Girona, Seville, Soria, Guadalaxara, Huesca, Huelva, Ibiza, Bilbao and Teruel. Together with those opened in 2020, the CTT Express network is in increasingly better conditions to guarantee its capillarity and maximum consolidation. Three sorting machines were also installed in the Alicante, Valencia and Madrid facilities, enabling us to reach a classification capacity of more than 50,000 packages per hour. The continuation of the digital transformation project was also dedicated to introducing new software updates and support of the tools used by distributors and drivers, namely their PDA terminals.

We have also improved the **channel of communication and information with customers and recipients** by means of notifications of the sending status by email or SMS and with the possibility of making changes in the management of these shipments, also through the digital channel. Customer support has also been streamlined by automating responses and the digital experience for suppliers has also been improved, with changes made to the Supplier Portal. In this case, the incorporation of new tools and applications allowed a management of its daily relationship between CTT Express and its suppliers, either through the web environment, or through the app existing for this purpose.

In terms of **Communication**, CTT Express launched the Digital Magazine, an edition aimed at the internal public that aims to strengthen corporate culture and communication channels with workers in Spain. In external terms, the consolidation of the change of the brand to "CTT Express" was given a new boost with the labelling of new vehicles and the implementation of the brand in new operational centres that have been opened in the meantime.

4.4 Social Capital

GRI 102-12, GRI 413-1, 413-2

CTT's 'social footprint' is not limited to the allocation of donations, or to the organisation, sponsorship or other types of participation in initiatives of a charitable nature, but is reflected in the choices and investments that are made in alignment with its main business activities. An example of this is the repeated preference for products made in Portugal, or with raw materials of national origin, as well as those associated with the main national symbols, such as Saint Anthony, the sardine, or cork. In addition, the post offices are spaces for the sale of Pirilampo Mágico or A Tree for the Forest kits, two solidarity campaigns that will run again in 2021, as well as solidarity sales in favour of the Portuguese Institute of Oncology and the organisation Animais de Rua.

CTT's activity has a positive social impact on the local communities, as the company fosters a service of proximity, of quality, to all citizens, all over the country, confirmed by the relatively high perception of indicators on reputation. In 2021, CTT maintained its purpose of being closer to the population, with a presence in all municipal councils, having reopened 8 post offices.

CTT's **social and environmental patronage policy** has placed strong emphasis on the themes of poverty and social exclusion, culture, language and innovation. In this second year of the pandemic, the contribution in terms of patronage amounted to €539,088. The largest donations were from the CTT Sports, Culture and Recreation Club, worth €330,000. This association, founded in 1941, continued its work of developing activities aimed not only at employees but also at their families, providing a set of favourable conditions of access to banking services, telecommunications or tour operators, among others. The second largest investment reinforced CTT's participation in the Portuguese Communications Foundation, through a donation of €144,481, which allowed the pursuit of its mission to "promote the study, conservation and dissemination of the historical, scientific and technological heritage of communications", which includes, in addition to other work, the management of the Communications Museum.

Of the ten contributions counted in 2021, support to institutions such as the Serralves Foundation and the Movement for Active Digital Use - MUDA, with the commitment to encourage the participation of the Portuguese in the digital space and to help take advantage of the benefits associated with digital services, stand out. Banco CTT also contributed to the foundation of Merece - Business Movement for the Recycling of Cards with Electronic Components, which aims to promote a sustainable end of life for bank cards, with their collection and recycling.

Payshop continued its protocols of support for the Portuguese Committee for UNICEF, the Vida e Paz Community, the Portuguese Red Cross and Ajuda de Mãe, having raised donations of €2,443.58 for them. CTT Express Spain once again sponsored the Save the Children organisation, providing 287 free items to the organisation, amounting to €1,359.80. Moreover, in the pursuit of their regular activity, Payshop agents allow customers to make donations to an entity of their choice.

The CTT Expresso Workers' Committee organised, at the MARL premises, a campaign to collect toys for children suffering from illness. The campaign resulted in the delivery of 40 toys to the Porto IPO and 50 to the Lisbon IPO, which reached their destination around Christmas time. A campaign to collect blankets was also promoted, in partnership with the Pranic Healing and Arhatic Yoga Association, in conjunction with the Vida e Paz Community and the Humanitarian Association - União Espiritualista Seta Branca.

Social integration was promoted with the offer of shipping fees to the Aboim Ascensão Refuge and organised the action Pai Natal Solidário for the 12th consecutive year, having raised "godparents" for children in socially underprivileged situations. 1,757 presents were sent to children up to the age of 12 who sent letters from 53 Social Solidarity Institutions that look after these children. The letters were available at **www.painatalsolidario.pt** enabling anyone to sponsor them and make these dreams come true. The presents were sent free of charge, always safeguarding the anonymity of the sponsor and the children. Since 2009, and through this initiative, CTT, with the help of the Portuguese people, has already delivered nearly 15,000 presents to children in need.

CTT responds annually, on average, to 100,000 letters written by many children in the country, addressed to Father Christmas (in 2021, there were 141,875 letters). Since 1985, the ‘CTT Father Christmas’ initiative has answered all letters, also sending a small gift.

This year, CTT also launched an initiative in the field of **cultural patronage**, with the award of a donation of €31,815 to the National Culture Centre, in recognition of its important role in the development of the arts in Portugal. This initiative aimed to provide support to an activity of the greatest importance for the country, but which, especially in the context of the pandemic, has experienced great difficulties. This amount was raised by allocating a percentage of the proceeds of its philatelic editions sales.

Aligned with the axis, the launch of the Cinema-Caravan reinforced the axis of **promotion and cultural stimulation**, from north to south of the country. For almost two months, this initiative brought Portuguese cinema nights in the open air to 5,000 people, an itinerant caravan that counted on the involvement of the municipalities, the population and local businesses.

In the promotion of writing, the Portuguese Communications Foundation launched the Universal Postal Union's 50th international competition ‘The Best Letter’ among young people living in Portugal. This year's theme was “Write a letter to a relative about your experience with COVID-19”. The letter that represented Portugal in the international competition was from the age group of 12-15 years. The three prizes were awarded to representatives from Bangladesh, North Macedonia and Vietnam.

In the field of **health and sport**, it was virtually impossible to hold events. The notable exception was the blood collection action at the CTT Building with the Portuguese Institute of Blood and Transplantation, with 41 participants willing to take part in a face-to-face collection action, which was naturally organised with all the health safety conditions in place.

For the preservation of the **environment and biodiversity,** we once again joined the European Mobility Week and, in partnership with Quercus, the 8th edition of the project ‘A Tree for the Forest’ was launched. This year's edition began with a new appeal to the population to buy the respective kits, which are on sale in CTT post offices and the online shop, with free delivery, with a view to reforesting the national territory. This year, a product derivative with the same equivalence to a tree was implemented: the digital kit for businesses. The plantations, which had been suspended due to the pandemic, have been resumed and all the trees have now been planted by Quercus. In 2021, a further 6,676 units were sold which will be planted in the spring of 2022. Should the evolution of the pandemic allow it, the plantations will be carried out with the usual support of hundreds of volunteers from the general public and companies.

A new project supported on a model of **integrated environmental protection and social cohesion** was also launched: the conversion of used disposable masks into Christmas decorations. This initiative originated from a partnership with To Be Green, an organisation linked to the University of Minho and counted on the contribution of beneficiaries of Centro Juvenil de São José de Guimarães, an IPSS dedicated to the reception and social insertion of children and young people at risk of social exclusion, who were entrusted with the mission of producing the packaging, in recycled cardboard, in which the ornaments were commercialised, in a reinforcement of the Circular Economy approach. Besides, the profits from the commercialisation reverted partially to Cáritas Diocesana in Viseu.

As part of **development aid**, CTT allied itself to the Mozambican association Karingana Wa Karingana (an expression which means, in Portuguese, "once upon a time"). The partnership aimed to collect books and other school material to send to the schools and libraries of Porto da Beira, in the Sofala district. The collection of these materials had the support of local institutions, such as Parish Councils or Firemen Associations.

As mentioned above, during 2021, the focus on **volunteering** was once again concentrated on non-face-to-face actions. In addition to the participants in the blood collection action, the 15 trainees of the programme launched during this year enrolled, distributed, according to their expressed wishes, in the programmes of the League for the Protection of Nature, Cais and EPIS, joined by 17 other volunteers, namely in the EPIS programme. The total number of participants in volunteer actions was 73 employees.

The rule that allows volunteers to participate in initiatives included in the volunteer work plan continued to be in force, with the company granting time up to 16 hours per year per employee and, for the last eight years, the 'long-term volunteer work' regime has also been in force, with its own rules associated to the specific nature of each project.

Despite the restrictions, the EPIS/CTT Mentoring Voluntary programme continued. The school year of 2021-22 marked the second year of the 3rd edition (each edition has three years) with CTT volunteers and tutors to support young people at risk of school failure. This is a voluntary action of continuity that requires proximity, but which had to remain, above all, in the digital environment. This year the mentoring role was embraced by CTT's top managers, who gave their personal touch to the initiative. The role of mentoring is to accompany the students very closely and establish a good relationship, to motivate and stimulate each young person to develop their human and academic potential, to transmit attitudes and values, to strengthen their self-esteem and social integration, enabling them to build a positive life project. CTT offered pen drives to participants, as well as the educational book, The Long Road to Equality, from the iGen Forum.

Communication with customers

GRI 203-2, GRI 417-1

Given its presence throughout the national territory, CTT has a significant impact on Portuguese society. Its high weight in terms of employment and the production of wealth, as a vehicle for the competitive reinforcement of the national business fabric and also due to its growing presence in international markets, the importance of CTT in the life of the Portuguese is evident.

In terms of quality, efficiency and value creation, CTT works hard to satisfy the needs of citizens and economic agents, constituting an essential element of social and economic development, contributing to the improvement of the standards of living of clients and its workers, thanks to its dynamics, service culture and sense of social responsibility.

CTT provides public, updated and transparent information, on its website, on the characteristics of products and services, as well as their aggregate performance in terms of quality of service. They are a powerful platform for convenience and multi-services with a postal, financial and banking vocation.

CTT is oriented towards the market in general and the business segment in particular, offering CTT-branded products that reflect the increasingly diversified set of its competencies, namely mail, business solutions, parcel and express, financial and banking services, printing and finishing, etc. In this way, each client, in all its different types, is guaranteed regular, dedicated, personal and specialised attention, enabling a global and integrated offer of services and products aimed at creating value and enhancing each act of corporate business.

On 31 December 2021, there were 212 Banco CTT post offices throughout the country providing banking services to the population, promoting a differentiated offer.

2021 was a year of continuity with regard to the transformation of the Customer Support channels. We started the year by launching a dynamic contact form. This tool uses artificial intelligence to interpret the messages written by users of the CTT website, directing them, according to their content, to articles with help for the information sought, or allowing forwarding to Customer Support. We created a new Social Media Management Model, which allowed us to provide new Customer Support channels: live chats on Facebook, Instagram and WhatsApp and chatbots on the website and WhatsApp. A Customer Auscultation tool based on the Net Promoter Score was also implemented in all contact points.

In this way we have simplified communication processes and strengthened our position in terms of innovation and proximity to our customers.

A total of 3,272,121 contacts were received through the Customer Support channels, representing an overall growth of 9% compared to the previous year. In the voice channel we received 2,324,951 calls, representing 71% of the total contacts received and registering a growth of 22% compared to the previous year. With regard to the written channel, we received 899,553, representing 27% of the total contacts received, corresponding to a decrease of 19% compared to 2020.

On social networks we received a total of 47,617 contacts, representing 4% of the total contacts received between August, the month in which this new channel was made available, and December 2021.

The general increase in the number of contacts received is essentially a reflection of two factors: The 2nd lockdown that took place in the first quarter (which again stimulated e-commerce) and the new rules for importing online purchases made outside the EU. Since 1 July 2021, all non-EU electronic purchases are subject to Value Added Tax (VAT), regardless of the value of the item and the date it was purchased, thus ending the VAT exemption on non-EU purchases of up to 22 euros.

Despite the 9% increase in the number of contacts for the Customer Support channels, there was a 9% decrease in the number of contacts per 10 thousand items in the express business unit, reflecting an effective improvement in the quality of the service provided.

CTT maintained the APCC – Portuguese Association of Contact Centres – Quality Seal for CTT operations in 2021, after a follow-up audit carried out in February of the same year.

The APCC Quality Seal, instituted in 2010, highlights the best Contact Center services operating in Portugal and aims to encourage companies in the sector to exercise good management practices in their Contact Centers, thus contributing to improving the image and credibility of the sector and promoting its self-regulation.

The Contact Center was awarded the silver medal for the CTT Private Line and bronze for the CTT Companies Line, at the APCC Best Awards 2021 International Conference, in the Distribution and Logistics category. These awards take on special relevance in the current pandemic context in which we live, where the Contact Center has become an important means of contact between clients and CTT.

Customer Satisfaction

GRI 102-15, 102-43, 102-44

CTT was attentive to the persisting social and economic consequences of the COVID-19 pandemic, which entered its second year. In response to a wish expressed by its customers, the acceleration of the opening of CTT's offer to the digital world was even more accentuated.

To this end, business partnerships were established with a high social relevance in various areas. We highlight partnerships with:

- Washstation for the installation of 24-hour lockers and with YunExpress (in a joint-venture) to manage this offer in Portugal and Spain. In this field of enormous relevance for the conditions of security and convenience for businesses and customers, the installation of the first refrigerated lockers, or in a condominium, was also promoted.

- Several municipalities and Dott, to launch gastronomic and online craft fairs, allowing products to be ordered;

- Opus Opera, to support SMEs to create online campaigns simply and quickly;

- CUF, for teleconsultations provided in six of our post offices, reinforcing the proximity of healthcare to the less mobile and less digitally literate population; and

- REDITUS, which now provides COVID19 services for the Social Security Hotline.

These are strategic measures, aligned with CTT's social responsibility principles that reflect our involvement with the surrounding communities.

In terms of quality of service, customer opinion, expressed through satisfaction surveys, indicates an increase in all indicators, when compared with the previous year. Of the customers who replied to satisfaction questionnaires, 83.5% (+0.6% than in the previous year) considered that the overall quality of CTT is good or very good, raising to 92.7% (+0.7%) the percentage of customers satisfied with the overall quality of service. About queuing time, 76.9% (+0.9%) expressed a positive opinion. With regard to delivery, the overall satisfaction level was 79.5% (+4.6% than in 2020), rising to 78.8% (+1.3%) for priority mail delivery times and 67.7% (+1.0%) for ordinary mail delivery times.

In particular, the results of a survey of consumers of the “Green Mail” product, on the degree of satisfaction regarding the various attributes: ease of purchase and dispatch, delivery time, price, appropriateness of formats to needs and materials used. The level of satisfaction was higher than 90.8% in all the parameters assessed.

Some subsidiaries listened to their customers, of which we highlight: CTT Express in Spain with 86.36% of the end customers being satisfied with the brand; Banco CTT with 81% of its customers being very satisfied.

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

In the implementation of management systems, distinct approaches and timings were adopted for the various areas of the Company and the Group, and the certifications shown in the following table were successfully maintained in 2021, CTT having expanded the Certification of Postal Agencies to more units (total of 400 at the end of the year) and achieved SMETA Certification (4 Pillars) at CTT Expresso. The certifications can also be consulted at.: **www.ctt.pt**.

Certifications Distinctions	Quality	Environment	Occupational Health and Safety	Information Security	Services CTT Points	SMETA
Benchmarks	ISO 9001	ISO 14001	ISO 45001	ISO 27001 IEC	Service certification standards	4 Pillars
Corporate CTT[70]	X	X	X			
Operations[71]	X	X	X	X		
CTT Expresso	X	X	X			X
CTT Contacto[72]	X	X				
Network of Postal Agencies[73]					X	

Claims and inquiries

GRI 103-2, GRI 413-2, 417-2

Claims are an opportunity for the continuous improvement of internal processes, as well as in the detection of anomalies verified in the use of products and services in the CTT universe. Customer Support is responsible for disseminating the voice of the customer throughout the organisation, seeking new solutions to increase customer satisfaction.

In 2021, 410,713 complaints were filed in the Mail and Express areas, a decrease of 4% compared to the previous year. This decrease in claims was mainly due to the improvement of internal processes with the introduction of new tools that allowed an increase in the resolution capacity in the first line of contact.

Claims

	'20	'21	Δ '20/'21
Claims received[74]	428,494	410,713	-4%

More specifically, there was a decrease in the number of claims (and requests for information) received in the scope of the Universal Postal Service, with a reduction of 6.8% in national cases and 12.7% in international cases.

A more detailed analysis allowed us to verify that the Average Reply Time (ART) was drastically reduced, by 9.2 days, with regard to the national scope. In the International scope, it was not possible to achieve the proposed objective, but two main reasons have already been flagged:

- The transition of the response platform to a Client Relationship Management programme, which led to a temporary situation of managing international requests in two different locations, with distinct working rules and methodologies; and
- The response time to enquiries made by partner postal operators (origin / destination), a factor that is beyond CTT's control.

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

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

72 The Certification of CTT Points is applicable to 400 units.

73 SMETA (Sedex Members Ethical Trade Audit) - Social Audit, which includes 4 pillars: 1) Human Resources and Labour Standards; 2) Environment; 3) Health and Safety; and 4) Business Management and Good Business Practice.

74 Includes cases of claims related to the Universal and Non-Universal Service. Excluding data of CORRE and Banco CTT.

Consequently, in the 2nd half of 2021, improvement measures were implemented whose positive impact will be clearly visible in the 2022 ART data.

In the Mail business unit, 143,204 processes related to customer claims on commercialised services and products were registered in the application of support for the handling of claims, registering an increase of 12% compared to the previous year.

The main reasons for claims are related to lost items, delivery in the wrong recipient and customs clearance.

With regard to the Express business unit, 267,509 claims were registered, having stabilised when compared to 2020. The reasons with the greatest impact on Express claims are loss and late delivery.

With regard to compensations, 15,601 were processed in the Mail business unit at a value of 690,598 euros, representing an increase of 68% compared with the previous year. The compensations of the international service accounted for 85% of the total value. The most frequent causes of the compensations are items that have gone astray and lack of response of the destination postal operator.

With regard to the Express business unit, 41,155 claims were processed in the amount of 1,552,708 euros, a decrease of 24% compared to the previous year. The most frequent causes of compensation are loss and damage to the object.

Banco CTT had 587 claims in the Complaints Book, received 92 claims online and 148 were addressed to Banco de Portugal.

4.5 Natural Capital

4.5.1 Environmental management policy and systems

GRI 102-15, 102-30, 102-31, 103-2, 103-3, GRI 201-2, GRI 413-2

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

Nevertheless, CTT's activity is environmentally friendly and unaggressive in comparison to other activity sectors. CTT's carbon intensity contributes 0.29‰ to total greenhouse gas emissions at a national level (scopes 1 and 2). This impact is very low compared to the creation of value that CTT generates by contributing 1.9‰ to the national GDP (GVA/GDP).

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

CTT has identified, assessed and prioritised the following most significant corporate risks that could compromise the attainment of its strategic objectives and negatively affect its sustainable growth (see Chapter 2.7. Risk Management). Two strategic, external risks were assessed and prioritised at an environmental level, associated to the following aspects:

- Frequency and severity of extreme weather phenomena with potentially devastating effects, entailing direct and indirect economic losses;
- The negative perception of CTT's image by its customers, investors and other stakeholders, with respect to its environmental reputation in case of non-fulfilment and ESG performance.

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

4.5.2 Energy

GRI 302-1, 302-2, 302-3

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

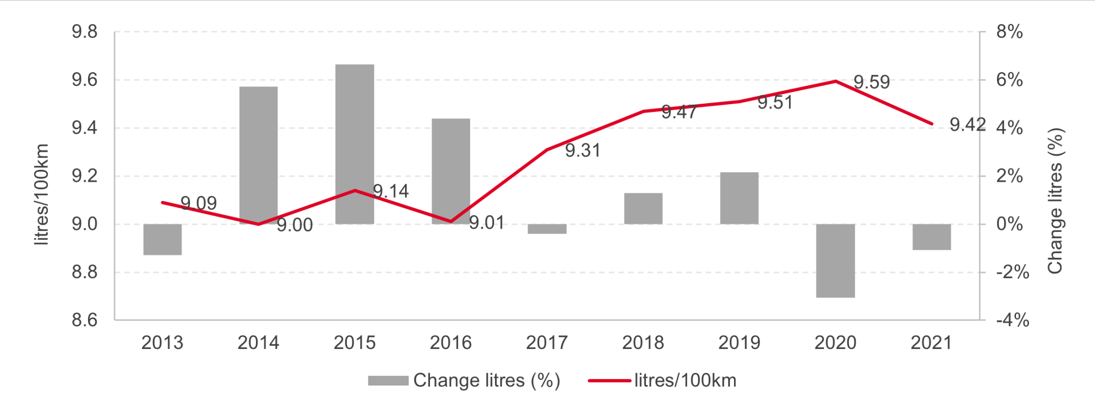
At CTT, with a significant weight in the carbon footprint, direct energy consumption accounts for around 5% of the value of the company's total external supplies and services and is a priority issue with respect to the monitoring and implementation of energy efficiency measures. The increased energy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

In 2021, electric energy consumption accounted for about 36% of total energy consumed. However, all consumed electrical energy comes from 100% renewable resources. CTT's annual electricity consumption fell by 4.8%, reflecting the restructuring in progress of the buildings and energy efficiency measures, but also due to the effects arising from the COVID-19 pandemic.

CTT also consumes minor amounts of power produced by the existing thermal solar panels at the Lisbon head office and the CPL North building, in Maia, as well as power produced by thermal solar panels at the CTT Expresso building, in MARL, in the outskirts of Lisbon. Thermal power is also used for air conditioning at the head office building (only building where this source of energy is used).

Fuel continues to represent CTT's main energy consumption source (63%). The overall efficiency of CTT's fleet, measured in litres/100 km, improved by 1.8% in relation to 2020.

Evolution of the average consumption of the CTT S.A. fleet



The aforementioned increase in efficiency primarily relates to a change in the use of heavy goods vehicles, involving a lower number of kilometres travelled and less intensive use of trailers and semi-trailers, as well as continuous improvements with respect to eco-efficient driving. The efficiency of the remaining operational fleet, as well as the light passenger fleet, measured in l/100 km, declined slightly, as a result of the implementation of CTT's fleet renewal plans, which involved changes in schedules and number of passengers, according to the type of vehicle in question.

CTT also consume gas, for the canteens and heating of water of some CTT buildings, with gas consumption having increased by 1.0% in relation to 2020. In the production and logistics centre of the North, the increase was due to the greater number of employees required as a result of the installation of new services (preparation line for deliveries in the North, the CTT Expresso mini-sorter and the transfer of more level 4 sorting offices to the delivery office 4470 in Maia), as well as the decrease in remote working hours in relation to the previous year. In the production and logistics centre of the South, the increase was due to the preparation of a greater number of meals in the canteen, over a period of six months, by the company that runs this area. Old canteen equipment was replaced with new, more energy-efficient equipment.

CTT energy consumption

GJ	'20	'21	Δ '21/'20
Total green electricity consumption	133,656.0	127,218.2	-4.8%
Solar panel power consumption	127.2	813.5	539.5%
Thermal power consumption	5,775.6	4,549.0	-21.2%
Total fuel consumption	221,577.0	224,589.5	1.4%
Total gas consumption	1,091.9	1,102.9	1.0%
Total	**362,227.7**	**358,273.1**	**-1.1%**

In overall terms, CTT's energy consumption decreased, primarily as a result of a reduction in electricity and thermal power consumption.

Total energy consumption is reflected in an energy bill of close to €15m.

Buildings

Reinforcing the commitment to reduce energy consumption, with direct consequences on greenhouse gas emissions, CTT has implemented various energy efficiency and facility modernisation measures. These interventions have primarily focused on the major components of the energy bills, air conditioning and lighting, respectively. In order to ensure legal compliance with the ECS - Energy Certification System, an energy rationalisation plan is currently in course at the production and logistics centre of the South. Moreover, a similar plan for the production and logistics centre of the North is currently at the awarding stage.

An energy control and monitoring project was started in 2020 at the premises with higher energy consumption, on a national level, in line with CTT's corporate policies, which focus on improving sustainability. In partnership with a specialised supplier, CTT installed a control and actuation system in 44 buildings, which account for over 55% of consumption in CTT's buildings. This project seeks to optimise performance and mitigate energy consumption, thus contributing to a greater efficiency and helping reduce the impact of CTT's daily operations on climate change. In 2021, energy savings of approximately 13% were reached in the buildings involved. The main measures adopted included improvements in lighting (better management/ suitability to the operations involved, reduced power, deactivation of lights, motion sensor readjustment and replacement of conventional lamps with LED lamps) and air conditioning (adjustment in operating hours and reduction of ventilator speed). Expansion of these measures to 8 new operating centres is planned to take place in 2022.

Operating centres and postal delivery offices

The three centres of production and logistics (CPL) are the largest energy consumers in the group of around one thousand CTT buildings, with the South centre and the North centre being energy intensive.

As a result of the effort to rationalise energy consumption and implement energy efficiency measures in these centres, there was an absolute reduction (-14.4%) of electricity consumption in the production and logistics centre of the South and of -6.5% in the production and logistics centre of the North. The coming into operation of new mail sorting machines at this CPL in early 2021 and the optimisation of illumination schedules in several areas of the building contributed to reduce consumption. It is worth mentioning that the number of operating hours of a bulky mail sorting machine at the CPL of the South was smaller due to a drop in postal volumes for this type of mail. The contingency measures implemented as a result of the COVID-19 pandemic also contributed to reducing electricity consumption in these buildings.

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

- 149 interventions aimed at improving air conditioning system operation at the facilities, including the replacement of older units with equipment of a higher energy-efficiency class;
- 366 lighting system reformulations, involving the installation of sensors and LED solutions, including 100% in 7 buildings;
- Upgrading of 6 electrical switchboards;
- Replacement of 4 air compressors and modernisation of the compressed air network;
- Installation of 6 electric vehicle charging points, given the increased trend towards the use of electric vehicles for mail delivery purposes;
- 198 interventions in elevators.

Administrative services building

GRI 302-5

The CTT head office, in Lisbon, is responsible for 1.5% of CTT's total energy consumption and 4.1% of total electricity consumption. Monitoring and control based on advanced solutions has thus become imperative, in order to identify and optimise potential actions to reduce consumption/costs.

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

Other buildings

GRI 302-5

Following best practice tested in previous years, 729 interventions were carried out in buildings, as previously mentioned, leading to a higher energy efficiency and also contributing to reduce CTT's energy footprint.

In general terms, the following actions are noteworthy:

- Reopening of the Santarém post office, with the new CTT post office concept, as part of a reopening programme involving 9 post offices, with construction practices aimed at improving energy efficiency;
- Remodelling of CE 4100, 4400 and 4470;
- Opening of new facilities in Palmela (operating centre) and Arroios (delivery office);
- Reinstallation of the CTT Palácio dos Correios post office, with the new CTT concept, and 7 business premises in Santarém, Sacavém, Torres Novas, Leiria and Aveiro;
- Installation of an access ramp inside the CTT post office in Odemira.

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

In 2021, in addition to the small photovoltaic production plants, an investment was completed in production units for self-consumption, namely at the CTT Expresso facilities located in the MARL (Lisbon Regional Supply Market). The equipment came into operation in August, allowing the production and consumption of 191 MWh until the end of the year, which is equivalent to 15% of total consumption at the facilities.

The actions were continued in terms of replacement of computer equipment with more efficient equipment, enabling energy savings in the establishments.

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

It should be noted that the measures against the COVID-19 pandemic applied at CTT had an impact on lowering the company's energy consumption. These measures include those regarding the mandatory lockdowns imposed from 2 January to 31 August, and from 27 December to 31 December, as well as the interim measures adopted between 1 September and 23 December.

Mobility

GRI 302-1, 302-3, 302-5, 305-1, 305-5

CTT operates one of the largest and most modern fleets of national companies, composed of 3,840 vehicles under direct operation, with transport services also being outsourced to third parties. CTT's fleet includes 346 less pollutant vehicles.

CTT Vehicles

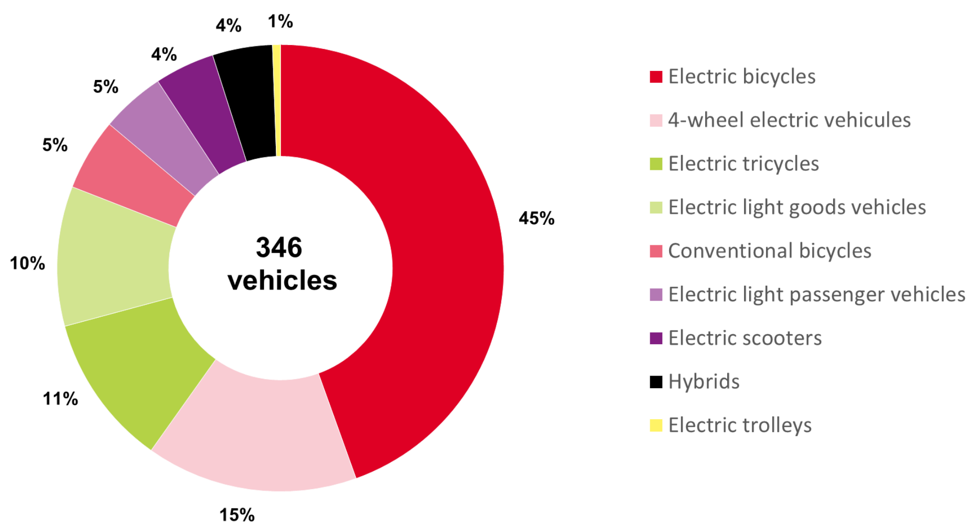
	'20	'21	Δ '21/'20
Total vehicles in operation [75]	3,893	3,840	(1%)
Less pollutant vehicles	335	346	3%

CTT's total activity covered 66.8 million km travelled by its own fleet (4.4% more than in 2020), plus 64.7 million km travelled by the outsourced road fleet (1.3% less than in 2020), and 1.9 million km travelled by postal delivery employees on walking delivery routes.

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

The search for economically efficient and environmentally friendly solutions has led to the acquisition of alternative vehicles, primarily electric vehicles, which currently correspond to 9% of CTT's total fleet, comprising 346 vehicles. In the same context, the integration of conventional vehicles with increasingly more recent technological solutions not only enables optimising operating costs but also the highest possible reduction of the negative impacts of its activity.

Types of alternative vehicles



The kilometres travelled by CTT's fleet of alternative vehicles increased by 57% in relation to 2020, not only due to the increased quantity of this type of vehicle but also due to the optimisation and expansion of its activity.

At the end of 2021, the following vehicles started being received, as a result of CTT's fleet renewal policy: 73 light vans of 4-10 m^3 capacity and 73 light electric vans of 5 m^3 capacity. All new vehicles will start operating during the first quarter of 2022. A total of 134 motorcycles and 34 electric motorcycles were also purchased, which will come into operation in the first half of 2022.

[75] Excluding the CORRE, NNS and HCCM fleets.

Electric vehicles do not release greenhouse gases, in addition to being silent and easier to drive (without gearbox). They contribute to reducing CTT's ecological footprint and mitigate the risk of conventional vehicle restrictions to movements in urban/historical zones.

It should be noted that CTT has progressively shown a change in its activity profile, with increased use of larger vehicles as a consequence of the increased volumes of Express & Parcels.

The overall average age of the fleet of CTT, S.A. increased in relation to the previous year, and currently stands at 3.5 years.

Average age of the CTT S.A. fleet

	'19	'20	'21
Overall average age	3.1	2.7	3.5

CTT has completed the Plan for Rationalisation of Consumption and Energy (PRCE) for its fleet, with the seal of approval of the Directorate-General for Energy and Geology (DGEG) for the three-year period of 2018-2020. The plan was approved by the DGEG in October 2021. The main measures involved relate to the fleet renewal plan, the optimisation of the delivery and transport routes, the control of supplies and maintenance of vehicles, the installation of GPS systems in the operational vehicles, and the training and awareness-raising of drivers and fleet managers on safe and eco-efficient driving. At the end of 2020, the accumulated reduction reached 7.5% (gep/vehicle.km), corresponding to a reduction of 509,713 litres (higher than the legally required 5.0%). The final information for 2021 is not yet available. However, it is expected that its evolution should be similar to that of the 3 previous years, with a reduction of around 100,000 litres of fuel.

Pursuing the focus on vehicles with alternative motorisation, that are less pollutant and more sustainable, pilot tests were conducted with different electric vehicles in an operational context, namely quadricycles and vehicles equipped with postal service organisation systems, such as to increase delivery efficiency. This assessment is essential for future options for the increase of CTT's electric fleet.

In 2020, CTT launched a Green Deliveries service, in response to the search for less pollutant and more carbon neutral solutions by its business customers. This service now allows the end customers to receive their parcels by CTT electric vehicles in the city of Lisbon, for the contracted locations. In 2021, this service grew in terms of volumes, number of customers, number of locations and number of delivery vehicles, a trend which is expected to continue in 2022.

CTT's investment in the electric last-mile fleet allowed the coming into operation of the first completely electric hub at the Postal Delivery Office 1300, in Lisbon, which allowed for regular delivery with zero emission of pollutants.

Regarding CTT's electric fleet, a pilot project for electric mobility, started at the end of 2020, was completed in the end of the first half of 2021, with a logic of management, monitoring and control of the entire operation, aimed at contributing to an effective cost reduction and higher operational efficiency. The results of this pilot project allowed CTT to obtain relevant information to forecast the future impact of the growing number of electric vehicles, in terms of vehicle operation costs, IT system requirements and investment in charging points and facilities.

CTT organized the Portugal Drivers' Challenge edition in 2021, hosting 6 participant teams nationwide, at the CPL of the Centre, in Taveiro, Coimbra, in late October. The winner was Transportes Norte, represented by Vítor Pegas and João Matos. This event is part of the IPC Sustainability Programme, which seeks to reward delivery employees who adopt sound eco-consumption practices and simultaneously achieve a low accident rate. As in the previous year, the winning team of the national contest was unable to represent CTT at the international final of the IPC Drivers' Challenge, which was postponed as a result of the pandemic.

Under the Road Safety program, CTT's road-related accident rate increased slightly (1.2%) in relation to 2020 (work-related accidents and material damage), albeit remaining lower than the value recorded in 2019 (pre-pandemic). The road-related occupational accident rate decreased by 14.2% in relation to 2020, while the corresponding absenteeism fell by 6.7%. Since this programme started in 2015, road-related absenteeism has fallen by 80,100 days.

CTT joined the Christmas 2021 and New Year 2021 Road Prevention campaigns, promoted by the National Road Safety Authority, aimed at raising awareness on safe driving. Nevertheless, this has always been a habitual topic of focus and importance for CTT, in view of the size of the fleet and the large number of employees who travel the country's roads on a daily basis. CTT's Road Prevention Programme covers all aspects in which human intervention can exert a positive influence, paying special attention to the training and awareness-raising of all the employees. In this regard, inhouse training and awareness-raising actions were promoted, involving a total of more than 30,000 participations, including all kinds of actions (awareness-raising, practical training of driving and training for senior managers).

CTT also joined the ROADPOL Safety Days, an initiative that seeks to reduce the number of traffic-related deaths per day in Europe to zero, on at least one day of the year, a goal achieved by 16 countries in 2021. In this context and in celebration of a day without road deaths, CTT organised actions about this topic and concern, which involved the participation of close to 65 services, the majority of which in postal delivery centres, but also in operational centres. About 700 managers, operations managers and employees of different areas of CTT signed their individual commitment to Road Safety.

CTT once again took part in the European Mobility Week, an occasion that has been commemorated for various years to reiterate its commitment to values related to the environment and corporate civic participation in the context of soft mobility. In 2021, in the pandemic context, the CTT programme included a communication and awareness-raising plan which included games and tips. During this week, CTT invited all the employees to reflect on their mobility habits and find more responsible solutions, such as alternative transport and/or sharing lifts.

In 2021, follow-up was given to the actions foreseen to be accomplished by CTT under the Business Mobility Deal for the City of Lisbon, which CTT signed in 2019, at the invitation of Lisbon City Council, the World Business Council for Sustainable Development (WBCSD) and BCSCD Portugal. This agreement is public, voluntary, free of charge and collaborative, between the Lisbon City Council and a group of 55 companies and institutions, aimed at actively improving mobility in the city of Lisbon, through the development of more ecological, safe and efficient mobility actions. The endorsement of this agreement publicly reinforces CTT's commitment to sustainable mobility and carbon management, in a continuous attitude of engagement, transparency and commitment.

4.5.3 Atmospheric emissions and climate change

GRI 305-1, 305-2, 305-3

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

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

In 2021, there was an increase (12.6%) in CTT's total CO2 emissions (scopes 1, 2 and 3), in relation to the previous year, primarily derived from an increase in outsourced air and road transport and journeys between home and the workplace (commuting).

The emissions arising from CTT's own fleet activity increased slightly year-on-year (0.3%), which is reflected in the total direct and indirect carbon emissions derived from the acquisition of energy for own use (scopes 1 and 2).

Scope 3, mainly associated with outsourced transport, continues to represent the largest portion of emissions, accounting for 75.8% of the overall emissions of the Company's activity, followed by scope 1 emissions, relative to fuel consumption by the fleet and gas consumption in buildings (24.1%), and scope 2, relative to electricity consumption and air conditioning (0.01%).

CTT carbon emissions GRI 305-1, 305-2, 305-3, 305-5

t CO_2	'20	'21	Δ '21/'20
Direct emissions – Scope 1	15,949.0	15,999.4	0.3%
Indirect emissions – Scope 2	164.9	9.0	-94.5%
Indirect emissions – Scope 3	42,733.2	50,245.5	17.6%
Total emissions (Scopes 1, 2 and 3)	**58,847.1**	**66,253.9**	**12.6%**

Direct emissions (scope 1) increased, primarily as a result of a higher fuel consumption by the CTT Express fleet, owing to an increase in technical activity related to the expansion of its centres and review of fleet usage plans.

Direct atmospheric emissions of CTT GRI 305-2, 305-5, 305-7

Greenhouse gas emissions (t CO_2)[76]	'20	'21	Δ '21/'20
Fleet[77]	16,035.6	16,100.0	0.4%
Gas	67.0	55.4	-17.3%
Total direct emissions (scope 1)	16,102.6	16,155.4	0.3%
Other pollutants and GHG (t)			
NO_2	175.2	115.0	-34.4%
SO_2	45.2	45.7	1.1%
CH_4 and N_2O	0.1	0.2	100.0%

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

By acquiring green electricity for 100% of the consumption since 2015, the carbon emissions derived from CTT's electricity consumption are reported as zero based on the specific carbon content of the electricity supplier (market-based approach). By evaluating the total carbon footprint based on the national energy mix (location-based approach), it is found that the acquisition of energy corresponds to approximately 12.3 kt CO2 per year. Thus, the acquisition of green energy influences CTT's total carbon footprint, as well as its performance in relation to the adopted carbon reduction targets.

[76] Fleet: value estimated based on the emission factors published by the Portuguese Environment Agency (APA) (https://apambiente.pt/sites/default/files/_Clima/Inventarios/NIR20210415.pdf) and the Global Warming Potential Values - IPCC Fifth Assessment Report (AR5), by converting pollutant emissions to CO2, based on emission factors for CH4 and N2O. Gas: value estimated based on Order 6476-H/2021 and the WRI GHG Emission Factors Compilation, by converting pollutant emissions to CO2, based on emission factors for CH4 and N2O.
[77] Excluding the CORRE, NNS and HCCM fleets.

Indirect atmospheric emissions from electricity and thermal power consumption by CTT

t CO_2[78]	'20	'21	Δ '21/'20
Electricity consumption	0	0	0.0%
Thermal power consumption	164.9	9.0	-94.5%
Total indirect emissions (Scope 2)	**164.9**	**9.0**	**-94.5%**

The activity of the outsourced road fleet decreased (-1.3% of the distance travelled), with direct impact on the associated carbon emissions. However, a significant part of CTT's cargo activity was outsourced during 2021, a component that is not reflected in the reported carbon emissions performance. It is worth highlighting that CTT has been investing and implementing dynamic routing systems, which enhance the optimization of routes and, consequently, the energy efficiency associated with transporting and distributing mail, parcels and express items.

The emissions resulting from the air transport of mail, express and parcels products registered an increase relative to the previous year. Domestic air transport increased by 20.7% in kg and 25% in kg.km, owing to a significant increase in parcels and EMS (express), as well as the reopening of air traffic, which allowed for the preferential use of this means of postal delivery. International air transport decreased by 26.6% in kg and 13.4% in kg.km, with the biggest falls being recorded in EMS and priority mail (kg), which were not offset by the 6.3% increase in non-priority mail and the 11.2% increase in parcels. This decrease resulted primarily from international air transport issues arising from a reduced offer and uncertain operation.

Emissions resulting from sea transport, express and parcels increased by 11.8% (12.5 t CO_2), due to a 16% increase in express mail volumes.

The emissions arising from commuting by the employees increased significantly, after the steep decline recorded in 2020 as a result of the measures adopted by CTT to fight the COVID-19 pandemic. The measures adopted in 2021 to prevent and combat the pandemic, less restrictive than those adopted in 2020, entailed greater employee mobility, which directly influenced the company's carbon emissions.

The carbon emissions arising from national e and international business travelling declined considerably, in addition to the decrease already witnessed in 2020, in relation to 2019, primarily due to the restrictions to movement in the pandemic context, but also due to the continuation given to meetings held by audio/videoconference.

Other indirect atmospheric emissions GRI 302-3, 305-4

t CO_2[79]	'20	'21	Δ '21/'20
Air transport	11,762.2	13,217.8	12.4%
Sea transport	105.9	118.4	11.8%
Road transport by outsourced fleet	27,320.4	30,274.0	10.8%
Delivery by postmen on motorcycles	1,484.6	1,374.4	-7.4%
Air and rail travel on company business [80]	30.8	18.0	-41.6%
Commuting	2,029.4	5,243.0	158.4%
Total outsourced transport (Scope 3)	**42,733.3**	**50,245.6**	**17.6%**

[78] Electricity: for the location-based approach, the value is estimated based on Order 6476-H/2021 and https://www.statista.com/statistics/1190075/carbon-intensity-outlook-of-spain. Thermal energy: 2020 value estimated based on the WRI GHG Emission Factors Compilation; 2021 value estimated based on Order 4343/2019 and https://www.sce.pt/relatorio-dgeg-factor-energia-primaria-da-rede-da-climaespaco-v0/. Excluding CORRE, NNS and HCCM.
[79] Value estimated based on the WRI methodology of the Greenhouse Gas Protocol tool for mobile consumption, version 2.6, using the conversion factors indicated in the "Compilation of emission factors used in the cross-sector tools" for the various fuels used by the fleets, applied to the respective consumptions. Excluding CORRE, NNS and HCCM.
[80] Excludes CTT Express.

Considering direct (scope 1) and indirect (scope2) carbon emissions, the carbon incorporation of each postal item is 15.7g CO2, corresponding to a year-on-year decrease of 3.0%. This improvement resulted from a higher increase in total postal volumes than the increase in fuel consumption, as well as a significant decrease in thermal energy consumption and the updating of the associated emission factor. Incorporating scope 3 emissions, there was a 9.8% increase in relation to 2020, associated with the factors presented above.

Climate change

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

CTT has been experiencing increasing pressure from customers to seek less polluting or carbon-neutral solutions. CTT anticipated this trend with the launch of "green mail" in 2010 and currently the express offer in Portugal is also carbon neutral, with no added costs for customers. Overall, the carbon neutral offer represents 17.3% of CTT's total revenues.

We joined the United Nations Global Compact Initiative "Business Ambition for 1.5°C", aimed at contributing to halt global warming and limit the increase of the global average temperature below 1.5°C. In this regard, CTT is part of a group of merely 1123 companies in the entire world with ambitious targets to reduce carbon emissions approved, on the present date, by the Science Based Target Initiative (SBTi). CTT is committed to reducing absolute emissions by 30% by 2025 in relation to 2013 and emissions by letter or parcel by 20% over the same period.

In 2021, CTT achieved the 4th position in IPC's sectoral programme, named Sustainability Measurement and Management System (SMMS), amongst the world's 20 largest postal operators. It is important to mention that CTT scored above the sector average in all seven areas of intervention, with the highest scores being achieved in the areas of Climate Change and Health and Safety. This distinction recognised the improvements achieved by CTT in all areas of intervention, in relation to the previous year. The IPC highlighted, as positive aspects, CTT's performance regarding the acquisition of 100% electricity from renewable energy sources and the high recycling rate of waste generated in the Company's buildings.

This programme is aligned with the 5 United Nations Sustainable Development Goals considered to be of most relevance to the postal sector, and now focuses on 7 areas of intervention: health and safety (SDG 8), learning and development (SDG 8), efficient use of resources (SDG 9), climate change (SDG 13), quality of the air (SDG 11), the circular economy (SDG 11) and sustainable procurement (SDG 12).

CTT and 15 other postal operators worldwide participated again in the Green Postal Day, an initiative promoted by IPC, which aims to mark the positive results of the collective effort that postal operators worldwide have been putting into practice to counter climate change and reduce their carbon emissions.

CTT was distinguished at the Leadership level in the Climate Change category, with an A- grade in the CDP - Carbon Disclosure Project 2021 rating, the capital market index that is the main rating of energy and carbon sustainability on a worldwide level.

In 2021, CTT continued to develop the projects undertaken within the scope of the Lisbon Green Capital Commitment 2020 – Lisbon 2030 Climate Action, and the Corporate Mobility Pact for the City of Lisbon. This commitment seeks to ensure the contribution of the different economic agents in the achievement of the goals and targets defined under the Action Plan for Sustainable Energies and the Climate, and fosters a new vision of the city of Lisbon with a view to carbon neutrality by 2050. To this end, CTT submitted 14 measures in the following categories, aimed at improving the company's environmental performance: energy, mobility, water, circular economy, citizenship and participation.

Under the identification and assessment of impacts derived from climate phenomena, with implications in terms of costs and operations, 6 events occurred, in particular winter storms. It is estimated that these events had an impact of €6.8k in operational terms and €1.4k in terms of work potential. A cyclone in the Central region and Alentejo also occurred in 2021, caused flooding and damages to buildings, with an impact of €6.5k.

CTT adopts the following formulation of principles on these matters:

Policy on Energy and Carbon Management and Climate Change

- Creation of value for the business, and likewise generating value for society;
- Improvement of the energy efficiency of equipment, facilities, fleet and product design, with a view to continuous improvement of performance;
- Provision of information and resources, in order to achieve the established objectives and targets;
- Respect for the legal and regulatory framework in force and other commitments which the company endorses.

4.5.4 Consumption, waste and biodiversity

Water

GRI 303-1, 303-3, 303-4, 303-5

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

CTT Water Consumption

	'20	'21	Δ '21/'20
Consumption (m^3) [81]	31,680.5	32,809.2	3.6%

The increase in water consumption results from the resuming of operations, with no lockdown measures, in operating areas. Besides, two pipe leaks occurred at the production and logistics centre of the North, which also contributed to the increase in consumption over this period. Nevertheless, the measures aimed at reducing water consumption continued to be followed, as well as the planned reduction in vehicle washing frequency. CTT monitors the information in real time on the consumption of network water using telemetering, for the buildings of the Lisbon region, with a view to optimising water consumption and costs.

The total cost related to water consumption at CTT represents €226.9k.

CTT has been authorised to use water resources for discharging of wastewater at the Taveiro building, that defines discharge locations and parameters to be monitored, as well as the respective evaluation frequency, emission limit value requirements and reporting to the competent authority.

Consumption of materials

GRI 301-2, 306-2

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

[81] Among the subsidiaries, the water consumption of CTT Expresso, 321 Crédito, CORRE, NNS and HCCM is not included.

This year, approximately 3,470.6 tonnes of materials were consumed[82], corresponding to a year-on-year increase of 1.1%. In the total figures, the most representative consumption items are paper and plastic, accounting for 77.9% and 21.1%, respectively. The recorded increase is associated with the consumption of paper and plastic, which results primarily from an increase in express mail logistics. However, the COVID-19 factor generated savings in consumables, namely paper and toner, as a result of the shifting of various more administrative areas to a telework arrangement.

The incorporation of recycled materials in products currently represents 8.0%.

The implementation of actions aimed at decreasing the consumption of consumables and the dematerialisation of procedures by digital models continued, with the online subscription of forms, instead of pre-printed formats, as well as the digital filing of the generated case-files, namely in the operational areas. With regard to this innovation, special reference is made to the paper-free process, whose purpose is to eliminate the printing of shipment documents, both Inbound and Outbound, in order to reduce the size of physical archives. The Deminimis project, which relates to the customs clearance of non-EU items, seeks to improve automation through the implementation of a system whereby CTT interacts with its customers via a web portal instead of the traditional letters and paper documents. At Banco CTT, 70% of customers have already subscribed to digital statements.

Waste

GRI 301-3, 306-2, 306-3, 306-4, 306-5

Continuing the internal management practice and final sending of waste to the most suitable destination, recovery solutions, instead of sending waste to landfills, are given priority. This year, there was a decrease in the annual quantity of waste produced, and of the total recovery rate, which reached 97.7%.

Waste

	'20	'21	Δ '21/'20	Destination
Paper and cardboard	1,212.7	1,050.9	-13%	Recovery
Plastic	222.4	217.4	-2.2%	Recovery
Wooden pallets	532.0	628.9	18.2%	Recovery
Undifferentiated waste	236.6	203.0	-14.2%	Recovery/Disposal
Other	230.2	203.6	-11.6%	Recovery/Disposal
National Total	**2,433.8**	**2,303.7**	**-5.3%**	

Waste by hazard level and destination[83]

Tons	Recovery	Disposal	Total
Hazardous waste	2.6	20.7	**23.3**
Non-hazardous waste	2,247.9	32.6	**2,280.5**
Total	**2,250.4**	**53.3**	**2,303.7**

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

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

[83] The amount of waste does not include CORRE, NNS and HCCM.

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

Within this context, we joined efforts with To Be Green, a spin-off created by the University of Minho to promote the recycling and recovery of used disposable face masks, thus allowing for reuse of the materials used to manufacture this product. The impact of this initiative is very positive, from a recycling viewpoint, as this waste is commonly placed in mixed waste containers. Used face masks are recycled and converted into propylene boards, a resistant material that can be used in several applications. The entire collection, transport and processing of this type of waste was performed in accordance with the most stringent safety conditions, such as to prevent viral contamination.

Also within this scope, Banco CTT became one of the first members of the "Merece" movement (Corporate Movement for the Recycling of Cards with Electronic Components). By joining this movement, Banco CTT seeks to ensure sustainability by promoting the collection and recycling of obsolete debit cards through postage-free envelopes, at no cost to customers. The "Merece" movement ensures that collected cards are sent to recycling facilities, where they are transformed into street furniture. Moreover, Banco CTT seeks to offset the estimated carbon footprint resulting from the use of cards by planting a tree for each kg of cards collected.

Biodiversity

GRI 304-2, 304-3, 306-2

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

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

CTT continued to undertake the actions included in the "Act4nature" commitment. This commitment seeks to encourage companies to protect, promote and restore biodiversity, contributing to the reversal of its loss. To this end, CTT endorsed the 10 Common Commitments which are aligned with its sustainability programme and a set of individual commitments focused on ongoing awareness-raising and communication, internal and external, on the topic of preservation of biodiversity and encouraging the sustainable use of natural resources.

For the 8th consecutive year, another edition of the initiative "A Tree for the Forest" was launched, within the scope of the partnership between CTT and Quercus. This campaign aims to restore the forest of some zones of the country with indigenous species, namely protected areas, classified areas and national forests at high risk of fire or more affected by forest fires. The 2021 edition featured the sale of a new kit, featuring the Wild Cherry | *Prunus avium*, at CTT post offices countrywide and on CTT's online store, which will be available until the launch of the next edition. This year, the goal of planting more than 100 thousand indigenous trees was achieved through this project.

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

The launch of various collectable stamp issues on environmental matters included, in 2021, the publication of 5 stamp issues dedicated to the topics of “Europe – Endangered Species”, “Barroso Land – World Agricultural Heritage”, “United Nations Decade of Ocean Science for Sustainable Development”, “Protected Areas of Portugal” and “Hunting in Portugal (1st Group)”, involving a total of 1.79 million stamps.

Training and Awareness-Raising

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

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

Reference is made to the inhouse celebration of thematic days throughout the year, which involved various games for the employees and their families, namely the World Tree Day, the World Earth Day, the National Environment Day, the World Nature Conservation Day, the European Car-Free Day, the European Day Without a Road Death (EDWARD) and the World Water Day. Tips and suggestions on small daily habits that we can all adopt aimed at protecting the environment and biodiversity were also publicized, namely “A greener New Year”, “A vegetable garden in your Home”, and “Sustainability is (also) to consume seasonal produce”.

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

An internal webinar was also conducted on the theme “Ocean Conservation”, dedicating to ecosystem restoring and ocean preservation, in partnership with the Vasco da Gama Aquarium.

At the end of the year, CTT relaunched the “Green Planet” course on the “Formare” training platform, which seeks to provide context for the environmental issues, policies and initiatives implemented by the company, as well as raise awareness and encourage employees to engage in CTT’s environmental activities.

At an external level, CTT regularly shares news items on sustainability, through its Facebook page – Esfera CTT, which currently has over 53 thousand fans. CTT is also present on the social networks LinkedIn and Instagram, which has more than 102.5 thousand followers. In 2021, two competitions were launched, namely “A Tree for the Forest 2021”, on Esfera CTT, which reached 13 thousand users and 69 participations, and the “World Tree and Poetry Day”, on Instagram, which reached 1.6 thousand users and more than 20 participations.

The “Green Tips” were created on the Banco CTT website, an area dedicated to the sharing of simple tips and recommendations, which aims to promote sustainable habits that can be adopted in daily life.

Moreover, articles were also published about CTT’s sustainability programme in the newspaper “Jornal de Negócios”, the Green Savers magazine, the Capital Verde Eco Yearbook, the Green Last Mile Report, as well as the websites of Marketeer and Executive Digest, the digital platforms ECO - Capital Verde and the Green Purpose platform. CTT also conveyed information to its customers in this sphere through the TV channel of its post offices network at a national level.

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

CTT also participated as speaker in the 33rd Jobshop AEIST, the Copenhagen Economics Postal & Delivery conference, the "Reindustrialisation and Circular Transformation – SUP Directive" conference, the 20th Executive Digest conference, in the Sustainability Round Table, and in the Climate Ambition Panel, at the Global Compact Social Responsibility Week conference. Additionally, CTT was interviewed by newspaper "Jornal de Negócios" on its sustainability programme. An article on reusable packaging was also published in Ponto Verde Society's magazine "Recicla".

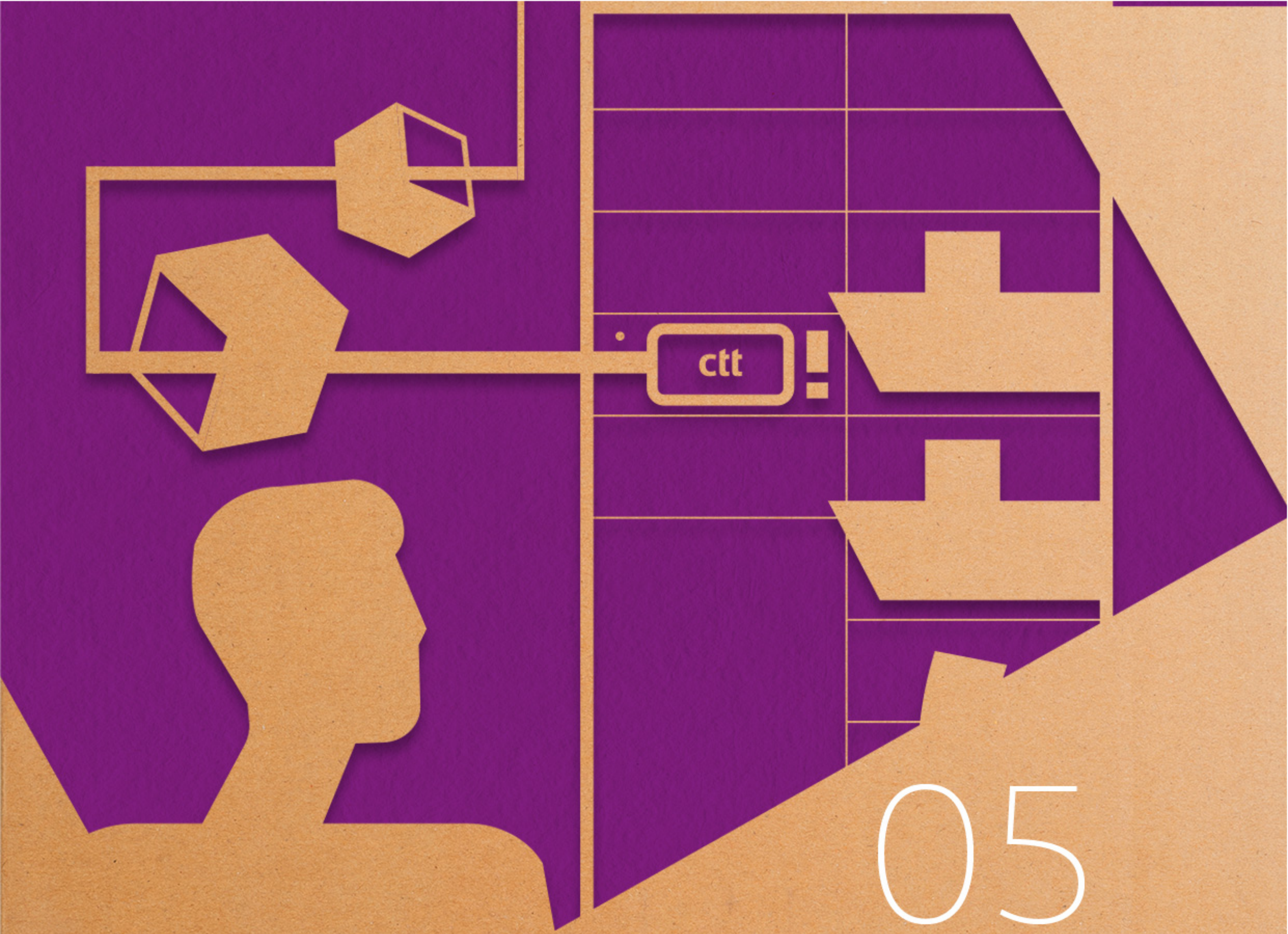
Environmental Investment

In 2021, total environmental investment amounted to approximately €4.7m. In terms of the distribution of the investment, the majority took place at CTT S.A., with a significant focus on fleet renewal, aiming to improve CTT's overall performance.

Environmental investment

(€1,000)[84]	'20	'21	Δ '21/'20
Maintenance, Conservation of Buildings	431.0	437.4	1.5%
Renewal of the Conventional Fleet	2,719.1	3,003.5	10.5%
Environmental Reporting, Partnerships, Events and Sponsorships	86.4	122.5	40.6%
Information Technology Equipment	71.7	182.6	154.6%
Renewal of the Electric Fleet	72.9	900.2	1134.5%
Certifications and Legal Compliance	35.6	49.8	54.9%
Energy and Carbon Management	27.9	34.3	23.0%
National Total	**3,444.7**	**4,729.3**	**37.4%**

[84] Excludes data of the subsidiaries 321 Crédito, CORRE, NNS and HCCM.



05

Corporate Governance

A future in service efficiency

5. CORPORATE GOVERNANCE[85]

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

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

5.1 SHAREHOLDER STRUCTURE

5.1.1 Capital Structure

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

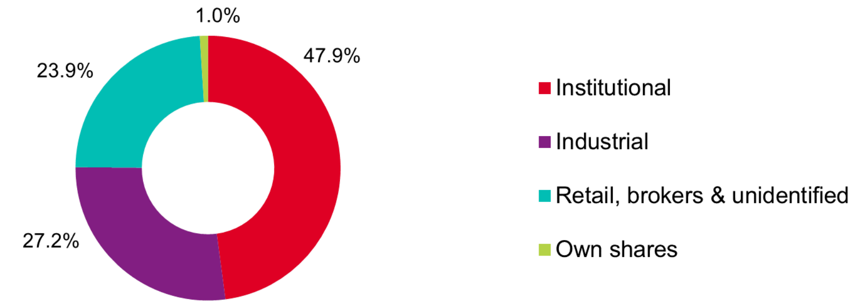
CTT's share capital is €75,000,000.00, fully paid-up and underwritten, being represented by 150,000,000 ordinary (there are no different categories), registered, book-entry shares with nominal value of €0.50 each, listed for trading on the regulated market managed by Euronext Lisbon - Sociedade Gestora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

Characterization of the capital structure

At the end of 2021, a study was conducted aimed at characterizing CTT's capital structure. This study identified 151 institutional shareholders holding circa 48% of the Company's capital and two industrial shareholders holding approximately 27%, while retail and other investors held 24% of the share capital.

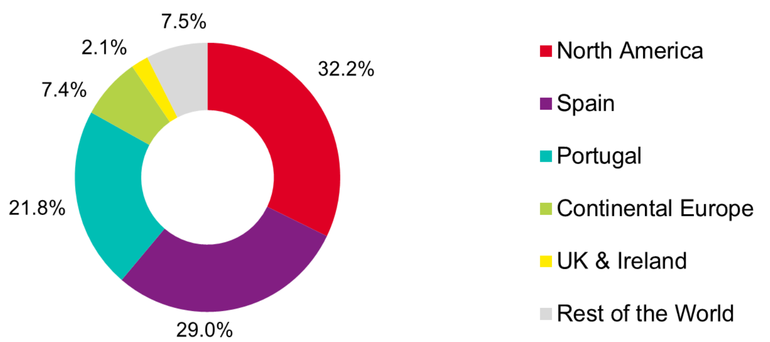
According to this survey, CTT shareholder composition in terms of investor profile was as follows:

CAPITAL STRUCTURE BY INVESTOR PROFILE



With regard to **geographical breakdown**, according to the same survey, CTT's **institutional and industrial shareholders** were mainly based in the **United States of America** (over 32%), followed by **Spain** with 29%, **Portugal** with around 22% and **Continental Europe** (including France and Germany) with more than 7%. In the **United Kingdom and Ireland** there could be found 2.1% of the institutional and industrial shareholder base of CTT and 7.5% of the capital were dispersed among institutional shareholders from other countries of the rest of the world. This geographical breakdown is illustrated in the following graph:

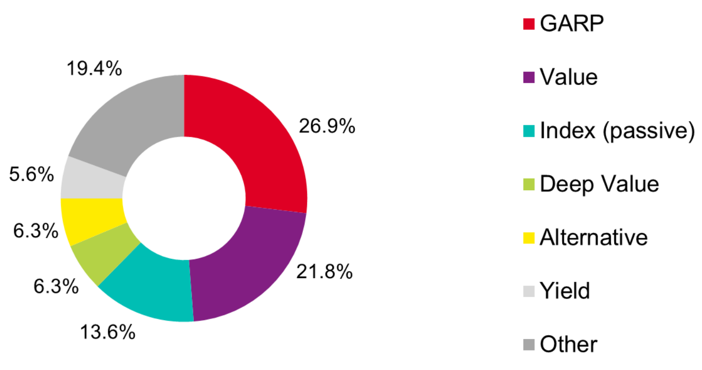
GEOGRAPHICAL BREAKDOWN



The study also included an analysis of CTT's shareholder composition by **investment strategy**. According to this analysis, at the end of 2021, institutional investors with a **GARP** (Growth at A Reasonable Price) investment strategy represented approximately 27% of the Company's institutional investment, while those with a **Value** type of investment strategy represented almost 22%, followed by **Index** (passive) investors which represented circa 14%. Investors with a **Deep Value** strategy were a little over 6%, the same percentage as institutional investors with an **Alternative** investment strategy.

Yield investment strategy represented 6% of institutional investment in CTT while over 19% was held by institutional investors with other types on investment strategies, as illustrated graphically below:

INSTITUTIONAL SHARES BY INVESTMENT STRATEGY



Finally, the study demonstrated that, at the end of 2021, the 10 largest shareholders of CTT (including institutional and industrial) held circa 56% of the Company's capital (compared to 51% at the end of 2020), while the 25 largest held a total of more than 67.5% (at the end of 2020, this percentage was 63%).

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

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

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

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

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

On 20 May 2021, CTT started trading in the context of the share buy-back programme of the Company ("Buy-back Program") pursuant to the terms and limitations set forth in (i) the resolution adopted under item 5 of the Agenda of the General Shareholders' Meeting of CTT held on 21 April 2021 granting authorization for the acquisition and transfer of own shares by the Company and its subsidiaries, as set forth in such shareholders' resolution and subject to a decision of the Company's Board of Directors, and (ii) the resolution of the Board of Directors of CTT, of 17 May 2021, under which a share buy-back program was approved, the main terms and conditions of which may be found in the announcement regarding the start of trading within the Buy-back Program disclosed to the market on 17 May 2021.

In the context of said Buy-back Program, and as the financial intermediary in charge of the execution of said program, JB Capital Markets, S.V., S.A.U. acquired 1,500,000 shares representing CTT's share capita, in Euronext Lisbon regulated market, in the period from 20 May to 22 June 2021 (inclusive), as detailed in the table below (aggregated information - for further details, see Annex II of this Report).

Date of the transaction	Aggregated Volume (shares)	Weighted Average Price (€)	% Session's Total Volume	% Share Capital
20.05.2021	42,641	4.0070	11.28 %	0.03 %
21.05.2021	109,161	4.0277	26.14 %	0.07 %
24.05.2021	75,404	4.0093	18.88 %	0.05 %
25.05.2021	85,000	4.0191	29.06 %	0.06 %
26.05.2021	90,093	4.1853	9.48 %	0.06 %
27.05.2021	50,000	4.1660	7.19 %	0.03 %
28.05.2021	70,000	4.2129	14.57 %	0.05 %
31.05.2021	123,072	4.2698	29.43 %	0.08 %
01.06.2021	105,000	4.3138	13.68 %	0.07 %
02.06.2021	40,000	4.2913	12.02 %	0.03 %
03.06.2021	40,000	4.2438	12.77 %	0.03 %
04.06.2021	50,401	4.2730	12.80 %	0.03 %
07.06.2021	25,000	4.2900	16.57 %	0.02 %
08.06.2021	46,074	4.2639	17.34 %	0.03 %
09.06.2021	32,915	4.2807	9.09 %	0.02 %
10.06.2021	67,956	4.3811	12.44 %	0.05 %
11.06.2021	30,704	4.3338	11.70 %	0.02 %
14.06.2021	78,000	4.4160	12.20 %	0.05 %
15.06.2021	72,875	4.4499	11.80 %	0.05 %
16.06.2021	25,000	4.4080	7.98 %	0.02 %
17.06.2021	40,000	4.4150	13.92 %	0.03 %
18.06.2021	45,000	4.3611	8.51 %	0.03 %
21.06.2021	73,157	4.5391	8.11 %	0.05 %
22.06.2021	82,547	4.5521	11.37 %	0.06 %

Hence, as at 31 December 2021, and on the present date, **CTT held, and holds, 1,500,001 own shares, with the nominal value of €0.50 each, corresponding to 1.000% of its share capital**, with all the inherent rights being suspended by force of the provisions of article 324(1)(a) of the Portuguese Companies Code ("PCC"), with the exception of the right to receive new shares in the event of a capital increase by incorporation of reserves. Further detailed information on said transactions may be found in Annex II of this Report.

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

information pursuant to other legal requirements (Art. 245-A(1)(j))

As at 31 December 2021, and on the present date, the following contracts of strategic relevance to CTT were and are in force, with clauses related to change of control:

- The **tripartite contract concluded between CTT, Banco CTT** and **BNP Paribas Personal Finance, S.A.** on 23 June 2021 for selling **Cetelem credit products** at CTT Retail Network and website, provides for the possibility of unilateral termination by any of the parties, under certain circumstances, in the event of a change of shareholder control;
- The **two tripartite contracts between CTT, Banco CTT** and **Fidelidade – Companhia de Seguros, S.A.** for the brokerage of this entity's Life and Non-life insurance (the scope of which was extended to Banco CTT on 22 July 2016) **concluded** on 16 July 2013 and 2 September 2020, respectively, sets forth the possibility of termination by any of the parties in the event of change of the counterpart's shareholder structure, as well as the possibility of unilateral termination by Fidelidade if CTT should lose control of Banco CTT;
- The contract concluded on 20 September 2018 with **Western Union Payment Services Network EU/EEA Limited ("Western Union")** and **Western Union Payment Services Ireland Limited ("WUPSIL")** for the provision of fund transfer services, which establishes the possibility of unilateral termination of the contract by Western Union in the event of a change of CTT's shareholder control.
- The three **contracts concluded on 18 November 2015 between CTT and Banco CTT** (institution entirely held by CTT and which exercises its activity through personal attendance predominantly in CTT's Retail Network), which regulate the **provision of means inherent to the Retail Network and CTT/Banco CTT partnership relative to the CTT Channel, the employer plurality regime adopted in the context of employment contracts with employees of the Retail Network and the provision of services between the parties**, establishing the possibility, by initiative of any of the parties, of a renegotiation of the respective bargaining/financial balance, in good faith and based on normal market conditions, in case of the end of the controlling or group relationship or an event leading to CTT being controlled by a competitor of Banco CTT.

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

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

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

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

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

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

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

5.1.2 Shareholdings and bonds held

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

As at 31 December 2021, **based on the communications to the Company** made up to this date, the structure of the qualified holdings in CTT, calculated under the terms of article 20 of the Portuguese Securities Code in force in 2021, was as follows (notwithstanding changes disclosed to the market up to the date hereof and also identified in the table below):

Shareholders		Number of Shares	% Share Capital	% Voting Rights
Manuel Champalimaud SGPS, S.A. [1]		19,330,084	12.887%	12.887%
Manuel Carlos de Melo Champalimaud		353,185	0.235%	0.235%
Manuel Carlos de Melo Champalimaud [1]	**Total**	**19,683,269**	**13.122%**	**13.122%**
Global Portfolio Investments, S.L. [2]		15,057,937	10.039%	10.039%
Indumenta Pueri, S.L. [2]	**Total**	**15,057,937**	**10.039%**	**10.039%**
GreenWood Builders Fund I, LP [3]		10,025,000	6.683%	6.683%
GreenWood Investors LLC [3]	**Total**	**10,025,000**	**6.683%**	**6.683%**
Green Frog Investments Inc	**Total**	**7,730,000**	**5.153%**	**5.153%**
Norges Bank	**Total**	**3,105,287**	**2.070%**	**2.070%**
Bestinver Gestión S.A. SGIIC [4]	**Total**	**3,024,366**	**2.016%**	**2.016%**
CTT, S.A. (own shares) [5]	**Total**	**1,500,001**	**1.000%**	**1.000%**
Remaining shareholders	**Total**	**89,874,140**	**59.916%**	**59.916%**
TOTAL		**150,000,000**	**100.000%**	**100.000%**

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

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

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

(4) Bestinver Gestión S.A. SGIIC is a Spanish fund management company. As such, it exercises the voting rights attached to the shares property of the investment institutions it manages and represents. Additionally, Bestinver Gestión, S.A. SGIIC has been granted a power of attorney to exercise the voting rights attached to the shares under the property of the pension funds managed by Bestinver Pensiones EGFP, S.A..

(5) Shares held by CTT following the conclusion, as at 22 June 2021, of the trading in the context of the share Buy-back Program, the main terms and conditions of which may be found in the announcement regarding the start of trading within the Buy-back Program disclosed to the market on 17 May 2021, (see press releases available on CTT website, at https://www.ctt.pt/grupo-ctt/investidores/comunicados/index?topic=informacao&year=2021&search=).

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

The tables below show the number of shares held by the members of the managing and supervisory bodies who exercised functions in 2021, and still do as at the present date, and who are persons discharging managerial responsibilities according to Regulation (EU) No 596/2014, of 16 April ("Regulation EU"), as per communications made to the Company in 2021, as well as their closely related parties, including all their acquisitions, encumbrances or transfers of ownership, as follows:

Board of Directors[(a)]	Number of shares as at 31.12.2020	Date	Acquisition	Encumbrance	Disposal	Price (€)	Number of shares as at 31.12.2021
Raul Catarino Galamba de Oliveira	20,000 [(b)]	11.05.2021 12.05.2021	5,000 5,000	—	—	4.0850 3.9750	30,000
João Afonso Ramalho Sopas Pereira Bento	31,500	---	—	—	—	—	31,500
António Pedro Ferreira Vaz da Silva	7,000	---	—	—	—	—	7,000
Guy Patrick Guimarães de Goyri Pacheco	8,000	---	—	—	—	—	8,000
João Carlos Ventura Sousa	2,851	---	—	—	—	—	2,851
João Miguel Gaspar da Silva	11,435	---	—	—	—	—	11,435
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia	0	---	—	—	—	—	0
Steven Duncan Wood	0	---	—	—	—	—	0
Duarte Palma Leal Champalimaud	15,000	---	—	—	—	—	15,000
Isabel Maria Pereira Aníbal Vaz	0	---	—	—	—	—	0
Jürgen Schröder	0	---	—	—	—	—	0
Margarida Maria Correia de Barros Couto	0	---	—	—	—	—	0
María del Carmen Gil Marín	0	---	—	—	—	—	0
Susanne Ruoff	0 [(c)]	06.09.2021	1,200	—	—	4.655	1,200

[(a)] Composition of the Board of Directors as at 31.12.2021. Includes the members of the Executive Committee and the Audit Committee. The Director João Eduardo Moura da Silva Freixa, elected as a Non-Executive Director of CTT at the Annual General Meeting held on 29.04.2020, submitted his resignation to the above-mentioned position on 10.12.2020, as communicated to the market on that day, which took effect in legal terms on 31.01.2021.

[(b)] Acquisitions disclosed to the market in management transactions press releases of 13.05.2021 and 14.05.2021 available on CTT website, at https://www.ctt.pt/grupo-ctt/investidores/comunicados/index?topic=transacao&year=2021&search=.

[(c)] Acquisition disclosed to the market in a management transactions press release of 07.09.2021 available on CTT website, at https://www.ctt.pt/grupo-ctt/investidores/comunicados/index?topic=transacao&year=2021&search=.

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Closely Related Parties	Number of shares as at 31.12.2020	Date	Acquisition	Encumbrance	Disposal	Price (€)	Number of shares as at 31.12.2021
Manuel Champalimaud SGPS, S.A. [(a)]	19,246,815	—	—	—	—	—	19,246,815
GreenWood Builders Fund I, LP [(b)]	10,025,000	—	—	—	—	—	10,025,000

[(a)] Entity closely related to Duarte Palma Leal Champalimaud, in which the Non-Executive Director of CTT is Vice-Chairman of the Board of Directors (see note (1) of the table in point 7. above for detail on the number of shares held).

[(b)] Entity closely related to Steven Duncan Wood, Non-Executive Director and Member of the Audit Committee of CTT and Managing Member of GreenWood Investors, LLC, management company of the GreenWood Builders Fund I, LP.

Statutory Auditor	Number of shares as at 31.12.2020	Date	Acquisition	Encumbrance	Disposal	Price (€)	Number of shares as at 31.12.2021
Ernst & Young Audit & Associados – SROC, S.A.	0	—	—	—	—	—	0
Luís Pedro Magalhães Varela Mendes	0	—	—	—	—	—	0
Rui Abel Serra Martins	0	—	—	—	—	—	0
João Carlos Miguel Alves [a]	0	—	—	—	—	—	0

[a] Alternate Statutory Auditor

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

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

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

The significant commercial relations maintained between the Company and its holders of qualifying holdings during the 2021 financial year correspond to **transactions with related parties** identified in point 92 of Part I below.

5.2 CORPORATE BODIES AND COMMITTEES

GRI 405-1

5.2.1 General Meeting

a) Composition of the Presiding Board of the General Meeting

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

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

As at 31 December 2021 and currently, the composition of the Board of the General Meeting was, and is, as follows:

Members [1]	Position	Term of office
Pedro Miguel Duarte Rebelo de Sousa	Chairman	2020/2022
Teresa Sapiro Anselmo Vaz Ferreira Soares	Vice-Chairwoman	2020/2022

[1] Elected at the Annual General Meeting held on 29 April 2020.

Pursuant to that same statutory provision, the members of the Board of the General Meeting are assisted by the Secretary of the Company, duties performed in 2021 and currently by Maria da Graça Farinha de Carvalho.

b) Exercise of voting rights

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

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

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

In 2021, as in 2020, and considering on the one hand the **"Recommendations within the scope of General Meetings"** published on the website of the Portuguese Securities Market Commission ("CMVM") at www.cmvm.pt and on the other hand the recommendations, in the same sense, published by the Portuguese Institute of Corporate Governance ("IPCG"), under which it was recommended that alternative ways of holding General Meetings should be preferred due to the COVID-19 pandemic situation that caused an international public health emergency, the participation in CTT's General Meeting was exclusively carried out by electronic means, whereby Shareholders wishing to participate and vote at the General Meeting should qualify for such purpose under the terms described in the call notice and exercise the right to vote by electronic correspondence or electronic means.

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

CTT's Articles of Association **do not contain any limitation on percentage of voting rights** that may be exercised by a single shareholder or by shareholders related to the former in any of the ways set out in article 20(1) of the Portuguese Securities Code ("CVM") as amended and in force as at 31 December 2021 and on this date.

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

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

5.2.2 Management and Supervision

a) Composition

15. Details of corporate governance model adopted

GRI 102-5, 102-22, 102-24

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

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

System of Checks and Balances

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

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

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

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

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

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

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

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

GRI 102-18, GRI 405-1

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

As at 31 December 2021 and currently, the Board of Directors was, and is, composed of the following 14 Directors:

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

(1) The assessment of independence was conducted in accordance with the criteria defined in point 18.1 of Annex I of CMVM Regulation No. 4/2013, and the provisions of Recommendation III.4. of the IPCG Code and in Article 414(5) of the PCC for Non-Executive Directors who are members of the Audit Committee.

(2) The date of the first appointment to a management body at CTT is presented here.

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

GRI 102-23

As at **31 December 2021**, the Board of Directors was composed of **5 executive members and 9 non-executive members, including 6 independent members, among whom the Chairman of the Board of Directors**, indicated in the table of point 17 of Part I above.

Forty-three percent of the total number of members of the Board of Directors and 67% of its non-executive members, in office as at 31 December 2021, are deemed independent, pursuant to the criteria defined in point 18.1 of Annex I of CMVM Regulation No. 4/2013, and with respect to the members of the Audit Committee, pursuant to article 414(5) of the PCC (and pursuant to international criteria and practices).

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

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

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

The Non-Executive Directors (including the members of the Audit Committee) may request:

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

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

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

GRI 102-24, GRI 405-1

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

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

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

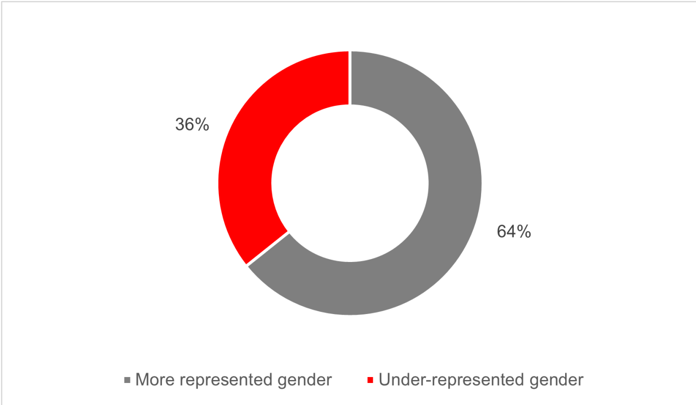
As demonstrated in the Corporate Governance, Evaluation and Nominating Committee recommendations and Terms of Reference disclosed to the shareholders in March 2020 and available for consultation at “Group CTT”, “Investors”, “General Meetings” on the CTT website (www.ctt.pt), for the electoral processes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

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

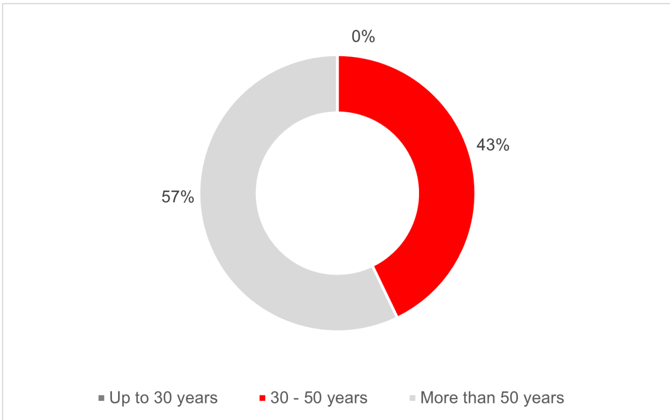
The proposal of a group of shareholders for the election of members of the management and supervisory bodies for the term of office 2020/2022 was supported by the opinion of the Corporate Governance, Evaluation and Nominating Committee on the individual attributes (independence and conditions for the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

The graphs below reflect the result of the above mentioned actions, as per Annex I of this Report which presents the *curricula* of the members of the Board of Directors of CTT, highlighting the following level of **diversity of this body in terms of gender, age, independence and professional background** as at 31 December 2021:

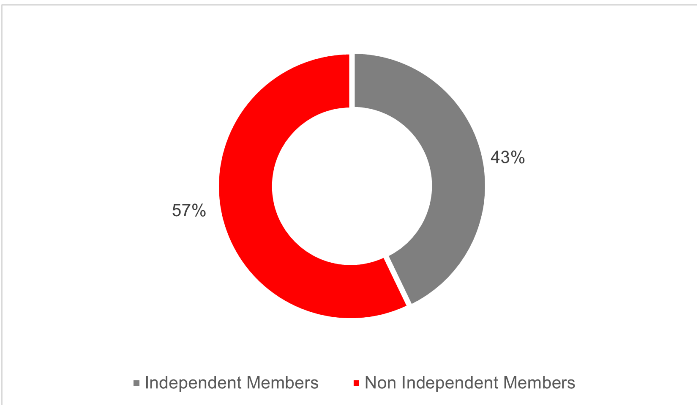
Gender:
36% of Directors of the under-represented gender



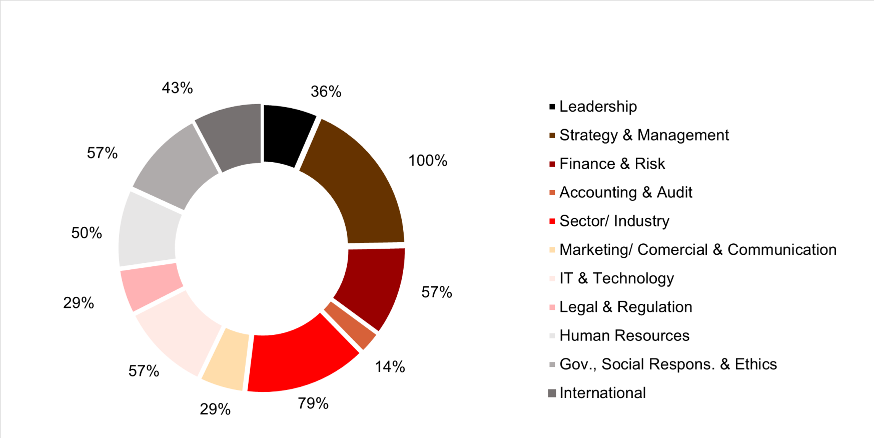
Age:
Average age of 52 years



Independence:
43% of independent Directors,
corresponding to 67% of the Non-Executive Directors



Professional background:
Balance of skills and relevant experience



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

The **Non-Executive Director** Duarte Palma Leal Champalimaud is the son of Manuel Carlos de Melo Champalimaud, to whom the qualified shareholding held in CTT by the company Manuel Champalimaud SGPS, S.A. is attributable. Additionally, he performs the duties of Vice-Chairman of the Board of Directors and Chairman of the Strategy and Investment Committee of the Manuel Champalimaud Group.

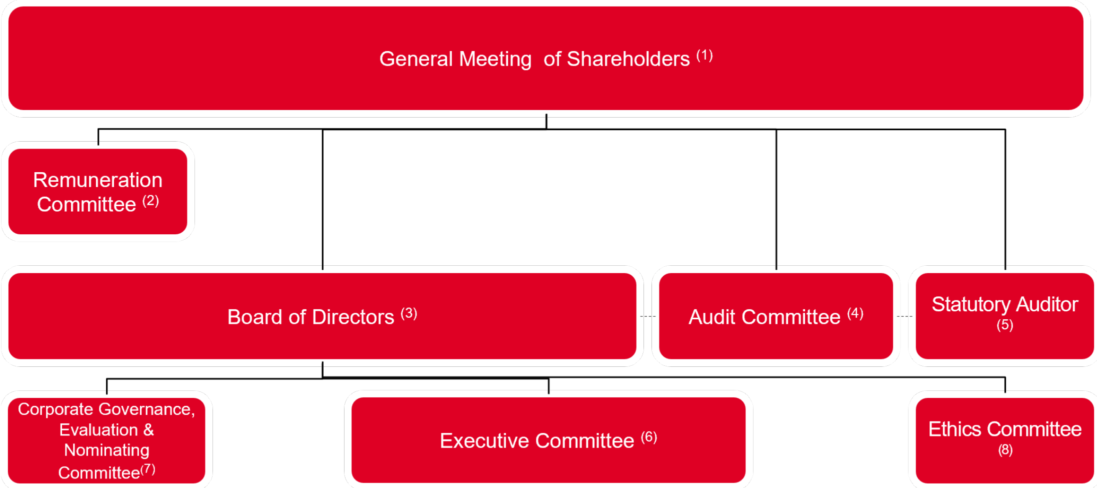
The **Non-Executive Director** Steven Duncan Wood is the founder and Managing Member of GreenWood Investors LLC, the management company of GreenWood Builders Fund I, LP, qualified shareholder of CTT.

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

Save as stated in the previous paragraphs, CTT received no notice of any other regular significant family, professional or commercial relationships between Board members and Shareholders with more than 2% of voting rights in CTT, either as at 31 December 2021 or the present date.

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

As at 31 December 2021 and the present date, the powers of CTT's corporate bodies and committees were and are divided as follows, as further detailed in the points of Part I indicated below:



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

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

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

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

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

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

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

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

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

21.1 Board of Directors

GRI 102-18

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

Main powers of the Board of Directors GRI 102-26, 102-32

- Stipulate the strategic guidelines and risk profile of the CTT Group;

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

Role of the Independent Chairman of the Board of Directors GRI 102-23

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

21.2 Executive Committee

GRI 102-23, 102-45

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

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

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

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

Role of the Chairman of the Executive Committee

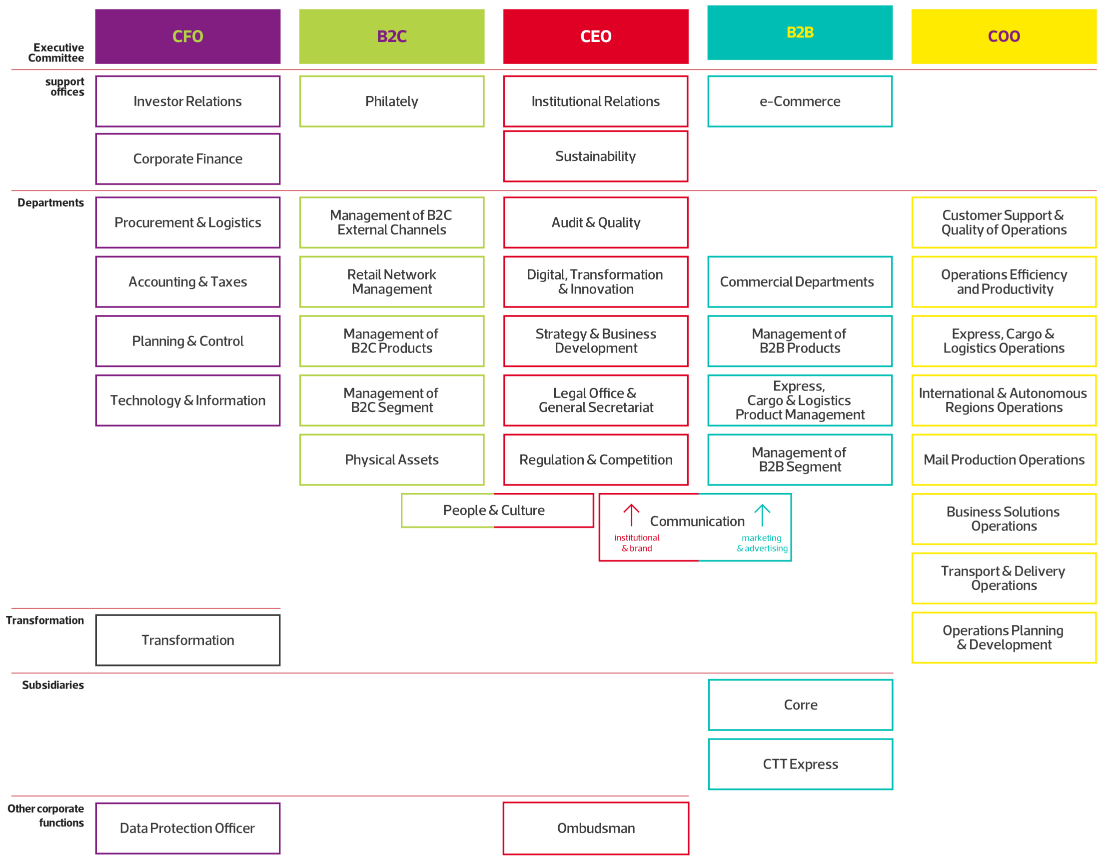
- Ensure that all information on the Executive Committee's activity and resolutions is provided to the other members of the Board;
- Ensure compliance with the limits to the delegation of power and the Company's strategy and proposing to the Board of Directors a list of the management issues that should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

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

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

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

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



21.3 Executive Committee support Committees

GRI 102-18, 102-19, 102-20, 102-45

The Executive Committee's support Committees as at 31 December 2021, and on the present date, were, and are, as follows:

MANAGEMENT SUPPORT COMMITTEES AND THEIR GOALS	
Risk Management Committee	
Composed of the members of the Executive Committee and of Head of Audit & Quality, who is responsible for the risk management area. The Committee is chaired by the Director in charge of Audit & Quality, which integrates risk management, and is coordinated by the Head of Audit & Quality. Other Heads of Department may participate whenever invited.	Strengthen organizational engagement around the topic of risk, aggregating the different visions and sensitivities of the areas involved and promoting the integration of risk management in business processes, described in further detail in subchapter 2.7.1. Description of the risk management process, chapter 2.7. Risk Management, of this Report, as referred to in paragraph 52 of Part I below.

MANAGEMENT SUPPORT COMMITTEES AND THEIR GOALS

Credit Committee	
Composed of the Heads of Accounting and Taxes, Finance, Audit & Quality, Commercial Departments (Small Enterprises, Large Enterprises South, Large Enterprises North, Medium-sized Enterprises, Public Administration), Management of the Retail Network, Management of B2B Segment and Management of B2C Segment. The Committee is chaired by the Head of Accounting and Taxes, except when the Director in charge of the Financial area is present, in which case he/she takes the chair. The members of the Executive Committee and other Heads of Department participate whenever invited.	Define and submit to the Executive Committee the Customer credit policies. Appraise and review the risk levels and credit limits. Decide on granting/reviewing/suspending credit prior to the formalization of the respective contracts. Assess proposals to conclude payment agreements, when the amounts in question are relevant. Monitor and evaluate the results of the implementation of customer credit policy and identification of measures to achieve the defined goals.
Investment Committee	
Composed of the executive Director in charge of the Financial area, the Directors proposing eligible projects and the heads of the Planning & Control and Audit & Quality departments. The Committee is chaired by the Director in charge of the Financial area and coordinated by the Head of Planning & Control. The members of the Executive Committee and other Heads of Department participate whenever invited.	Carry out the analysis of investments whenever requested by the Executive Committee, in order to ensure stronger efficiency of the action of the Executive Committee or Board of Directors in important projects.
Sustainability Committee GRI 102-32	
Composed of the executive Directors and the Heads of the Communication, Investor Relations and Sustainability departments. The Committee is chaired by the Chairman of the Executive Committee and coordinated by the Head of Sustainability. Other Heads of Department may participate when invited by any of the Directors.	Strengthen the CTT organization's engagement in the diverse aspects of sustainability, as a pillar of economic, social and environmental development.
Human Resources Committee	
Composed of the executive Directors and the Head of People & Culture. The Committee is chaired by the Chairman of the Executive Committee and coordinated by the Head of People & Culture. Other Heads of Department may participate when invited by any of the Directors.	Support the Board of Directors and the Executive Committee in the definition of human resources policies, namely concerning recruitment, selection and hiring, the performance assessment system, vocational training, careers and remunerations.
Innovation Committee	
Composed of the executive Directors, the heads of Digital, Transformation & Innovation, Management of B2C Products, Management of B2C Segment, Management of Express, Cargo & Logistics Products, Management of B2B Products, and Operations Planning & Development. The Committee is chaired by the Chairman of the Executive Committee and coordinated by the Head of Digital, Transformation & Innovation. Other Heads of Department may participate when invited by any of the Directors.	Support the definitions of the main lines of CTT's innovation strategy and ensure CTT's continued involvement in the overall progression of the components of the program named +INOVAÇÃO by CTT and the main trends of innovation in its various dimensions (technological, economic, cultural, social, organizational, etc.).

In addition to the above–mentioned Committees supporting the Executive Committee, as at 31 December 2021, and on the present date, there were, and are, the following Committees:

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

21.4 Corporate Governance, Evaluation and Nominating Committee

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

Corporate governance structure and practices, and ethics

- Assist the Board of Directors in the definition and assessment of CTT's governance model, principles and practices;
- Collaborate in preparing the annual corporate governance report of the Company;
- Oversee the definition and monitoring of the ethics and conduct standards within the Group;

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

Performance assessment and remunerations GRI 102-35, 102-36

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

Nominations

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

21.5 Ethics Committee

GRI 102-16, 102-17

The mission of the Ethics Committee is to monitor and supervise all the matters related to the application of the Code of Conduct of CTT and Subsidiaries and the Code of Good Conduct to Prevent and Fight Harassment at the Workplace, in the context of the Internal Regulation, as well as the legislative changes related to these matters and always in articulation with the corporate bodies, committees and structures of the Group.

This Committee is responsible for:

Group's Code of Conduct

- Promoting the disclosure, application and compliance with the Group's Code of Conduct, for this purpose defining plans and channels of communication for all hierarchical levels, as well as preventive training actions for their dissemination and compliance, supporting the Board of Directors, the Executive Committee and the Corporate Governance, Evaluation and Nominating Committee in performing their duties.

Code of Good Conduct to Prevent and Fight Harassment at the Workplace

- Promoting disclosure, implementation and compliance with the Code of Good Conduct to Prevent and Fight Harassment at the Workplace by all those who work in CTT Group, including the members of the corporate bodies, top and middle managers in their relationship with superiors, fellow workers and subordinates.

PREVENTION OF CONFLICTS OF INTEREST

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

Mechanisms to prevent the existence of conflicts of interest GRI 102-25

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

office is in Portugal or abroad, controlled by them or by their close relatives; (iii) other persons or entities that may be considered as Interposed Persons under the terms and for the purposes of articles 397 and 423-H of the PCC; and (iii) the management and/or supervisory positions held in other entities, regardless of whether their registered office is in Portugal or abroad.

b) Functioning

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

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

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

The Board of Directors held **10 meetings in 2021** (see "Group CTT ", "About Us", "Corporate Governance", "Corporate Bodies", "Meetings" on **CTT website** (www.ctt.pt) with the following attendance by its members:

Members (1)	Percentage attendance (2)	Attendance	Representation	Absences
Raul Catarino Galamba de Oliveira	100%	10	0	0
João Afonso Ramalho Sopas Pereira Bento	100%	10	0	0
António Pedro Ferreira Vaz da Silva	100%	10	0	0
Guy Patrick Guimarães de Goyri Pacheco	100%	10	0	0
João Carlos Ventura Sousa	100%	10	0	0
João Miguel Gaspar da Silva	100%	10	0	0
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia	100%	10	0	0
Steven Duncan Wood	100%	10	0	0
Duarte Palma Leal Champalimaud	100%	10	0	0
Isabel Maria Pereira Aníbal Vaz	100%	10	0	0
Jürgen Schröder	100%	10	0	0
Margarida Maria Correia de Barros Couto	100%	10	0	0
María del Carmen Gil Marín	90%	9	0	1
Susanne Ruoff	100%	10	0	0

(1) Percentage in relation to attendance.
(2) Elected members of the Board of Directors for the 2020/2022 term of office at the Annual General Meeting of 29.04.2020.

Minutes of the meetings of the Board of Directors are drawn up and signed by all members attending the meetings.

24. Indication of the governing bodies which are competent to carry out the assessment of the performance of the executive directors

GRI 102-28

Pursuant to article 9 of CTT's Articles of Association, the **Remuneration Committee** is responsible for stipulating remuneration of corporate body members and, consequently, defining the management body's remuneration policy and principles and the overall assessment model for the variable remuneration of the executive Directors, under the terms described in points 66 and following of Part I below.

In turn, pursuant to its Regulation, the **Corporate Governance, Evaluation and Nominating Committee** is responsible for supporting the Remuneration Committee and the Board of Directors in the annual assessment process of the overall performance of the management body and of its internal committees and their members (in the case of the members of the Executive Committee, after hearing its Chairman, as described in point 21 of Part I above and in points 70 and 71 of Part I below.

25. Predetermined criteria for assessing the performance of the executive Directors

For this issue points 66 and following of Part I below present details on the remuneration policy and principles for the management body, including a description of the criteria, objectives and limits of the variable remuneration of the executive Directors, with particular emphasis to **point 71 of Part I below which details the applicable performance evaluation criteria.**

26. The availability of each member of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, and details of the positions held at the same time in other companies within and outside the group, and other relevant activities undertaken by members of these boards throughout the financial year

GRI 102-23

Offices held simultaneously in other companies, in and outside the Group, and other activities carried out by the Company's Directors are detailed in Annex I of this Report.

The performance of executive duties by the executive Directors in entities that were not part of the CTT Group is subject to the issue of an opinion by the Corporate Governance, Evaluation and Nominating Committee, pursuant to the Regulations of this Committee (see point 27 of Part I below).

As supplementary information, we highlight that:

- The full availability of the executive Directors in performing their duties in 2021, which can be confirmed by their 100% attendance of the 10 meetings of the Board of Directors and 99% attendance at the 56 meetings of the Executive Committee and by their performance of executive duties exclusively within the Group;
- The Non-Executive Directors also demonstrated a high degree of availability in 2021, as shown by their 99% average attendance of the 10 meetings of the Board of Directors, 14 meetings of the Audit Committee and 9 meetings of the Corporate Governance, Evaluation and Nominating Committee.

c) Committees within the management or supervisory body and delegated directors

27. Details of the committees created within the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, and the place where the rules on the functioning thereof is available

See point 21 of Part I above on the committees created within the Board of Directors. Concerning the Audit Committee, please also see point 38 of Part I below. The aforesaid committees have adopted internal regulations whose full texts are available at “Group CTT”, “About Us”, “Corporate Governance”, “Articles of Association & Regulations”, on **CTT website** (www.ctt.pt).

28. Composition of the Executive Board and/or details of the Board Delegate/s, where applicable

As of 31 December 2021, and on today's date, the Executive Committee was, and is, composed of **5 members**, as follows:

Members	Position
João Afonso Ramalho Sopas Pereira Bento	Chairman
António Pedro Ferreira Vaz da Silva	Member
Guy Patrick Guimarães de Goyri Pacheco	Member
João Carlos Ventura Sousa	Member
João Miguel Gaspar da Silva	Member

29. Powers of each committee created and overview of the activities carried out in the exercise of those powers

See point 21 of Part I above on the powers of the committees created within the Board of Directors and of the Executive Committee.

29.1 Executive Committee

During 2021, the Executive Committee held **56 meetings** (see “Group CTT”, “About Us”, “Corporate Governance”, " Corporate Bodies", "Meetings", on **CTT's website** (www.ctt.pt)) having passed resolutions on various matters within its powers, namely the following:

- Permanent monitoring of the development of the negotiation process with the Government with a view to signing the concession agreement for the provision of universal postal service, having approved and submitted to the Board of Directors the final terms of said agreement.

- Filing of arbitration proceedings against the Portuguese Government, as grantor of the concession, for the purpose of claiming (a) compensation for the financial impact of the COVID-19 pandemic, which constitutes a situation of a change of circumstances of the concession agreement then in force and (b) a declaration of the invalidity of the unilateral extension of the concession agreement in 2021 under terms and conditions not accepted by CTT and the respective compensation.

- Approval of the Regulation of the Long-Term Incentive Programme - Options Plan aimed at the Company's most senior Officers, in general directly dependent on CTT's Executive Committee or on the Board of Directors of the subsidiary companies, as well as the Directors or Managers of CTT Expresso's branch (Spain), which aims to promote measures to strengthen the alignment of remuneration conditions of employees and members of corporate bodies, inspired in the Options Plan approved for the Executive

Directors, promoting the alignment of interests with the Company's performance and encouraging the pursuit of sustainable growth, following the approval of the Remuneration Policy of the Members of the Corporate Bodies of CTT for the 2020/2022 term of office at the Annual General Meeting held on 21 April 2021.

- Acquisition of HCCM Outsourcing Investment, S.A. and its subsidiary Newspring Services, S.A. by CTT Soluções Empresariais, S.A., as part of the strategy to consolidate the Business Solutions platform by strengthening the offer of Business Process Outsourcing (BPO) and Contact Center services as well as other business support services.
- Incorporation of the public limited company CTT IMO - Sociedade Imobiliária, S.A., geared towards the purchase, exchange, sale and rental of real estate, real estate promotion and management, as well as the administration of CTT's own real estate.
- Setting up of the joint venture Open Lockers, S.A., in partnership with YunExpress, the logistics business unit of the Chinese company Zongteng Group, with a view to developing a leading network of lockers to receive parcels in Portugal and Spain.
- Weekly monitoring of the quality of service levels of the Mail and Express business units.

Minutes of the meetings of the Executive Board are drawn up and signed by all members attending the meetings.

29.2 Corporate Governance, Evaluation and Nominating Committee

As of 31 December 2021 and on the present date, the Corporate Governance, Evaluation and Nomination Committee was, and is, composed of **3 Non-Executive Directors, most of whom are independent:**

Members	Position
Raul Catarino Galamba de Oliveira	Chairman
Duarte Palma Leal Champalimaud	Member
Isabel Maria Pereira Aníbal Vaz	Member

This Committee held **9 meetings** in **2021,** (see “Group CTT”, “About Us”, “Corporate Governance”, " Corporate Bodies", "Meetings", **on CTT’s website** (www.ctt.pt)), with the following attendance by its members:

Members (1)	Percentage attendance (2)	Attendance	Representation	Absences
Raul Catarino Galamba de Oliveira(Chairman)	100%	9	0	0
Duarte Palma Leal Champalimaud	100%	9	0	0
Isabel Maria Pereira Aníbal Vaz	89%	8	1	0

(1) Took up office on 29.04.2020.
(2) Percentage in relation to attendance.

During this year, the Committee carried out the following main activities:

- Review of the templates for evaluation of the Executive Committee and self-assessment of the Board of Directors and the Corporate Governance, Evaluation and Nominating Committee, and approval of the questionnaire templates to be used for that purpose;
- Monitoring and support in the processes of annual assessment of the overall performance of the Board of Directors, qualitative assessment of the members of the Executive Committee, and self-assessment of the Committee, with definition of non-financial and individual KPIs for the executive directors for the 2021 financial year to be proposed to the Remuneration Committee;
- Appraisal of the templates for assessment of independence and the absence of incompatibilities by the members of the CTT corporate bodies;

- Definition of the evaluation model for the exercise of activities by a director in another entity;
- Preparation of the annual Report on appraisal of the operation and efficacy of the Company's corporate governance model, principles and practices and the annual assessment of the overall performance of the Board of Directors;
- Appraisal of the Remuneration Committee's proposal relative to the Remuneration Policy of the corporate bodies submitted to the General Meeting of 21 April 2021 and monitoring of the preparation by the Remuneration Committee of the Remuneration Regulation of the members of the corporate bodies for the 2020/2022 term of office;
- Monitoring of the human resources management policies;
- Appraisal of the initiatives developed by CTT under its sustainability and social responsibility policies;
- Monitoring of CTT's corporate image in relation to the various stakeholders.

Minutes of the Corporate Governance, Evaluation and Nominating Committee meetings are drawn up and signed by all members attending the meetings.

29.3 Ethics Committee

As at 31 December 2021 and currently, the Ethics Committee was, and is, composed of the following **4 members**:

Members [1]	Position
Margarida Maria Correia de Barros Couto	Chair
Raul Catarino Galamba de Oliveira	Member
Marisa Luz Bento Garrido Marques Oliveira [1]	Member
Rui Pedro Dias Fonseca Silva [2]	Member

(1) In the capacity of Head of People & Culture, formerly Human Resources.
(2) He joined this Committee on 31.01.2021, as Head of Audit & Quality, replacing Julieta Aurora Barracho Gomes Jorge Cainço, who left office on that date.

During 2021, this Committee held **1 meeting** (see "Group CTT", "About Us", "Corporate Governance", "Corporate Bodies", "Meetings", on **CTT website** (www.ctt.pt)), which resulted in the amendment of the Ethics Committee Regulation that was in force and was subsequently submitted for approval by the Board of Directors. During 2021, the Ethics Committee monitored the issues related to the compliance with the Code of Conduct of CTT and Subsidiaries and the Code of Good Conduct to Prevent and Fight Harassment at the Workplace, having met informally with working groups in order to gather information related to ethical issues for the purposes of updating the aforementioned Codes. This update is underway.

Minutes of the meetings of the Ethics Committee are drawn up and signed by all members attending the meetings.

5.2.3 Oversight

a) Composition

30. Details of the Supervisory Body representing the model adopted

The supervision of the Company's activity is entrusted to the **Audit Committee and Statutory Auditor.** For further details on this topic, see point 15 of Part I above.

31. Composition of the Supervisory Board, the Audit Committee, the General and Supervisory Board or the Financial Matters Committee, where applicable, with the articles of association's minimum and maximum number of members, duration of term of office, number of effective members, date of first appointment and date of end of the term of office for each member and reference may be made to the section of the report where said information already appears pursuant to paragraph 17

Pursuant to article 19 of CTT's Articles of Association, the Audit Committee is composed of 3 Directors, one of whom is its Chairman. All are elected at the General Meeting (for a renewable term of office of 3 years), together with all the other directors, where the proposed lists for the composition of the Board of Directors should detail the members that are intended to be part of the Audit Committee and indicate its Chairman.

As at 31 December 2021 and on the present date, the Audit Committee was, and is, composed of the following **non-executive Directors, who meet the applicable requirements on incompatibilities, independence and expertise,** and possess the academic qualifications that are legally required and appropriate to the performance of their duties and with at least 1 of its members having knowledge of accounting, in compliance with article 423-B of the PCC, article 3 of Law no. 148/2015, of 9 September, currently in force, and article 19 of the Articles of Association:

Members	Position	Date of 1st appointment (1)	Independence (2)
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia	Chair	20/04/2017	Yes
Steven Duncan Wood	Member	29/04/2020	No
María del Carmen Gil Marín	Member	29/04/2020	Yes

(1) The date of the first appointment to a supervisory body at CTT is presented here.
(2) The assessment of independence was conducted in accordance with the provisions in 414(5) of the PCC.

Thus, the supervisory body of the Company has a number of non-executive and mostly independent members of the supervisory body that largely complies with sub-recommendation III.2.(2) of the IPCG Code, which is considered appropriate to its size and the complexity of the risks inherent to its activity, as well as sufficient to ensure the efficient performance of the duties entrusted to them, particularly in view of the profile of the members of said supervisory body, namely their seniority, academic skills and recognized professional experience as detailed in point 33 below.

32. Details of the members of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, which are considered to be independent pursuant to Article 414(5) CSC and reference to the section of the report where said information already appears pursuant to paragraph 18

See point 31 of Part I above.

33. Professional qualifications of each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, and other important curricular information, and reference to the section of the report where said information already appears pursuant to paragraph 21

As noted in point 19 above of this chapter, CTT has an **internal diversity policy** approved by the Board of Directors, pursuant to which individual criteria and attributes are defined, namely competence, independence, integrity, availability and experience relative to the profile that the Board of Directors' members, including the Audit Committee members, should have and which, pursuant to the legal and regulatory terms, are mandatory requirements for the appropriate performance of these duties.

The table below presents a summary of the academic and professional qualifications and other curricular elements that were considered pertinent in the application of the individual criteria and attributes established in the Diversity Policy in relation to each one of CTT's Audit Committee members:

Members	Position	Academic Qualifications	Professional experience
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia	Chairwoman	1991: Degree in Management, Universidade Católica Portuguesa(UCP) 1999: Master in Economics, Universidade do Porto 2002: Statutory Auditor, Ordem dos Revisores Oficiais de Contas (OROC) 2009: PhD in Management, ISCTE-Instituto Universitário de Lisboa	She has over 25 years of academic experience, namely as a Professor of Accounting and Tax and Director of the Master's Degree course in Auditing and Taxation at Faculdade de Economia e Gestão of UCP, and Scientific Coordinator of the Católica Porto Business School of UCP. She also has over 10 years of experience of functions in supervisory bodies of large (listed and non-listed) companies in Portugal, where she performs specifically duties as Non-executive member of the Board of Directors and member of the Audit Committee of Impresa, SGPS, S.A., since 2008, Chairwoman of the Fiscal Board of Sogrape, SGPS, S.A. and Member of the Board of Directors of SFS – Gestão de Fundos, SGOIC, S.A. (formerly Sonaegest - Sociedade Gestora de Fundos de Investimento, S.A.) since 2016. From 2017 to 2021 she was Chairwoman of the Fiscal Board of Centro Hospitalar Universitário de S. João, EPE. In August 2021, she was elected as Non-Executive member of the Board of Directors and member of the Audit Committee of Banco Português de Fomento, S.A. As a Statutory Auditor, she was member of the Management Board of Ordem dos Revisores Oficiais de Contas (Statutory Auditors Bar (OROC)) - between 2012 and 2018 she was Chairwoman of the Fiscal Board of this Bar - and represented this entity at the General Council and the Executive Committee of Comissão de Normalização Contabilística (Commission of Accounting Standards). Since 2021 she has been an invited member of the Executive Committee at the Commission of Accounting Standards. Since 2011 she has been Tax Arbitrator at CAAD (Portuguese Administrative Arbitration Centre) and Member of the Scientific Council of Associação Fiscal Portuguesa.

Members	Position	Academic Qualifications	Professional experience
Steven Duncan Wood	Member	2005: BA in Economics, Political Economy and International Relations, Tulane University, USA	He is a Chartered Financial Analyst, having started his professional career in the special situations team at Kellogg Capital Group. Later, he worked as an Investment Banking Analyst for RBC Capital Markets in the Syndicated and Leveraged Finance group, where he deepened his knowledge of special investment strategies (deep value investment|). He also worked as Analyst at Carr Securities between 2009 and 2013. The experience acquired in these areas led him to create GreenWood Investors. Since 2016, he has served on the Investment Advisory Board of Cortland Associates, a St. Louis-based investment management firm, in the United States of America. In 2017, he founded Builders Institute, Inc. a non-profit educational organization dedicated to long-term value creation, transparent corporate strategies and conscious capitalist principles. He currently performs management duties at several GreenWood companies founded by him.
María del Carmen Gil Marín	Member	1996: Higher Degree in Electrotechnical Engineering, Universidad Pontificia Comillas (ICAI), Spain (National Award) 1999: Academic cycle of the PhD in Environment and Alternative Energies, UNED, Spain 1999: MBA Programme, INSEAD, France (Dean's List) 2019: The Women's Leadership Forum, Harvard Business School, USA 2019: Corporate Governance The Leadership of Boards, Nova School of Business & Economics Executive Education 2019: Santander-UCLA W50, UCLA Anderson School of Management, USA 2020: Cyber Security and Executive Strategy, Stanford University, USA 2021: Enrolled in the International Directors Programme (IDP), INSEAD, France	She started her professional career in 1996 as a Consultant at The Boston Consulting Group, Madrid office, having participated in several strategic projects related to sectors such as electricity, telecommunications, oil & gas and retail. Between 1999 and 2000 she was Professor of Industrial Marketing for the Industrial Engineering and Management degree at Universidad Pontificia Comillas (ICAI) in Madrid, and in 1999 she was also an Associate at Lehman Brothers, an Investment Bank in London and New York, where she was involved in acquisitions and IPO operations in different economic sectors. She started in 2001 her professional career at Novabase Group where she currently performs duties as member of the Board of Directors of Novabase, SGPS, S.A. (she was executive member (COO, CIO and CISO) of the Board from 2018 to 2020), Chairwoman of the Board of Directors of Novabase Capital, Sociedade de Capital de Risco, S.A. (she was executive member of the Board from 2001 to 2021), and member of the Board of Directors of Celfocus - Soluções Informáticas para Telecomunicações, S.A.. Since December 2021, she also carries out duties as independent non-executive member of the Board of Directors of Caixa Geral de Depósitos, S.A. and integrates the Audit Committee and the Nomination, Evaluation and Remuneration Committee of this company.

Most of the members of the Audit Committee are independent, according to the annual statements submitted to CTT. On this issue, refer to point 31 of Part I above as well as Annex I of this Report (see pages 452 to 481) presenting the curricula of the members of the supervisory board of CTT with further details on the professional qualifications and other relevant curricular elements of each of these members.

b) Functioning

34. Availability and place where the rules on the functioning of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, may be viewed, and reference to the section of the report where said information already appears pursuant to paragraph 24

The full text of the internal regulations of the Audit Committee can be consulted at “Group CTT”, “About Us”, “Corporate Governance”, “Articles of Association and Regulations”, on CTT website (www.ctt.pt).

35. The number of meetings held and the attendance report for each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, and reference to the section of the report where said information already appears pursuant to paragraph 23

The Audit Committee held **14 meetings in 2021,** (see “Group CTT”, “About Us”, “Corporate Governance”, "Corporate Bodies", "Meetings", on **CTT website** (www.ctt.pt) with the following attendance by its members:

Members	Percentage attendance (1)	Attendance	Representation	Absences
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia (Chair)(2)	100%	14	0	0
Steven Duncan Wood(3)	100%	14	0	0
María del Carmen Gil Marín(3)	100%	14	0	0

(1) Percentage in relation to attendance.
(2) Elected to the position of Chairwoman of the Audit Committee, for the 2017/2019 term of office, at the General Meeting held on 20/04/2017, and re-elected to the same position, for the 2020/2022 term of office, at the General Meeting held on 29/04/2020.
(3) Elected members of the Audit Committee for the 2020/2022 term of office at the Annual General Meeting held on 29/04/2020.

During 2021, the Audit Committee carried out the following main activities:

- Regular monitoring of the Company's activity in compliance with the law, the regulations and the articles of association, in particular through (i) the participation of its members in the meetings of the Board of Directors, (ii) meetings with members of the Executive Committee of CTT and of the Board of Directors of Banco CTT, as well as with various Heads of Department and the Statutory Auditors of both entities; and (iii) assessment of compliance with the requirements on incompatibilities, independence and skills of its members;
- Oversight of the quality and integrity of the financial information contained in CTT's accounts reporting documents, particularly through (i) the regular monitoring of the process of preparation and disclosure of the financial information; (ii) the analysis of the impact of the subsidiaries’ accounts on CTT’s accounts; (iii) the monitoring of the relevant financial and operational indicators; (iv) the review of the individual and consolidated quarterly and half-yearly financial statements of the financial year; and (v) the appraisal of the annual Integrated Report of CTT;
- Supervision of the internal control system, including internal audit, compliance and risk management of the activity, namely through: (i) follow-up of the work of the Audit & Quality Department related to internal audit and compliance issues; (ii) monitoring of the risk policy and governance model of CTT and Banco CTT, and analysis of the main risks and associated mitigation actions; (iii) appraisal of the quality of the internal control systems for the prevention and combat of money laundering and terrorist financing; (iv) appraisal of CTT’s

strategic lines and associated risk factors; (v) appraisal of the Executive Committee's reports on transactions with related parties; and (vi) verification of any irregular situations communicated (whistleblowing).

- Supervision of the performance of duties by the Statutory Auditor, including in particular: (i) appraisal of the Statutory Audit Report relative to the previous financial year; (ii) appraisal of the limited review report regarding the interim consolidated financial statements and, in general, monitoring of preparatory work of the Statutory Audit Report of the current financial year; (iii) review and discussion with the Statutory Auditor on accounting policies, key audit matters and the results of the audit work and assessment of the overall internal control framework; (iv) appraisal of the Statutory Auditor's additional report; (v) prior approval of the hiring of non-audit services provided by the Statutory Auditor and appraisal of the reports of the Executive Committee on service awards to the Statutory Auditor and respective fees; (vi) annual assessment of the Statutory Auditor's performance, namely of its independence; and (vii) appraisal of the Statutory Auditor's transparency report.

Minutes of the meetings of the Audit Committee are drawn up and signed by all members attending the meetings.

36. The availability of each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, indicating the positions held simultaneously in other companies inside and outside the group, and other relevant activities undertaken by members of these bodies throughout the financial year, and reference to the section of the report where such information already appears pursuant to paragraph 26

Positions held simultaneously in other companies, within and outside the CTT Group, and other activities carried out by the Company's Audit Committee's members are detailed in the *curricula* provided for consultation in Annex I of this Report. (see pages 452 to 481). On this matter, also see points 26 and 33 of Part I above.

c) Powers and duties

37. A description of the procedures and criteria applicable to the supervisory body for the purposes of hiring additional services from the external auditor

When engaging non-audit services, CTT, Banco CTT and 321 Crédito, as entities of public interest held entirely by CTT, observe the rules in the respective Regulations on the Provision of Services by the Statutory Auditor, according to which **CTT's Audit Committee, Banco CTT's Audit Committee and the Supervisory Board of 321 Crédito** are responsible for assessing the requests for engaging the Statutory Auditor for non-audit services by CTT, by its parent company or by the entities under its control (as applicable), with its engagement being subject to the **prior authorization** of these bodies, except for the services required by law from the Statutory Auditor of the Company.

The referenced oversight bodies take into account therein, mainly the following aspects:

- Whether the services are prohibited and whether the provision of the services will affect the Statutory Auditor's independence;
- Whether the engagement of this service from the Statutory Auditor does not exceed the maximum limits of fees legally applicable to non-audit services;
- The Statutory Auditor's experience and knowledge of the Company.

38. Other duties of the supervisory body and, where appropriate, the Financial Matters Committee

The **Audit Committee,** as a supervisory body, has the following main powers established by law, the Company's Articles of Association and its Regulations:

Oversight of financial information quality and integrity

- Assess whether the accounting policies and procedures and valuation criteria are consistent with generally accepted accounting principles and whether they are suitable to the correct presentation and valuation of the Company's assets, liabilities and results;
- Supervise compliance with and correct application of accounting principles and standards;
- Issue an opinion on the annual management report, including the non-financial statement, the accounts for the year and the proposals presented by the Company's management;
- Oversee the preparation and disclosure of financial information;
- Certify whether the Company's annual corporate governance report includes all the items referred to in article 245-A of the Portuguese Securities Code in force in 2021, currently article 29-H of said Code.

Supervision of the internal control system, including internal audit, compliance and risk management

- Supervise the effectiveness and adequacy of the internal audit and compliance systems, by annually assessing these systems and proposing, to the Executive Committee, measures aimed at improving their functioning as proven necessary;
- Annually assess the internal controls relative to (i) the process of preparation and disclosure of financial information, (ii) accounting and audit matters, and (iii) matters on prevention of money laundering and terrorist financing;
- Issue an opinion on the work plans and resources of the Company’s Audit & Quality Department, including the Compliance services and assess their objectivity and independence;
- Receive reports from the Audit & Quality Department, including the compliance services, at least when matters related to financial reporting, the identification or resolution of conflicts of interest and the detection of possible irregularities are at stake;
- Monitor, in coordination with the Board of Directors and the Executive Committee, issues related to internal audit and appraise the reports of the Audit & Quality Department, including the Compliance services of the Company;
- Define and implement, together with the Board of Directors, and oversee the procedures for handling irregularities;
- Assess, in articulation with the Board of Directors and the Executive Committee, the risk policy and the strategic lines of the Company, (i) issuing an opinion on the work plan and resources allocated to the management and risk function and periodically monitoring its work, appraising the content of its reports and requesting from this function the information considered relevant, including with respect to risk management procedures related to financial reporting, the detection of irregularities and the resolution and identification of conflicts of interest; (ii) monitoring and issuing an opinion on the strategic lines and the profile and objectives/limits on matters of risk-taking, the measures of mitigation, the monitoring procedures and integrated risk assessment methodologies, prior to the final approval of this body; and (iii) promoting an annual assessment of the degree of compliance and performance of the risk management policy and system, and the creation of periodic controls to assess whether the risks effectively incurred by the Company are consistent with the risk profile and objectives/limits assumed on risk-taking matters;
- Issue a prior and binding opinion, directed at the Board of Directors, on the internal procedure on approval of significant transactions with related parties and the CTT Group policy on conflicts of interest ;
- Issue an opinion on transactions with members of the Board of Directors and transactions with related parties deemed significant (because they were not carried out within the scope of the current activity or under market

conditions or due to their amount), under the established legal and regulatory terms and the procedure referred to in the previous paragraph;

- Assess every six months all transactions with related parties not requiring its prior opinion and that are submitted to it for subsequent appraisal by the Executive Committee;
- Monitor and supervise the mechanisms implemented for purposes of approval, control and disclosure of transactions with related parties.

Oversight of the statutory auditor

- Select the Statutory Auditor, after appraisal of qualifications and independence for the performance of duties, and proposing to the General Meeting its nomination and issuing an opinion to the Executive Committee on the terms of the contract for provision of services in conformity with the terms detailed in the specific procedure that has been approved on the topic by the Audit Committee;
- Annually assess the work conducted by the Statutory Auditor and its adequacy to perform the duties, and proposing its dismissal to the General Meeting and termination of the contract for provision of services of the Statutory Auditor to the Board of Directors, when on the grounds of fair cause;
- Verify, monitor, oversee and assess the Statutory Auditor's independence as prescribed by law and assess the annual confirmation of its independence vis-à-vis the Company (including the Statutory Auditor's own independence and that of his/her partners and other senior officers/managers, as prescribed by law);
- Verify the adequacy of and give prior consent, in a substantiated manner, to the Statutory Auditor's providing non-audit services to CTT and to the entities under its direct or indirect control, as well as assess the Statutory Auditor's annual statement therein related, in conformity with the terms detailed in the specific procedure that has been approved on the topic by the Audit Committee;
- Discuss threats to its independence with the Statutory Auditor and the safeguards implemented to mitigate them;
- Propose the Statutory Auditor's remuneration to the competent bodies;
- Permanently monitor the activity and contractual ties with the Statutory Auditor, in particular as regards financial information and the effectiveness of internal control mechanisms, namely by (i) procuring the latter is endowed with the conditions necessary to carry out its activity, (ii) being the Statutory Auditor's main liaison within the Company, and (iii) receiving all its reports (never after any other body or committee), and being aware of the exchange of correspondence with the Statutory Auditor relative to the Company and the companies in controlling or group relations with the Company;
- Monitor and oversee the annual individual and consolidated statutory audit, namely its execution, and assess the content of the annual statutory audit reports and audit reports with the Statutory Auditor, namely as regards any possible reservations presented thereby, in order to make recommendations to the Board of Directors and Executive Committee;
- Assess the Statutory Auditor's additional report, which namely sets out the results/issues deemed fundamental to the statutory audit that has been carried out (including debating with the Statutory Auditor those fundamental results/issues);
- Include, in the Audit Committee's annual report on its activities, information about the results of the legal review of accounts and the way that it contributed to the integrity of the process of preparation and disclosure of financial information, as well as the role of the Audit Committee in the process;
- Monitor the situation of the work involved in the legal review of accounts least on a quarterly basis in order to supervise the integrity and quality of the quarterly and half-yearly financial information.

In turn, the **Statutory Auditor** is responsible for examining the Company's accounts, pursuant to the law and Regulations on the Provision of Services by the Statutory Auditor referred to above.

The official review of accounts and audit duties performed by the Statutory Auditor, which include, among others, the verification that the corporate bodies' remuneration policies and systems approved by the Remuneration Committee, as well as the verification of all the data required by law in the remuneration report are applied, the effectiveness and operation of internal control mechanisms and reporting of any deficiencies to the Audit Committee of CTT, are conducted by the entity referred to in points 39 and following of Part I below.

5.2.4 Statutory auditor

39. Details of the statutory auditor and the partner that represents same

At the Annual General Meeting held on 29 April 2020, Ernst & Young Audit & Associados – SROC, S.A. (“EY”), (statutory audit firm registered with the Portuguese Institute of Chartered Accountants ("OROC") under no. 178 and with the CMVM under no. 20161480), represented by Luís Pedro Magalhães Varela Mendes (statutory auditor registered with the OROC under no. 1841 and with the CMVM under no. 20170024) or by Rui Abel Serra Martins (statutory auditor registered with the OROC under no. 1119 and with the CMVM under no. 20160731) as effective statutory auditor and João Carlos Miguel Alves (statutory auditor registered with the OROC under no. 896 and with the CMVM under no. 20160515) as alternate statutory auditor, was elected as the Company's Statutory Auditor for the 2021/2023 term of office.

Without prejudice to EY beginning its functions on 1 January 2021, KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A. (“KPMG”), (statutory audit firm registered with the Portuguese Institute of Chartered Accountants ("OROC") under no. 189 and with the CMVM under no. 20161489), represented by partner Paulo Alexandre Martins Quintas Paixão (statutory auditor registered with the OROC under no. 1427 and with the CMVM under no. 20161037), which carried out its duties as Statutory Auditor of the Company from 5 May 2014 to 31 December 2020, fully ensured compliance with its legal responsibilities relative to the 2020 financial year.

40. State the number of years that the statutory auditor consecutively carries out duties with the company and/or group

EY began its duties as statutory auditor for the 2021/2023 term of office for which it was elected on 29 April 2020.

41. Description of other services that the statutory auditor provides to the company

See points 46 and 47 below on the services rendered by the Statutory Auditor to the Company in 2021.

5.2.5 External Auditor

42. Details of the external auditor appointed in accordance with Article 8 and the partner that represents same in carrying out these duties, and the respective registration number at the CMVM

Since 1 January 2021**,** EY, **registered with the CMVM under no. 20161480** and represented by the partner Luís Pedro Magalhães Varela Mendes or by the partner Rui Abel Serra Martins, carries out the duties of CTT’s Auditor.

43. State the number of years that the external auditor and respective partner that represents same in carrying out these duties consecutively carries out duties with the company and/or group

EY has been the Statutory Auditor since 1 January 2021, represented by Luís Pedro Magalhães Varela Mendes or Rui Abel Serra Martins.

44. Rotation policy and schedule of the external auditor and the respective partner that represents said auditor in carrying out such duties

The rotation policy and schedule of the Statutory Auditor at CTT are defined in the Regulation on the Provision of Services by the Statutory Auditor, which lays down the maximum and minimum time limits legally established for the performance of statutory audit duties by the Statutory Auditor and by the partner responsible for the guidance or direct execution of the statutory audit.

At CTT the selection of the Statutory Auditor complies with the applicable legal framework, which is set out in the Statutes of the Portuguese Institute of Statutory Auditors approved by Law 140/2015, of 7 September, and the Legal Framework of Audit Supervision approved by Law 148/2015, of 9 September, both as amended, and in article 16 of Regulation (EU) No 537/2014. It is preceded by the application of the criteria and of the entire selection process established in the Regulation on the Provision of Services by the Statutory Auditor, namely: (i) Experience of the Statutory Auditor/Statutory Audit firm and of the team assigned to the provision of the Audit Services, in particular given the size of the Company and the different business areas of the CTT Group; (ii) Quality and completeness of the proposal presented; (iii) Guarantees of good standing, independence and absence of conflict of interest; (iv) Capacity to execute the proposal presented; and (v) Commercial conditions.

Taking into account the aforementioned rotation policy and considering that KPMG, which performed functions as statutory auditor since 2014 and had performed functions as independent auditor in 2012 and 2013, would end its term of office in CTT in 2020, its appointment for the 2021/2023 term of office would lead to the maximum time limit being exceeded. Hence, to ensure (i) that the new Statutory Auditor fully complied with the legal requirements regarding independence, and (ii) a better transition in the performance of its duties, allowing for the new Statutory Auditor to start the statutory audit work of the 2021 financial year in a timely manner, the Audit Committee recommended and proposed the Annual General Meeting of CTT held on 29 April 2020 the appointment of EY as Statutory Auditor of the Company for the 2021/2023 term of office, taking effect on 1 January 2021.

45. Details of the Board responsible for assessing the external auditor and the regular intervals when said assessment is carried out

See point 38 of Part I above on the **Audit Committee**'s powers as regards the Statutory Auditor **annual assessment**. In exercising its powers, the Audit Committee verified the Statutory Auditor's independence and positively assessed its work during the 2021 financial year.

46. Details of services, other than auditing, carried out by the external auditor for the company and/or companies in a control relationship and an indication of the internal

procedures for approving the recruitment of such services and a statement on the reasons for said recruitment

In 2021, EY carried out for CTT and the companies in a control relationship with CTT the following non-audit services (considering for this purpose the understanding expressed by CMVM on the “Frequently-asked questions about the entry into force of the new Statutes of the Portuguese Institute of Statutory Auditors and the Legal System on Audit Supervision (in force since 2015)”), hereinafter "**Non-Audit Services rendered in 2021**":

- Limited review of the half-yearly interim financial statements of CTT and Banco CTT for the 6-month period ended 30 June 2021;
- Quality assurance services on the sustainability information of CTT;
- Services to assess the adequacy and the effectiveness of CTT, Banco CTT, 321 Crédito and Payshop’s internal control systems related to the prevention of money laundering and terrorist financing, in accordance with the provisions of Notice no. 2/2018 of Banco de Portugal;
- Services relative to the adequacy of the process regarding the impairment quantification of Banco CTT and 321 Crédito’s credit portfolio and reasonableness of the impairment pursuant to Instruction no. 5/2013 of Banco de Portugal; and
- Invoice verification service for payment to suppliers of Correio Expresso de Moçambique, S.A. (CORRE).

The **Regulations on the Provision of Services by the Statutory Auditor** includes procedures for the engagement of non-audit services by CTT or the entities under its control, subjecting them to the prior authorization of the CTT’s Audit Committee, the Audit Committee of Banco CTT and the Supervisory Board of 321 Crédito (as public interest entities wholly owned by CTT), except for those resulting from a legal obligation of the Company’s Statutory Auditor, as indicated in point 37 of Part I above.

Accordingly, the authorization for engaging EY for these non-audit services engaged was based in particular on the analysis and confirmation that the services in question are not included in the list of prohibited services and do not constitute a threat to the independence and objectivity of EY in the context of statutory auditing work, and do not generate any personal interest situation.

As seen from the analysis of the information in tables 2 and 3 of point 47 below, the Non-Audit Services Engaged in 2021, mostly for the period of the 2021/2023 term of office, represent 25.1% of the total amount of the services hired from the Statutory Auditor for the same period, and the Non-Audit Services not required by law (which include review of the financial statements with a limited level of quality assurance) engaged represent 16.6% of the Audit Services Engaged for the period of the 2021/2023 term of office.

47. Details of the annual remuneration paid by the company and/ or legal entities in a control or group relationship to the auditor and other natural or legal persons pertaining to the same network and the percentage breakdown relating to the following services (For the purposes of this information, the network concept results from the European Commission Recommendation No. C (2002) 1873 of 16 May)

The table below indicates the amounts corresponding to the fees of KPMG which performed the duties of CTT's Statutory Auditor until 31 December 2020, without prejudice to having ensured the compliance with its legal responsibilities for the financial year 2020 until the date of the Annual General Meeting, on 21 April 2021, and the entities of its network/group, relative to 2021:

Table 1:

	Engaged Services [1]		Accounted Services [2]		Paid Services [1]	
	Amount (€)	%	Amount (€)	%	Amount (€)	%
By the Company	0	0.0%	0	0.0%	373,090	40.9%
Amount of Statutory Audit	0	0.0%	0	0.0%	336,190	36.9%
Amount of Quality Assurance Services	0	0.0%	0	0.0%	36,900	4.0%
Amount of Tax Consultancy Services	0	0.0%	0	0.0%	0	0.0%
Amount of Non-audit services	0	0.0%	0	0.0%	0	0.0%
Other Companies within CTT Group	0	0.0%	884	100.0%	539,180	59.1%
Amount of Statutory Audit	0	0.0%	884	100.0%	411,556	45.1%
Amount of Quality Assurance Services	0	0.0%	0	0.0%	127,625	14.0%
Amount of Tax Consultancy Services	0	0.0%	0	0.0%	0	0.0%
Amount of Non-audit services	0	0.0%	0	0.0%	0	0.0%
TOTAL	**0**	**0.0%**	**884**	**100.0%**	**912,270**	**100.0%**
Total Audit Services	**0**	**0.0%**	**884**	**100.0%**	**747,745**	**82.0%**
Total Non-Audit Services [3]	**0**	**0.0%**	**0**	**0.0%**	**164,525**	**18.0%**
Required by law or equivalent	*0*	*0.0%*	*0*	*0.0%*	*143,000*	*15.7%*
Not required by law or equivalent	*0*	*0.0%*	*0*	*0.0%*	*21,525*	*2.4%*

[1] Multi-annual contracts including VAT at the applicable legal rate.
[2] Includes invoiced amounts and specialized amounts of the financial year.
[3] See point 46 of this chapter above.

The table below indicates the amounts corresponding to the fees of EY and the entities of its network/ group, relative to 2021:

Table 2:

	Engaged Services [1]		Accounted Services [2]		Paid Services [1]	
	Amount (€)	%	Amount (€)	%	Amount (€)	%
By the Company	1,015,292	39.7%	321,305	36.6%	245,070	42.7%
Amount of Statutory Audit	616,476	24.1%	209,805	23.9%	68,111	11.9%
Amount of Quality Assurance Services	209,008	8.2%	71,099	8.1%	54,489	9.5%
Amount of Tax Consultancy Services	0	0.0%	0	0.0%	0	0.0%
Amount of Non-audit services	189,809	7.4%	40,401	4.6%	122,469	21.3%
Other Companies within CTT Group	1,544,450	60.3%	557,015	63.4%	329,191	57.3%
Amount of Statutory Audit	1,298,634	50.7%	448,086	51.0%	278,146	48.4%
Amount of Quality Assurance Services	172,139	6.7%	108,929	12.4%	51,045	8.9%
Amount of Tax Consultancy Services	0	0.0%	0	0.0%	0	0.0%
Amount of Non-audit services	73,677	2.9%	0	0.0%	0	0.0%
TOTAL	**2,559,742**	**100.0%**	**878,320**	**100.0%**	**574,261**	**100.0%**
Total Audit Services	**1,915,110**	**74.8%**	**657,891**	**74.9%**	**346,257**	**60.3%**
Total Non-Audit Services [3]	**644,632**	**25.2%**	**220,429**	**25.1%**	**228,003**	**39.7%**
Required by law or equivalent	*326,258*	*12.7%*	*161,380*	*18.4%*	*105,534*	*18.4%*
Not required by law or equivalent	*318,374*	*12.4%*	*59,049*	*6.7%*	*122,469*	*21.3%*

[1] Multi-annual contracts including VAT at the applicable legal rate.
[2] Includes invoiced amounts and specialized amounts of the financial year.
[3] See point 46 of this chapter above.

The table below indicates the amounts corresponding to the fees of KPMG and EY and the entities of their networks/groups, relative to 2021:

Table 3:

	Engaged Services [1]		Accounted Services [2]		Paid Services [1]	
	Amount (€)	**%**	**Amount (€)**	**%**	**Amount (€)**	**%**
By the Company	1,015,292	39.7%	321,305	36.5%	618,159	41.6%
Amount of Statutory Audit	616,476	24.1%	209,805	23.9%	404,301	27.2%
Amount of Quality Assurance Services	209,008	8.2%	71,099	9.6%	91,389	6.1%
Amount of Tax Consultancy Services	0	0.0%	0	0.0%	0	0.0%
Amount of Non-audit services	189,809	7.4%	40,401	4.6%	122,469	8.2%
Other Companies within CTT Group	1,544,450	60.3%	557,898	63.5%	868,371	58.4%
Amount of Statutory Audit	1,298,634	50.7%	448,969	51.1%	689,702	46.4%
Amount of Quality Assurance Services	172,139	6.7%	108,929	12.4%	178,670	12.0%
Amount of Tax Consultancy Services	0	0.0%	0	0.0%	0	0.0%
Amount of Non-audit services	73,677	2.9%	0	0.0%	0	0.0%
TOTAL	**2,559,742**	**100.0%**	**879,203**	**100.0%**	**1,486,531**	**100.0%**
Total Audit Services	**1,915,110**	**74.8%**	**658,774**	**74.9%**	**1,094,003**	**73.6%**
Total Non-Audit Services [3]	**644,632**	**25.2%**	**220,429**	**25.1%**	**392,528**	**26.4%**
Required by law or equivalent	*326,258*	*12.7%*	*161,380*	*18.4%*	*248,534*	*16.7%*
Not required by law or equivalent	*318,374*	*12.4%*	*59,049*	*6.7%*	*143,994*	*9.7%*

[1] Multi-annual contracts including VAT at the applicable legal rate.
[2] Includes invoiced amounts and specialized amounts of the financial year.
[713] See point 46 of this chapter above.

The tables above were prepared based on the classification arising from the CMVM's understanding as mentioned in point 46 of Part I above.

5.3 INTERNAL ORGANIZATION

5.3.1 Articles of Association

48. The rules governing amendment to the articles of association (Article 245-A(1)(h))

The General Meeting is responsible for passing resolutions on any amendment to the Articles of Association. CTT's Articles of Association do not contain special provisions for the amendment thereof. The general rules provided for in the PCC apply thereto, i.e. such resolution must be passed by a General Meeting:

- In which, on the first call, Shareholders holding shares corresponding to at least one third of the Company's share capital are present or represented; and
- By a two-thirds majority of votes cast, either on the first or second call, unless, on the second call, Shareholders holding shares corresponding to at least half of the Company's share capital are present or represented, in which case the resolution may be taken by simple majority of votes cast.

5.3.2 Reporting irregularities (whistleblowing)

49. Reporting means and policy on the reporting of irregularities in the company

Pursuant to the Regulation on the Whistleblowing System that sets out the internal procedures for the reception, retention and handling of irregularity communications, in line with best practices in this area, CTT's **Audit Committee** is responsible for receiving irregularity communications presented by the Company's Shareholders, employees and others, in order to ensure the necessary independence of these procedures.

RECEPTION	• Irregularity communications must be addressed, in writing, to CTT's Audit Committee, through any of the following mechanisms and must include the information stated in the Regulation on the Whistleblowing System: Email: irregularidades@ctt.pt Address: Remessa Livre 8335, Loja de Cabo Ruivo, 1804-001 Lisbon • Once an irregularity communication has been received and recorded, the Audit Committee carries out actions to verify the existence of sufficient grounds for an investigation.
INVESTIGATION	• The investigation process is conducted by the Audit Committee, using the services of the Audit & Quality Department or other CTT employees or, if necessary, engaging external means (auditors or experts) to support the investigation.
DECISION	• It is the Audit Committee that makes the final decision on whether the process is to be closed or other measures adopted, under the terms of the referenced Regulation on the Whistleblowing System. • The Audit Committee's resolutions under these procedures are subject to the general safeguards regarding conflicts of interest set out in its Internal Regulation and which are relevant should a reported irregularity entail one of its members. According to this Regulation, members of this body cannot vote or participate in resolutions on matters in which they have a conflicting interest.

Within these procedures and as detailed in the referenced Regulation, the following **rights and safeguards** are granted to anyone presenting a complaint**:**

- Confidential handling of irregularity communications;
- Confidential, secure handling and safeguarding of the records and the information;
- Right to information, access and correction of personal data; and
- Prohibition on CTT from retaliating against any whistleblower under this mechanism.

During 2021, no occurrence of any irregularity was communicated to the Audit Committee.

5.3.3 Internal control and risk management

50. Individuals, boards or committees responsible for the internal audit and/or implementation of the internal control systems

GRI 102-27, 102-29, 102-31, 102-33

Aligned with the best practices, the Board of Directors is the corporate body responsible for establishing and maintaining an internal control system comprising strategies, policies, processes, systems and procedures, minimising the risks inherent in the Company's activity, fostering a control culture throughout the organisation, ensuring the efficient and sustainable conduct of business and operations, protection of resources and assets, and compliance with applicable policies, plans, procedures and regulations, namely by:

- Processes for the monitoring and continuous improvement, based on the assessment and mitigation of critical risks, ensured by Internal Audit (Operational Risks) and Risk Management (Strategic Risks), in close coordination with the corporate and business units;
- Internal information and reporting mechanisms, allowing the organization's performance to be monitored, observed and improved at all levels;
- Processes for identifying and responding to risks in order to pursue the Company's strategic objectives, as defined by this body.

The Audit Committee, as CTT's supervisory body, is responsible for supervising the effectiveness of the risk management, internal audit and internal control systems, expressing its opinion on the work plans and resources allocated to the functions of risk management, compliance and internal audit, and receiving reports made by the respective departments, particularly when matters relating to the rendering of accounts are concerned.

CTT has an Audit & Quality Department, which reports hierarchically to the Executive Committee (through its Chairman) and functionally to the Audit Committee, aimed at promoting and carrying out actions for an appropriate risk management of the CTT Group through the performance of its work in several areas, namely those concerning auditing, compliance and risk management.

The internal audit function is ensured by the Audit division, and provides internal audit services within the CTT Group in order to guarantee the assessment of the internal control system, as well as compliance with legal obligations and/or those determined by supervisory entities or regulators, in observance of internationally recognised and accepted internal audit principles. The Audit department regularly informs and alerts the Audit Committee, through its reports and participation in meetings, about any relevant facts, identifying opportunities for improvement, promoting their implementation and ensuring the respective follow-up cycle.

The compliance function, performed by the Compliance division, ensures compliance with legal and regulatory obligations within the scope of the prevention of money laundering and terrorist financing with regard to financial operations.

The risk management function, carried out by the Risk Management division, ensures the execution, in a centralised and independent manner, of the risk management policies and system of the CTT Group, the planning and implementation of risk management programmes supported in the CTT Risk Management System Regulation.

51. Details, even including organizational structure, of hierarchical and/or functional dependency in relation to other boards or committees of the company

The organisation and governance structure of internal control and risk management is based on the three lines of defence model, represented in the organisational chart on subchapter 2.7.1. Description of the risk management process of chapter 2.7. Risk Management..

52. Other functional areas responsible for risk control

See subchapter 2.7.1. Description of the risk management process of chapter 2.7. Risk Management.

53. Details and description of the major economic, financial and legal risks to which the company is exposed in pursuing its business activity

See subchapter 2.7.2. Identification of risks (risk matrix) and CTT response of chapter 2.7 Risk Management.

54. Description of the procedure for identification, assessment, monitoring, control and risk management

See subchapter 2.7.1. Description of the risk management process of chapter 2.7. Risk Management.

55. Core details on the internal control and risk management systems implemented in the company regarding the procedure for reporting financial information (Article 245-A(1)(m))

CTT prepares its financial statements in accordance with International Financial Reporting Standards - IAS/IFRS, as adopted by the European Union, having defined a set of policies and procedures, namely the consolidation of accounts, to support the application of those standards. The internal control environment on which is based the set of policies and procedures leading to the preparation of financial statements was established in order to ensure the reliability, accuracy, timeliness, consistency and integrity of the information disclosed. The process of preparing the information is based on execution and validation processes characteristic of an adequate control environment, with a view to ensuring that operations are carried out according to a predefined authorisation system based on the segregation of functions and sequential validation mechanisms.

The preparation of the financial statements is based on duly identified processes and procedures and rules leading to the consolidation of accounts contained in the Consolidation Manual and on the consistency of duly defined accounting policies. Consolidated income statements are prepared monthly, with a view to adequate management control.

The risks involving the preparation of financial reporting are thus mitigated through the segregation of responsibilities and the implementation of controls that involve, namely, limiting access to the systems.

In addition, the Company has implemented a computer platform to monitor the registration of inside information, including financial information and information on persons with access to such information - Insider Manager -, and a Code of Conduct for Senior Officers and Insiders, which establishes general rules on the treatment of inside information and transactions of shares, or other financial instruments related thereto, issued by CTT, carried out by persons discharging managing responsibilities and insiders, as well as the information duties incumbent upon the persons discharging managing responsibilities, thus responding to the requirements arising from the EU Regulation on this matter.

The documents that disclose financial information to the market are prepared by the **Investor Relations Department**, based on the financial statements and management information provided by the **Accounting & Taxes Department** and the **Planning & Control Department**.

The **Audit & Quality Department**, in its capacity as Internal Auditor, contributes to the reliability and efficiency of the process of preparation of financial information by identifying and testing the effectiveness of appropriate controls to the defined procedures.

The **Statutory Auditor**, within the scope of the review of the accounting system and internal control to an extent as deemed necessary to issue an opinion on the financial statements, makes recommendations which are analysed, discussed and implemented always with the aim of improving the process of preparation and disclosure of financial information.

The **Audit Committee** supervises the process of preparing and disclosing financial information. In this context, the Audit Committee holds meetings, at least quarterly, to monitor the process with the CFO of CTT and its subsidiaries, with the Statutory Auditor and with the heads of Accounting and Planning & Control, also meeting with the heads of other Departments whenever deemed necessary. The Audit Committee is the main recipient of the documents issued by the Statutory Auditor.

The financial information is disclosed to the market only after its approval by the Board of Directors.

I. INVESTOR SUPPORT

56. Department responsible for investor assistance, composition, functions, the information made available by said department and contact details

See chapter 10. Investor Support.

57. Market Liaison Officer

See chapter 10. Investor Support.

58. Data on the extent and deadline for replying to the requests for information received throughout the year or pending from preceding years

See chapter 10. Investor Support.

5.3.4 Website

GRI 102-53

59. Address(es)

See chapter 11. Website.

60. Place where information on the firm, public company status, headquarters and other details referred to in Article 171 of the Commercial Companies Code is available

See chapter 11. Website.

61. Place where the articles of association and regulations on the functioning of the boards and/or committees are available

See chapter 11. Website.

62. Place where information is available on the names of the members of governing bodies, the market relations representative, the investor relations office or equivalent structure, their respective duties and contact details

See chapter 11. Website.

63. Place where the documents are available and relate to financial accounts reporting, which should be accessible for at least five years and the half-yearly calendar on company events that is published at the beginning of every six months, including, inter alia, general meetings, disclosure of annual, half-yearly and where applicable, quarterly financial statements

See chapter 11. Website.

64. Place where the notice convening the general meeting and all the preparatory and subsequent information related thereto is disclosed

See chapter 11. Website.

65. Place where the historical archive on the resolutions passed at the company's General Meetings, share capital and voting results relating to the preceding three years are available

See chapter 11. Website.

5.4 REMUNERATION

GRI 102-35, 102-36

5.4.1 Power to establish

66. Details of the powers for establishing the remuneration of corporate boards, members of the executive committee or chief executive and directors of the company

Setting the remuneration of corporate bodies, members of the Executive Committee and Company senior officers - given that CTT's Board of Directors only qualifies as "officers of the Company", the members of CTT's management and supervisory bodies - is the responsibility of the **Remuneration Committee**, appointed for such purpose by the General Meeting pursuant to article 9 of the Articles of Association and in compliance with **Recommendation V.2.2. of the IPCG Code**.

According to article 26-B of the Portuguese Securities Code, as amended, the Remuneration Committee must submit a **remuneration policy proposal to the General Meeting for approval,** at least every four years and whenever a relevant change occurs in the remuneration policy in force.

As further detailed in point 21.4 above, the **Corporate Governance, Evaluation and Nominating Committee** has consultation powers on performance assessment and remuneration matters and supports the Remuneration Committee in stipulating remuneration.

The attribution of these advisory competences is in line with best practices (namely of the financial sector) in that the body which defines the remuneration should be supported by a committee within the Board of Directors, which contributes with its independence, knowledge and experience to the definition of a remuneration policy suited to the particularities of the sector and the Company, especially with detailed knowledge on its strategic and risk profile.

5.4.2 Remuneration Committee

67. Composition of the remuneration committee, including details of individuals or legal persons recruited to provide services to said committee and a statement on the independence of each member and advisor

As at 31 December 2021 and currently, the composition of the Remuneration Committee was, and is, as follows:

Members	Position	Date of 1st appointment (1)
Fernando Paulo de Abreu Neves de Almeida	Chairman	29/04/2020
Manuel Carlos de Melo Champalimaud	Member	28/04/2016
Christopher James Torino	Member	29/04/2020

(1) The date of the first appointment to a corporate body at CTT is presented here.

The Remuneration Committee is **composed of three members, elected at the Annual General Meeting of 29 April 2020, the majority of whom are independent members vis-à-vis the management of CTT** taking into account the independence criteria of (i) not being part of any corporate body of the Company nor of any company within a control or group relationship with CTT and /or (ii) not having any family relationship (i.e., through his spouse, relatives and/or kin in a direct line up to the third degree inclusive) with any Board member. Only the Member Manuel Champalimaud is not independent vis-à-vis CTT's management as he is a direct relative of the non-executive Director Duarte Champalimaud.

The presence on the Remuneration Committee of a non-independent Member does not determine the loss of independence of this Committee vis-à-vis CTT's management, which is why it is considered that **Recommendation V.2.1. of the IPCG Code** is complied with, and the following should be taken into account:

- The Committee is composed of a majority of independent members, including its Chairman;
- The reason for Manuel Champalimaud's non-independence vis-à-vis CTT's management is a family relationship with a director, in a universe of 14 directors, who does not perform executive functions;
- His presence represents, in fact, an added value given his vast experience in company management and knowledge of the sector and industry in which CTT operates, given his investment in CTT (Manuel Champalimaud SGPS, S.A. is the holder of the largest qualified shareholding in CTT, and the shareholding held by this company in CTT is indirectly attributable to Manuel Champalimaud).

As part of the Remuneration Committee's activity developed throughout the year 2021, and in order to provide information or clarifications to shareholders who so wished, the Chairman of the Remuneration Committee attended the Annual General Meeting held on 21 April 2021, and therefore **Recommendation V.2.4.** of the IPCG Code is deemed to have been complied with.

Also within the scope of its activity in 2021, CTT's Remuneration Committee did not need to hire specialised consultancy services in remuneration matters for the exercise of its functions and therefore, in this context, the Company considers that it has fully complied with **Recommendations V.2.5. and V.2.6. of the IPCG Code.**

68. Knowledge and experience in remuneration policy issues by members of the Remuneration Committee

The *curricula vitae* of the members of the Remuneration Committee elected on 29 April 2020 are presented in Annex I of the Report (see pages 452 to 481). As shown therein, all the members of this Committee have appropriate knowledge to analyse and decide on the matters within their power, in view of their training and extensive professional experience, namely via:

- Their experience in the areas of remuneration policy, performance evaluation systems and human resources, particularly in academic, human resources consultancy aspects and the performance of functions in remuneration committees (including in companies of considerable size and with shares listed on the stock exchange);
- Their performance of executive and non-executive administrative positions in various sectors, in Portugal and abroad, in companies of considerable size and with shares listed on the stock exchange, as well the holding of positions in the area of investments;
- Abilities and experience in general in areas of corporate governance, finance and risk.

5.4.3 Remuneration structure

GRI 102-35, 102-36

69. Description of the remuneration policy of the Board of Directors and Supervisory Boards as set out in Article 2 of Law No. 28/2009 of 19 June

The remuneration policy applicable to the members of the management and supervisory bodies in the 2020/2022 term of office was approved by the Annual General Meeting held on 21 April 2021, based on the proposal of CTT's Remuneration Committee.

The Company's Remuneration Committee prepared the remuneration policy taking into account a set of objectives aligned with CTT's mission and values, maintaining the purpose of promoting the continued alignment with the Company's business objectives and strategy, as well as with the best market practices and thus contributing to the sustainability of CTT's results and the creation of value for its shareholders.

The work initiated by the Remuneration Committee in 2020 included an update of the benchmarking study of European companies' remuneration practices in the sector (i.e., Austrian Post, PostNL, bpost, Royal Mail, Deutsche Post and Kuehne+Nagel) and companies in the PSI-20 (i.e., Altri, Millennium BCP, Corticeira Amorim, EDP, EDP Renováveis, Galp, Jerónimo Martins, Mota-Engil, NOS, Novabase, Pharol, REN, Semapa, Sonae, Sonae Capital and The Navigator). This study was considered for the purposes of the proposal relative to the executive Directors remuneration policy.

The remuneration policy for the 2020/2022 term of office approved by the Annual General Meeting on 21 April 2021 also represents an evolution towards continuous alignment with the best governance practices, by considering the following aspects:

- The **economic and financial situation of the Company** and its structure and size;
- The promotion of the alignment of management interests with CTT's current strategic goals (through performance assessment criteria and financial and non-financial objectives) and with the pursuit of the Company's **long-term sustainability** and the sustainable development of its businesses (including in terms of environmental sustainability);
- Consideration by the management of the interests of the Company's various **stakeholders**, in particular the interests of employees (promoting measures towards a better balance of remuneration conditions for employees and members of the corporate bodies) and the interests of shareholders (contributing to the creation of value for shareholders); and

- The **efficient functioning and relations of** the various corporate bodies of CTT.

In view of the above, the remuneration of the **executive Directors** includes a **fixed component and a variable component, as explained below**.

The **fixed component** applied since April 2020 and included in the remuneration policy in force for the 2020/2022 term of office was defined taking into account, in particular, the following criteria:

- The sustainability of CTT's performance;
- The nature and complexity of the duties (which is why the remuneration of the CEO, CFO and other executive Directors is differentiated), with special emphasis on the skills required and the responsibilities inherent to these duties; and
- The conclusions of the benchmarking analysis carried out and the Company's recent remuneration practice, as well as the objective of greater balance in the remuneration conditions of employees and members of the corporate bodies, with a reduction of the annual base remuneration ("ABR") by 15% for the CEO and 10% for the other members of the Executive Committee, when compared to the policy approved by the Remuneration Committee then in office for the 2017/2019 term of office (this reduction is due to a partial waiver of fixed remuneration by the executive Directors since April 2020 and is included in the remuneration policy in force for the 2020/2022 term of office).

This component includes the annual base remuneration paid 14 times per year and the annual meals allowance (which can be reviewed annually by the Remuneration Committee), as well as the benefits detailed in points 75 and 76 below.

In turn, the **variable remuneration ("VR")** of the executive Directors is composed of:

- An **annual component (Annual Variable Remuneration or AVR)**, conditional on the predefined quantifiable financial and non-financial objectives being achieved in each annual evaluation period and paid in cash, according to the rules and subject to the conditions described in points 71 and 72 below ,whose attribution, as regards 2021 and 2022, will take into account the remuneration policy approved by the Annual General Meeting of 21 April 2021 and, as regards 2020, will take into account the remuneration policy in force for the term of office ending in 2019 (as indicated in said remuneration policy); and
- A **long-term component (Long-Term Variable Remuneration or LTVR)**, through participation in a CTT share option plan, in accordance with the rules and subject to the conditions described in points 71, 72 and 74 below and contained in the remuneration policy.

In accordance with the remuneration policy in force for the term of office underway, the **non-executive Directors exclusively earn an annual fixed remuneration,** paid 14 times a year.

Since April 2020 and throughout 2021, there has been a 15% reduction of the ABR of the Chairman of the Board of Directors when compared to the remuneration policy in force for the 2020-2022 term of office, a reduction resulting from a partial waiver.

The amount of the executive Directors' fixed remuneration was defined cumulatively considering the following criteria: the recent remuneration practice of the Company; the level of commitment in terms of time and dedication (with a differentiated additional remuneration being attributed to the non-executive Directors who are members of committees); and the level of complexity and responsibility of each position determining a valuation of the performance of duties in the Audit Committee (in view of the duties of this supervisory body) and in the Corporate Governance, Evaluation and Nominating Committee and the positions of chairing committees and within the Board of Directors (in particular the role of Chairman described in 21.1 above, whether in the leadership of the Board or before the Company's stakeholders with a dispersed capital structure).

In this context, the remuneration policy for the term of office underway is based on the following pillars and principles in line with **best governance practices:**

Remuneration mix	• Exclusively fixed remuneration for non-executive Directors (including members of the Audit Committee); • Balance between ABR and VR for executive Directors; • Combination of VR, including both cash and stock options components, with physical (75%) and financial settlement (25%).
Performance measures	• Combination of financial and non-financial goals; • Performance measures that consider the Company's strategy and are oriented towards the pursuit of the Company's long-term sustainability and the sustainable development of its businesses, also considering the interests of employees and shareholders.
Alignment of interests	• Definition of a minimum performance level to achieve the VR; • Definition of the maximum performance level from which there is no additional payment of variable remuneration (cap of AVR and number of stock option attributed within the plan as LTVR);] • Deferral and withholding mechanisms of the VR; • Adjustment mechanisms to determine the reduction or reversal of the attribution and/or payment of variable remuneration (malus/claw-back provisions); • Absence of dilution effect since the LTVR is based on a stock option plan of CTT shares to be acquired based on an authorization to acquire and dispose of own shares (subject to shareholder approval); • Prohibition on the executive Directors entering into agreements or other instruments, either with the Company or with third parties that have the effect of mitigating the risk inherent to the variability of VR.
Transparency	• Remuneration Committee composed of three members, mostly independent in relation to CTT's management, assisted by specialized consultants and by a specialized internal Board of Directors' committee; • Alignment with the strategic goals of the Company; • Overall remuneration set by CTT's Remuneration Committee, in the event of the performance of duties in companies in a controlling or group relationship with CTT; • Presence of the Chairman or, in his absence, another member of the Remuneration Committee, at the Annual General Meeting and in any others, if the agenda includes an issue related to the remuneration of members of the Company's bodies and committees, or if this presence has been requested by the shareholders.

These principles and structural elements of the remuneration policy of the members of the management and supervisory bodies of CTT are detailed in the following points of this chapter 5 and are also included in the **remuneration policy approved at the Annual General Meeting** held on 21 April 2021, based on the proposal presented by the Remuneration Committee which received a favourable opinion of the Corporate Governance, Evaluation and Nominating Committee, under the terms and for the purposes of articles 26-A and following of the Portuguese Securities Code, as amended .

The remuneration policy includes disclosure of the information required under Article 26-C of the Portuguese Securities Code and also information on the rules in force on matters of termination of duties.

70. Information on how remuneration is structured so as to enable the aligning of the interests of the members of the board of directors with the company's long-term interests and how it is based on the performance assessment and how it discourages excessive risk taking

GRI 102-37

70.1 Setting limits of the annual base remuneration, the AVR and the LTVR, and discouraging excessive risk taking, and balance of remuneration components

The **amount of fixed remuneration** is defined according to the criteria indicated in point 69 above, focused on the sustainability of CTT's performance and alignment with the interests of its stakeholders and taking into account market practices and a remuneration differentiation according to the dedication and degree of complexity and responsibility of the duties held. This component should discourage excessive risk-taking.

CTT's **non-executive Directors** receive exclusively fixed remuneration.

In turn, the **AVR of the executive Directors** is subject to maximum caps defined in the remuneration policy, namely by reference to the annual base remuneration and takes into account allocation rules that consider short and long-term objectives, as well as discouraging excessive risk-taking, as follows:

- The target **AVR for the financial year of 2021 and remaining financial years of the ongoing term of office** is 55% of the annual base remuneration for each executive Director. Therefore, in a scenario in which 100% of the annual variable remuneration goals are attained, each executive Director will be entitled to AVR in cash of the value of 55% of his/her annual base remuneration. If the goals attained surpass this target, the maximum AVR each executive Director may receive is 85% of his/her annual base remuneration.
- The **weight of the non-financial performance evaluation criteria** that, for the purposes of the performance evaluation in 2020, are reflected in the qualitative assessment and, for the purposes of the evaluation of the financial years 2021 and 2022, take the form of quantifiable key performance indicators with a weight of 30% focused on long-term sustainability objectives, as described in point 71 below;
- If the minimum limits of accomplishment described in point 71 below are not achieved, there is no entitlement to annual variable remuneration. If an AVR is to be awarded, it is subject to a **cap** and the **payment of 50% is deferred,** as provided for in the remuneration policy proposal to be submitted to the next Annual General Meeting, thus contributing to balancing the pursuit of sustained performance and discouraging excessive risk-taking.

If the target AVR objectives are attained, the **annual fixed remuneration component will represent on average 65% and the AVR will represent on average 35% of the total annual remuneration (not considering any potential LTVR)** for the executive Directors as a whole.

The **LTVR model for executive Directors** through participation in the share option plan that grants the right to acquire CTT shares subject to the conditions of the plan, to be submitted for approval at the next Annual General Meeting by the Remuneration Committee, promotes an alignment of interests with the Company's performance and provides the following incentives to pursue sustainable performance without excessive risk–taking, as described in points 72 and 74 below:

- The **plan sets out the number of options allocated** that may be exercised by each executive Director, as well as the allocation price with **different tranches,** which are distinguished only by their distinct allocation price or strike price (establishing five differentiated strike prices, with an identical number of options attached to each strike price, in a gradual logic);
- The plan also provides for mechanisms for **deferring the exercise of options** (the date of exercise is 1 January 2023 considering the end of the 2020/2022 term of office) and **retaining** part of the shares to be delivered (throughout the period from the exercise date and the fifth trading day immediately following the

end of the month after the date of approval of the accounts for 2024 at the annual general meeting to be held in 2025, or as at 31 May 2025 whichever occurs later);

- The plan also sets out **adjustment mechanisms** to discourage conducts that may jeopardize the Company's sustainability.

Finally, and pursuant to article 23 of the Articles of Association, the variable remuneration of the executive Directors may consist of a percentage of the consolidated profits. In this case, the overall percentage of profits allocated to the variable remuneration cannot exceed, in each year, the amount corresponding to 5% of the consolidated profit for the year.

70.2 Performance assessment criteria and resulting alignment of interests

The award and amount of the **AVR are conditional on compliance in each evaluation period (calendar year) with quantifiable goals measured using short and long-term performance evaluation criteria,** described in point 71 below, and its **payment in cash is deferred** by 50% and is also subject to the performance of the Company and individual performance. This component will thus vary according to:

- The degree of achievement of a series of goals established according to financial and non-financial performance evaluation criteria, focused either on the implementation of **CTT's long-term strategic objectives** or on the **promotion of best ESG** (Environmental, Social and Governance) **practices**;
- The balance between **financial and non-financial evaluation criteria,** bearing in mind that: (i) if the minimum limits of the financial criteria are not met, no AVR will be attributed; and that (ii) the non-financial criteria are reinforced to the extent that that will correspond to a quantifiable key performance indicator weighing 10% (Net Promoter score) and to 4 additional quantifiable targets weighing 20% (related to sustainability, strategic performance, operating and commercial, and environmental objectives, as well as the attributions of each Director to the extent possible);
- The payment of the AVR in cash and, according to the remuneration policy to be proposed to the General Meeting for this term of office, will take place in 2 tranches, with the **payment of 50% of the AVR deferred proportionally** over the deferral period of 3 years and subject to the positive performance and sustainable financial situation of the Company and the positive performance of each Executive Director (including the non-verification of the situations that give rise to the application of the adjustment mechanisms mentioned below).

In turn, the **LTVR for the 2020/2022 term of office in the form of participation in CTT's stock option plan**, to be submitted for approval at the next Annual General Meeting by the Remuneration Committee, also depends on the Company's performance and aims to align interests with this performance in the long-term, to the extent that, as described in points 72 and 74 below:

- The plan sets out the **number of options** allocated that may be exercised by the CEO, the CFO and the remaining executive Directors and their allocation or strike price;
- The number of shares to be received depends on the **difference between the strike price and the market price**, i.e., the average price, weighted by trading volume, of the Company's shares traded on the Euronext Lisbon regulated market in the sessions held in the 45 days prior to the exercise date (i.e. 1 January 2023);
- The LTVR attributed under the plan is subject to the **positive evolution of the share price and the positive performance of the Company** and to **eligibility conditions** related to the non-verification of the situations that give rise to the application of the adjustment mechanisms mentioned below and material breaches of the terms of the plan;
- The plan also provides for mechanisms for **deferring** the exercise of options and **retaining** shares which result from the combination of two aspects: (i) the date of the exercise of all options (1 January 2023 considering the end of the 2020/2022 term of office); and (ii) a retention period of part of the shares allocated (throughout the period from the exercise date and the fifth trading day immediately following the end of the month after the date of approval of the accounts for 2024 at the annual general meeting to be held in 2025, or as at 31 May 2025 whichever occurs later).

Moreover, in terms of the mentioned remuneration policy, the executive Directors cannot conclude **contracts or other instruments, either with the Company or with third parties, whose effect is mitigating the risk inherent to the variability of the variable remuneration**.

Thus, via these performance assessment criteria, achievement goals and conditions of attribution and payment or delivery of each remuneration component, as described in points 71, 72 and 74 below, the aim is to establish a **remuneration mix that promotes the alignment of the interests of the members of the management body with the interests of CTT and its long-term performance**, as follows:

- The **fixed component** serves as a reference for the allocation of AVR, is subject to limits, and can be reviewed annually by the Remuneration Committee thus providing an adequate balance between these two components;
- The **AVR** depends on the assessment of gradual financial and non-financial performance criteria with an assessment period that matches the financial year, and the **LTVR** depends on the CTT share price evolution as well as the Company's performance beyond the end of the perm of office;
- The **AVR** and **LTVR** are subject to eligibility conditions and adjustment mechanisms, as well as the positive performance of the Company, aimed at encouraging the pursuit of long-term performance;
- The **AVR** and **LTVR** are also subject to mechanisms of deferral by deferring for 3 years of the payment of 50% of the AVR and the deferral of the exercise of all options granted until 1 January 2023 (considering the end of the three-year term of office 2020/2022) and retention of part of the shares awarded (throughout the period from the exercise date and the fifth trade day immediately following the end of the month after the date of approval of the accounts for 2024 at the annual general meeting to be held in 2025, or as at 31 May 2025 whichever occurs later).

Therefore, the remuneration policy for the current term of office **fully complies with the Recommendations V.2.7. to V.2.10 of the IPCG Code**.

71. Reference, where applicable, to there being a variable remuneration component and information on any impact of the performance appraisal on this component

The performance assessment criteria, which are set out in the remuneration policy and on which the attribution of AVR and LTVR depends are presented below, showing **full compliance with the Recommendation V.2.7 of the IPCG Code** in the sense that the variable component of the remuneration of executive Directors reflects the sustained performance of the Company.

71.1. Criteria for performance assessment of the AVR for 2021 set out in the remuneration policy

The amount of the **AVR** to be earned by the executive Directors with reference to performance in 2021 is **70% of the assessment of the following criteria and quantitative goals of a financial nature and 30% of the assessment of the following quantifiable criteria of a non-financial nature, with the following weights in the attribution and calculation of the AVR** (established by the Remuneration Committee based on the business plan and budget of the CTT Group and on the benchmarking carried out):

- Free Cash Flow per Share (30%): quantifiable financial performance criterion related to the business capacity to generate cash flows; Excluded from the calculation of this criterion are amounts related to Financial Services and Banco CTT clients' deposits and loans;;
- *Recurring Consolidated EBIT* (20%): quantifiable financial performance criterion related to the business operational performance;
- Earnings per Share (10%): quantifiable financial performance criterion related to the the capacity to pay out dividends per share ;
- Revenue (10%): quantifiable financial performance criterion related to income generated from sales and services;

- Net Promoter Score (10%): quantifiable non-financial performance criterion related to customer experience and capacity to grow the business.

- Four Additional Non-Financial Targets (20%): 4 quantifiable non-financial performance criteria, each with a weighting of 5%, to be applied to each or all Executive Directors, for each financial year or for the three-year period, by the Remuneration Committee (following a proposal by the Board of Directors and the opinion of the Corporate Governance, Evaluation and Nominating Committee) and aimed at promoting the long-term performance and interests of the Company's stakeholders through performance criteria/objectives aligned with the business plan and budget of CTT Group for the period in question and related to (i) objectives regarding the sustainability of the growth of the Company's business segments, (ii) operational or commercial performance objectives of CTT's activity, (iii) objectives related to the implementation of strategic projects for CTT, (iv) environmental goals related to CTT's activity and (v) to the extent possible, the attributions of each Executive Director.

The awarding of AVR is also dependent on the observance of a weighted average achievement of the objectives of the above mentioned financial performance evaluation criteria above 80%.

When this condition is met, the recorded performance in each financial year in terms of the referred financial and non-financial criteria and objectives is remunerated by weighing them 70% and 30%, respectively, **in a graduated way, according to the degree of accomplishment**, in particular:

- If the recorded performance meets the set goal in less than 80%, no AVR will be awarded for that target;
- If the recorded performance is between 80% and 130% of the set goal, an amount between 35% and 85% of the annual base remuneration of each executive Director is payable;
- If the recorded performance meets the set goal by more than 130%, and amount corresponding to 85% of the annual base remuneration of each executive Director is payable.

71.2. Criteria for performance assessment of the AVR for 2021 and 2022 included in the remuneration policy proposal to be submitted to the next Annual General Meeting

The LTVR model for the current term of office (2020/2022) is based on the participation in a **plan for the award of options on shares representing CTT's share capital**, whose award, exercise and delivery rules are indicated in point 74 below and which is set out in the remuneration policy approved at the General Meeting of Shareholders of 21 April 2021, and includes the acquisition and disposal of own shares of the Company as described in points 72 and 74 below.

72. The deferred payment of the remuneration's variable component and specify the relevant deferral period

According to the remuneration policy for the 2020/2022 term of office, the **payment of the AVR** that may eventually be awarded, under the terms described in points 69 and following above, takes place in cash and in **two tranches**, i.e:

- The payment of 50% of the AVR occurs in the month following the date of approval by the General Meeting of the accounts relating to the financial year corresponding to the assessment period; and
- The payment of **the remaining 50% of the AVR is deferred proportionately over a period of 3 years** counting from said date of approval of accounts and is **subject to the positive performance and sustainable financial situation of the Company and the positive performance of each executive Director**, including the non-verification of the situations that give rise to the application of the adjustment mechanisms mentioned below.

In turn, the option allocation plan also provided for in the aforementioned remuneration policy proposal also establishes a deferral period of the exercise of the options and a **retention period of the shares awarded as LTVR,** as follows:

- The automatic **exercise date** of all options is 1 January 2023, given the end of the 3-year term 2020/2022;

- If stock options are granted based on stock market performance and the Company's positive performance is verified, the options will be subject to settlement over the deferral/retention period;
- **50% of the LTVR** is settled on the fifth trading day immediately following the date of the annual general meeting of the Company approving the accounts for the 2022 financial year to be held in 2023, subject to verification of positive performance with respect to each of the 2021 and 2022 financial years, half by way of financial settlement in cash (i.e. 25% of the options on a pro rata basis with respect to each of its 5 tranches) and the other half (i.e. 25% of the options also on a pro rata basis with respect to each of its 5 tranches) by way of physical settlement through the delivery of CTT shares;
- The **remaining 50% of the LTVR** (i.e. 50% of the options equally on a pro rata basis with respect to each of its 5 tranches) are settled through the delivery of CTT shares (physical settlement), in 2 tranches of 1/2 of the shares retained, respectively: **(i)** on the fifth trading day immediately following the end of the month after the date of approval of the accounts relating to financial year 2023 at the annual general meeting of the Company to be held in 2024, or on 31 May 2024 (whichever date occurs later) and subject to the positive performance of the Company in each of the financial years 2021 to 2023; and **(ii)** on the fifth trading day immediately following the end of the month after the date of approval of the accounts for the financial year 2024 at the annual general meeting of the Company to be held in 2025, or on 31 May 2025 (whichever date occurs later) and subject to the positive performance of the Company in each of the financial years 2021 to 2024, respectively for each tranche.

In addition, the award of the AVR and the exercise and settlement of the options relating to the LTVR are conditional (as a condition of eligibility) on **the executive Director remaining with the Company,** as follows:

- If the executive Director leaves the Company for any reason, with the exception of dismissal for cause or another situation that gives rise to the application of an adjustment mechanism (as described below), after the assessment period but before payment of the **AVR**, it will be paid in full to the extent corresponding to that period;
- The payment of the **AVR** in respect of an assessment period in which there is termination of duties will not be due, nor will the settlement of the **LTVR** under the above mentioned option plan be due in the event of early termination of duties, as its exercise and settlement require the conclusion of the term of office for which the executive Director was appointed (continued performance), except in situations of termination by mutual agreement, retirement, death, disability or other case of early termination of the term of office for reasons not attributable to the Director (namely in case of change of control of the Company), in which case the Remuneration Committee shall define a *pro rata* attribution of the AVR and the *pro rata* cancellation of the LTVR granted under the plan;
- The taking up of duties during the current term of office by new executive Directors gives rise to AVR on a *pro rata* basis determined by the Remuneration Committee, and to LTVR taking into account the period of office held during the term of office.

The AVR and LTVR are also subject to the following adjustment mechanisms, in accordance with the remuneration policy for the 2020/2022 term of office:

- The **reduction of the VR** whose attribution and/or payment/settlement does not yet constitute an established right (malus provision) through **retention and/or return of the VR** whose payment/settlement already constitutes an established right (clawback provision), as a supplementary mechanism to the reduction;
- Applicable to part or the whole of the **VR (attributable, attributed and/or paid)**;
- When the following **situations** occur: the Director, in the exercise of his/her duties, participated directly and decisively or was responsible for an action that resulted in significant losses; serious or fraudulent non-compliance with the code of conduct or internal regulations with significant negative impact, or situations that justify just cause for dismissal; and/or false statements and/or materially relevant errors or omissions in the financial statements to which an objective conduct of the Director has decisively contributed.

Thus, the Remuneration Committee (after hearing the Corporate Governance, Evaluation and Nominating Committee) assesses annually whether there is room for application of said adjustment mechanisms (conditions for eligibility of VR), as a result of which the following situations, as applicable, may occur:

- No **AVR** will be attributed or paid to the Director concerned in relation to the relevant assessment period and the attribution of options to the Director in question as **LTVR** is reversed (through the cancellation of the options whose exercise is conditioned to the non-verification of the referred situations);
- The **AVR** already attributed and/or paid to the Director in question to be reversed, in whole or in part, under which terms the right to the payment of the AVR amounts already attributed is subject to the non-verification during the deferral period of the referred situations and that the amounts paid as AVR shall be subject to this adjustment mechanism from the date of approval by the General Meeting of the accounts relating to the financial year corresponding to the assessment period until the next annual meeting of the Remuneration Committee called to deliberate on the application of these mechanisms;
- The **LTVR** already attributed to the Director in question is reversed, and the exercise of the options and their settlement (in cash or through the delivery of shares) subject to the non-verification of situations that give rise to the application of adjustment mechanisms or situations of material non-compliance with the plan, in which terms, should such situations occur until the meetings of the Remuneration Committee called to decide on its application (to be held as of the exercise and before the settlement of the LTVR or the end of each retention period pursuant to the plan), there may be no payment of the amount due as financial settlement of the LTVR or the delivery of the retained shares, or they may have to be returned by the Director, under the terms set forth in the plan.

These rules thus seek to align the interests of the management team in a long-term perspective with the interests of the Company, the Shareholders and all other stakeholders, whose pursuit, in view of the particularities of the Company and sector, also **fully complies with Recommendations V.2.7 to V.2.9 of the IPCG Code**.

73. The criteria whereon the allocation of variable remuneration on shares is based, and also on maintaining company shares that the executive directors have had access to, on the possible share contracts, including hedging or risk transfer contracts, the corresponding limit and its relation to the total annual remuneration value

Not applicable. See point 71 above.

74. The criteria whereon the allocation of variable remuneration on options is based and details of the deferral period and the exercise price

The LTVR model for the 2020/2022 term of office is based on the participation of the executive Directors in a share option plan representing CTT's share capital, which is set out in the remuneration policy proposal approved by the Annual General Meeting of 21 April 2021 and based on the proposal of the Remuneration Committee (subject to a favourable opinion by the Corporate Governance, Evaluation and Nominating Committee). In order to implement the referred plan and following the approval of the proposal for the acquisition and sale of own shares submitted by the Board of Directors to the General Meeting of Shareholders held on 21 April 2021, the Company acquired own shares as described in point 3 above.

The plan mentioned above provides for the following main rules applicable to the allocation and exercise of the options and the financial settlement, and delivery and retention of the shares within the LTVR:

- The plan regulates the allocation to its participants (the executive Directors of CTT that adhere to the plan) of **options which confer the right to allocate shares representing CTT's share capital**, subject to certain conditions applicable to the exercise and settlement of the options (options of a non-transferable nature even between participants, except in the case of succession by death);

- The plan sets out the **number of options granted** to be exercised by each executive Director, differentiating between the nature and complexity of the duties in question (among CEO, CFO and other executive Directors) according to the table below, the date of attribution corresponding to the date of the plan's approval at the General Meeting;
- The plan also sets the **strike price** for five tranches that differ only by their different strike price, as shown in the table below:

Tranche	Number of Options per participant			Strike Price
	CEO	CFO	Other Executive Directors	
1	700,000	400,000	300,000	EUR 3.00
2	700,000	400,000	300,000	EUR 5.00
3	700,000	400,000	300,000	EUR 7.50
4	700,000	400,000	300,000	EUR 10.00
5	700,000	400,000	300,000	EUR 12.50

- The **date of exercise** of all the options is 1 January 2023, given the end of the **3-year term of office 2020/2022** (relevant date for purposes of calculating the number of allocated shares, since the exercise of the options is automatic);
- The **number of CTT shares eventually to be awarded to the participants**, (via physical or financial settlement pursuant to the terms of the plan), following the automatic exercise of the options as foreseen on the plan, depends on the difference between the **strike price** and the **exercise price** (i.e., the average price, weighted by the trading volume, of the Company's shares traded on the Euronext Lisbon regulated market in the sessions carried out in the 45 days prior to the exercise date, i.e., on 1 January 2023) and results from the application of the following formula (rounded down):

  No. of Shares = No. of Options Exercised x [(Exercise Price - Strike Price / Exercise Price)]

  Thus, subject to the eligibility conditions and the retention mechanism referred to in this point 74 and in point 72, each participant is entitled to receive the total number of CTT shares resulting from the sum of the number of shares due for each tranche, calculated according to the referred formula.
- The strike and exercise prices will only be altered, by decision of the Remuneration Committee, in the event of financial transactions carried out by the Company during the term of the plan that are likely to significantly affect the value of the shares, to the extent necessary to neutralize the effect of these transactions and preserve the economic value of the options (such as a reduction or increase in share capital, stock splits, distribution of shareholder remuneration, mergers or other corporate restructuring);
- The plan provides for the **financial settlement of 25% of the options** (net cash settlement) and the **physical settlement of 75% of the options** (net share settlement), without prejudice to, exceptionally and in a scenario where the number of own shares held by CTT is not sufficient, determining that the Remuneration Committee establishes a compensation mechanism through the allocation of a cash amount and financial settlement of the options whose physical settlement is not possible;
- In the event that shares are granted depending on stock market performance and the Company's positive performance as defined in the plan, the options will be subject to settlement over the deferral/retention period;
- **50% of the LTVR** is settled on the fifth trading day immediately following the date of the annual general meeting of the Company approving the accounts for the 2022 financial year to be held in 2023, subject to verification of positive performance with respect to each of the 2021 and 2022 financial years, half by way of financial settlement in cash (i.e. 25% of the options on a pro rata basis with respect to each of its 5 tranches) and the other half (i.e. 25% of the options also on a pro rata basis with respect to each of its 5 tranches) by way of physical settlement through the delivery of CTT shares;
- The **remaining 50% of the LTVR** (i.e. 50% of the options equally on a *pro rata* basis with respect to each of its 5 tranches) are settled through the delivery of CTT shares (physical settlement), in 2 tranches of 1/2 of the shares retained, respectively: **(i)** on the fifth trading day immediately following the end of the month after the date of approval of the accounts relating to financial year 2023 at an annual general meeting of the Company to be held in 2024, or on 31 May 2024 (whichever date occurs later) and subject to the positive

performance of the Company in each of the financial years 2021 to 2023; and **(ii)** on the fifth trading day immediately following the end of the month after the date of approval of the accounts for the financial year 2024 at an annual general meeting of the Company to be held in 2025, or on 31 May 2025 (whichever date occurs later) and subject to the positive performance of the Company in each of the financial years 2021 to 2024, respectively for each tranche.

- The plan thus provides for **deferral and retention** mechanisms that, combined, ensure compliance with the **Recommendation V.2.9. of the IPCG Code**: **(i)** the automatic exercise date of all options (i.e., 1 January 2023 in order to consider the 3-year term of office 2020/2022) which determines the calculation of the number of shares acquired under the plan; **(ii)** the settlement of 50% of the options after the date of the annual general meeting of the Company approving the accounts for the 2022 financial year to be held in 2023; **(iii)** the aforementioned retention period until 2025 during which the participant does not acquire ownership or the social or economic rights attached to 50% of the shares awarded until the end of each retention period; and **(iv)** the conditions to which the award and settlement of the LTVR are subject in connection with the stock market performance as well as the positive performance of the Company;
- The exercise of the options and their settlement are also subject to the **eligibility conditions** referred to in point 72 above (i.e., remaining in office during the term of office by rule, absence of situations of material non-compliance with the plan, and no situations giving rise to the application of the adjustment mechanisms);
- This plan will not have a diluting effect on shareholders, since it is intended that the shares eventually to be delivered under the plan will be **own shares** acquired by the Company, as per **point 3 above** under the authorization of the General Shareholders' Meeting to acquire and dispose of own shares.

75. Main parameters and grounds of any annual bonus scheme and any other non-cash benefits

The Company has not adopted any system of annual bonuses or other non-cash benefits, without prejudice to that referred in the following paragraph.

Supplementing the provisions in point 76 below, the executive Directors earn the following **non-cash supplementary benefits, of a fixed nature**: entitlement to use a vehicle (including fuel and tolls), life and personal accident insurance (including during travel) and access to the health benefit system (IOS – Instituto de Obras Sociais) under the same terms as the Company employees.

The Chairman of the Board of Directors was also entitled to use a vehicle (including fuel and tolls) until 29 April 2020.

76. Key characteristics of the supplementary pensions or early retirement schemes for directors and state date when said schemes were approved at the general meeting, on an individual basis

The Company's remuneration policy applied in 2021 does not consider the attribution of supplementary pensions or the attribution of any compensation in the event of the early retirement of its Directors, without prejudice to the matter referred to in the following paragraph.

The monthly fixed remuneration of the executive Directors includes an amount defined by the Remuneration Committee intended for allocation to a defined contribution pension plan or retirement saving plan (or other retirement saving instruments), specifically chosen by each executive Director (amounting to 10% of the annual base remuneration).

5.4.4 Disclosure of remuneration

GRI 102-35, 102-36

77. Details on the amount relating to the annual remuneration paid as a whole and individually to members of the company's board of directors, including fixed and variable remuneration and as regards the latter, reference to the different components that gave rise to same

The tables below indicate the gross remuneration paid in 2021 by the Company to the **members of the Board of Directors and the Audit Committee**:

Member	Position	Amounts			
		Fixed Remuneration[(1)]	AVR 2019[(2)]	AVR 2020[(3)]	Total
João Afonso Ramalho Sopas Pereira Bento	Chief Executive Officer (CEO)	€563,457.46	€179,690.00	0.00	€743,147.46
António Pedro Ferreira Vaz da Silva	Executive Director	€398,493.58	€196,074.00	0.00	€594,567.58
Guy Patrick Guimarães de Goyri Pacheco	Executive Director (CFO)	€428,223.35	€230,130.00	0.00	€658,353.35
João Carlos Ventura Sousa [(4)]	Executive Director	€435,261.06	—	0.00	€435,261.06
João Miguel Gaspar da Silva	Executive Director	€398,583.68	—	0.00	€398,583.68
Francisco Maria da Costa de Sousa de Macedo Simão [(5)]	Executive Director	—	€196,074.00	0.00	€196,074.00
Total remuneration of the Executive Committee		€2,224,019.13	€801,968.00	0.00	€3,025,987.13

Member	Position	Amount [(6)]
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia	Non-executive Director and Chairwoman of the Audit Committee	€89,999.98
Steven Duncan Wood [(7)]	Non-executive Director and Member of the Audit Committee	€0.00
María del Carmen Gil Marín	Non-executive Director and Member of the Audit Committee	€74,999.96
Total remuneration of the Audit Committee		€164,999.94
Raul Catarino Galamba de Oliveira [(8)]	Chairman of the Board of Directors and Chairman and Member of Committees other than the Audit Committee	€297,500.00
Duarte Palma Leal Champalimaud	Non-executive Director and Member of a Committee other than the Audit Committee	€65,000.04
Isabel Maria Pereira Aníbal Vaz	Non-executive Director and Member of a Committee other than the Audit Committee	€65,000.04
João Eduardo Moura da Silva Freixa [(9)]	Non-executive Director	€1,190.48
Jürgen Schröder	Non-executive Director	€49,999.88
Margarida Maria Correia de Barros Couto	Non-executive Director and Chairwoman of a Committee other than the Audit Committee	€75,000.00
Susanne Ruoff	Non-executive Director	€49,999.88
Total remuneration of the non-executive Directors who are not members of the Audit Committee		€603,690.32
Total remuneration of the non-executive Directors		€768,690.26
Total remuneration of the Board of Directors and of the Audit Committee members		€3,794,677.39

(1) Amount of the fixed remuneration of the executive Directors. This amount includes: ((i) the annual base remuneration ("ABR"), (ii) the annual meals allowance (€9.01 per business day of each month, 12 times a year), and (iii) the fixed amount paid annually allocated to the retirement savings plan corresponding to 10% of the ABR.

(2) AVR corresponding to the 2019 financial year, paid in 2021..

(3) In the assessment made for the 2020 financial year, the assumptions for attributing variable remuneration to the executive directors were not met, so no amount was paid on this basis.

(4) Includes the amount of €37,740.45 corresponding to the refund of 10% of the ABR for the period from 18 September 2019 to 29 April 2020.

(5) Rendered his resignation to the position of Executive Director, which took effect on 06/01/2020, as communicated to the market in a press release of 18/12/2019.

(6) Amount of the fixed remuneration of the non-executive Directors in proportion to the time they performed duties as such in 2021. Non-executive directors do not earn any variable remuneration.

(7) He waived the payment of remuneration for the 2020/2022 term of office.

(8) The ABR earned by the Chairman of the Board of Directors following the waiver of part of the ABR was reduced by 15% compared to the amount defined in the remuneration policy approved for the 2020/2022 term of office.

(9) Tendered his resignation as a non-executive Director, which took effect as provided by law on 31/01/2021, as communicated to the market in a press release of 10/12/2020. The remuneration received relates to holiday and Christmas bonuses and respective allowances.

According to the remuneration policy, as well as to the corresponding authorization for the acquisition of own shares by the Company both approved by the General Meeting of Shareholders held on 21 April 2021, the LTVR model for the 2020/2022 term of office is based on the participation of executive directors in a share option plan representing CTT's share capital. Under said plan, the following options on CTT shares are granted to the executive Directors who adhere to the plan, the date of attribution corresponding to the date of the plan’s approval at the General Meeting of Shareholders and exercise date of 1 January 2023 (taking into account the term of office and as detailed in point 74 above):

	Number of options per participant		
Tranche	João Afonso Ramalho Sopas Pereira Bento	Guy Patrick Guimarães de Goyri Pacheco	António Pedro Ferreira Vaz da Silva João Carlos Ventura Sousa João Miguel Gaspar da Silva
1	**700,000**	**400,000**	**300,000**
2	**700,000**	**400,000**	**300,000**
3	**700,000**	**400,000**	**300,000**
4	**700,000**	**400,000**	**300,000**
5	**700,000**	**400,000**	**300,000**

In 2021, there was no deviation from the application of or derogation from the remuneration policy applicable to members of the management and supervisory bodies.

As described throughout this section 5 of the Report, the **remuneration policy for the 2020/2022 term of office is aimed at promoting** continuous alignment with best practice in ESG matters, taking specifically into account:

- The **economic and financial situation of the Company** and its structure and size;
- The promotion of the alignment of management interests with CTT's current strategic goals and with the pursuit of the Company's **long-term sustainability** and the sustainable development of its businesses, including in terms of environmental sustainability;
- Consideration for the management of the interests of the Company's various **stakeholders**, in particular the interests of employees (promoting measures towards a better balance of remuneration conditions for employees and members of the corporate bodies) and the interests of shareholders (contributing to the creation of value for shareholders).

In this context, information is presented below on the **evolution of the remuneration of CTT's corporate bodies and employees and the Company's performance from 2017 to 2021,** a period marked by the COVID-19 pandemic crisis.

The comparative table below shows the annual percentage variation in the remuneration of the members of the Board of Directors and Audit Committee of the Company currently in office in the period between 2017 (date of first appointment of the longest-serving members) and 2021:

Members	Date of 1st appoint-ment (1)	Position (2)	Fixed Remunera-tion (3) 2021 vs 2020	Fixed Remunera-tion (3) 2020 vs 2019	Fixed Remunera-tion (3) 2019 vs 2018	Fixed Remunera-tion (3) 2018 vs 2017	AVR(3)(5) 2021 vs 2020	AVR(3)(5) 2020 vs 2019	AVR(3)(4) 2019 vs 2018	AVR(3)(4) 2018 vs 2017
Raul Catarino Galamba de Oliveira (6)(7)	29/04/2020	Chairman of the Board of Directors	48,76% (6)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
João Afonso Ramalho Sopas Pereira Bento (8)	20/04/2017	Chairman of the Executive Committee (CEO)	3,93%	61,8% (8)	506,44%(8)	21.49%	—	—	—	—
António Pedro Ferreira Vaz da Silva	20/04/2017	Executive Director	1.77%	-4.32%	8.80%	21.64%	—	—	—	—
Guy Patrick Guimarães de Goyri Pacheco (9)	19/12/2017	Executive Director	1.78%	-4.33%	5.61%	n.a.(9)	—	—	—	—
João Carlos Ventura Sousa (10)	18/09/2019	Executive Director	11.16%	4.00%	n.a.	n.a.	—	—	n.a.	n.a.
João Miguel Gaspar da Silva	06/01/2020	Executive Director	3.02%	n.a.	n.a.	n.a.	—	—	n.a.	n.a.
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia	20/04/2017	Non-executive Director Chairman of the Audit Committee	5,17%	2.79%	8.82%	21.81%	n.a.	n.a.	n.a.	n.a.
Steven Duncan Wood (11)	23/04/2019	Non-executive Director and member of the Audit Committee	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Duarte Palma Leal Champalimaud (12)	19/06/2019	Non-Executive Director	5,17%	5.00%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Isabel Maria Pereira Aníbal Vaz (7)	29/04/2020	Non-Executive Director	48,76%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Jürgen Schröder (7)	29/04/2020	Non-Executive Director	48,76%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Margarida Maria Correia de Barros Couto (7)	29/04/2020	Non-Executive Director	88,06%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
María del Carmen Gil Marín (7)	29/04/2020	Non-Executive Director and member of the Audit Committee	48,76%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Susanne Ruoff (7)	29/04/2020	Non-Executive Director	48,76%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

(1) The date of the first appointment to a corporate body at CTT is presented here.

(2) Current position in CTT.

(3) Fixed remuneration includes annual base remuneration, the amount of the annual meal allowance and the fixed amount paid annually allocated to the retirement savings plan. The variable remuneration only considers AVR, as there was no LTVR in that period.

(4) The executive Directors waived their annual variable remuneration for 2017 and 2018, and for this reason and regardless of the result of the assessment conducted relative to 2017 and 2018, no AVR was paid in 2018 and 2019.

(5) The result of the assessment carried out in respect of the 2019 financial year resulted in the attribution of an AVR to the executive directors, as described in the table in point 77 above, the payment of which was made in 2021. In 2021, the result of the assessment for the 2020 financial year did not result in the awarding of an AVR to the executive directors, so no comparison percentage is presented for 2019 vs 2020 in terms of AVR.

(6) The annual base remuneration includes the 15% waiver.

(7) The annual change between 2020 and 2021 reflects the calculation in relation to remuneration earned in 2020 as from the date of appointment.

(8) From 23/04/2017 to 22/05/2019 he performed the duties of non-executive Director in CTT, having been appointed Chief Executive Officer by resolution of the Board of Directors of 13/05/2019, effective as of 22/05/2019. The annual percentage variation between 2018 and 2019 reflects the calculation in relation to the remuneration earned as a non-executive member and subsequently as Chief Executive Officer.

(9) Considering that the Director only took office on 19/12/2017, the remuneration earned between that day and 31/12/2017 was not considered for the purposes of calculating the annual variation between 2017 and 2018.

(10) Co-opted by resolution of the Board of Directors dated 03/09/2019 effective as of 18/09/2019. The annual variation between 2019 and 2020 reflects the calculation with respect to the remuneration earned in 2019 as of the effective date of his co-option.

(11) Director with no remuneration.

(12) Co-opted by resolution of the Board of Directors dated 19/06/2019. The annual variation between 2019 and 2020 reflects the calculation with respect to the remuneration earned in 2019 as of the effective date of his co-option.

The table below shows the annual percentage variation of the following economic and financial indicators of CTT (on a consolidated basis) between 2017 and 2020:

Performance indicators	2021 vs 2020	2020 vs 2019	2019 vs 2018	2018 vs 2017
Revenues	13.8%	0.7%	4.6%	0.4%
Operating costs(1)	13.7%	2.5%	3.4%	1.6%
Net profit for the year attributable to shareholders of CTT	130.4%	-42.9%	35.8%	-28.0%

(1) Excluding depreciation / amortization, and specific items in 2021 vs 2020. In the previous years Operating costs excluded depreciation / amortization, impairments and provisions, the impact of IFRS 16 and specific items.

In turn, the table below shows the annual variation between 2017 and 2020 of the average remuneration of full-time employees of the CTT Group, excluding members of the management and supervisory bodies, by professional category:

Employees(1)	2021 vs 2020	2020 vs 2019(2)	2019 vs 2018(2)	2018 vs 2017(2)
Senior and middle management	-1.3%	-3.6%	0.6%	0.4%
Counter service	0.4%	-0.4%	0.4%	1.5%
Delivery	2.7%	-0.5%	1.6%	0.8%
Other	-0.6%	2.7%	1.5%	-0.4%
Overall	**1.6%**	**—%**	**0.7%**	**0.2%**

(1) In 2020 and 2021, the employees of the CTT Group companies Correio Expresso de Moçambique,S.A. (CORRE), HCCM Outsourcing Investment, S.A. and NewSpring Services, S.A. are not included. From 2017 to 2019, the employees of the CTT Group companies 321 Crédito - Instituição Financeira de Crédito, S.A., CTT Expresso Serviços Postais e Logística, S.A. - Sucursal en España and Correio Expresso de Moçambique, S.A. (CORRE) are not included.

(2) For comparison purposes, the following criteria were taken into account: (a) Number of employees according to headcount reported at year-end and (b) base remuneration.

78. Any amounts paid, for any reason whatsoever, by other companies in a control or group relationship, or are subject to a common control

During 2021, the companies in a controlling or group relationship with the Company **did not pay the members of the Board of Directors any remunerations** or amounts for any reason.

79. Remuneration paid in the form of profit sharing and/or bonus payments and the reasons for said bonuses or profit sharing being awarded

In 2021e, no amounts were paid to the members of CTT's Board of Directors in the form of profit-sharing or bonuses.

80. Compensation paid or owed to former executive directors concerning contract termination during the financial year

The remuneration policy provides that in the event of termination of duties of the members of the Board of Directors, the **legally established compensatory rules** shall apply.

Reference is also made in this regard to points 72 above and 83 below, where the **consequences of early termination of duties with regard to the AVR and the LTVR** and the legal rules on compensation are detailed.

81. Details of the annual remuneration paid, as a whole and individually, to the members of the company's supervisory board for the purposes of Law No. 28/2009 of 19 June

See point 77 of Part I above with respect to the members of the Audit Committee.

82. Details of the remuneration in said year of the Chairman of the Presiding Board to the General Meeting

During the 2021 financial year, the remunerations of the Chairman and the Vice-Chairman of the Board of the Shareholders' General Meeting were ten thousand euros and four thousand euros, respectively.

5.4.5 Agreements with remuneration implications

83. The envisaged contractual restraints for compensation payable for the unfair dismissal of directors and the relevance thereof to the remunerations' variable component

The members of CTT's corporate bodies **have not entered into any remuneration or compensation agreements with the Company.**

According to **the remuneration policy** in force, in the event of termination of office of the members of the Board of Directors, the **legally established compensatory rules** shall apply.

- The compensation by law to members of the Board of Directors (including executive Directors), in the event of their dismissal without just cause, corresponds to the indemnity for damages suffered thereby, as prescribed by law and may not exceed the remuneration that the Board member would presumably receive until the end of the period for which he/she was elected.

Thus, considering the absence of individual agreements in this area and the terms of the remuneration policy in the event of a dismissal that does not arise from a serious breach of duty nor from the inability to carry out duties normally, but that is nonetheless due to inadequate performance, the Company will only be obliged to pay compensation as prescribed by law.

In turn, according to the remuneration policy proposal for the term of office underway and the options plan provided for therein (which is also subject to approval by the participants), the early termination of duties determines the following **consequences in relation to the allocation and payment of the VR** to the executive Directors:

- If an executive Director leaves for any motive, with the exception of dismissal on fair grounds or any other situation which leads to the application of an adjustment mechanism (as described above), after the assessment period, but before the payment of the **AVR**, its entire payment will take place to the extent corresponding to that period;
- The payment of the **AVR** relative to an assessment period in which termination of duties occurs shall not be due, nor the settlement of the **LTVR** under the above mentioned option plan be due in the event of early termination of duties, since its exercise and settlement require the conclusion of the term of office for which the executive Director was appointed (continued performance), except in situations of termination by mutual agreement, retirement, death, disability or other case of early termination of the term of office due to a cause not attributable to the Director (namely in case of change of control of the Company), in which case the Remuneration Committee shall define a *pro rata* attribution of the AVR and the *pro rata* cancellation of the LTVR awarded by virtue of the plan.

In view of the **consequences of the early termination of duties described above,** the Company is considering complying with **Recommendation V.2.3. of the IPCG Code,** since the maximum amount of compensation to be paid as a result of such termination will result from the application by the Remuneration Committee (with the support of the Corporate Governance, Evaluation and Nominating

Committee) of the above-mentioned legal criteria and other criteria established in the above-mentioned internal regulations for the situations handled therein.

84. Reference to the existence and description, with details of the sums involved, of agreements between the company and members of the board of directors and managers, pursuant to Article 248-B/3 of the Securities Code that envisages compensation in the event of resignation or unfair dismissal or termination of employment following a takeover bid (Article 245-A(1)(l))

On this issue, it should be noted that CTT's Board of Directors considers that the Company's directors, within the meaning of the EU Regulation, correspond only to the members of the management and supervisory bodies of CTT.

Accordingly, during 2021, **there were no agreements between the Company and the members of the Board of Directors or the Audit Committee** which provided for compensation in the event of resignation, dismissal without just cause or termination of employment following a change of control in the Company, without prejudice to the provisions in points 72 and 83 above.

5.4.6 Share-Allocation and/or Stock Option Plans

85. Details of the plan and the number of persons included therein

As better defined in points 69, 71 and 74 above, according to the remuneration policy, the LTVR is based on the executive Directors' participation in a stock option plan for the grant of shares representing CTT's share capital.

86. Characteristics of the plan (allocation conditions, non-transfer of share clauses, criteria on share-pricing and the exercising option price, the period during which the options may be exercised, the characteristics of the shares or options to be allocated, the existence of incentives to purchase and/or exercise options)

Point 74 above describes the characteristics of CTT's stock option plan, which is incorporated in the remuneration policy, including the respective conditions of attribution, clauses on the inalienability of shares, criteria relative to the option exercise price, the period during which the options may be exercised, the characteristics of the shares or options to be assigned the existence of incentives to acquire shares and/or exercise options.

87. Stock option plans for the company employees and staff

With a view to strengthening the alignment of the remuneration conditions of employees and members of the corporate bodies, as well as promoting the alignment of the interests of the different stakeholders with the Company's performance, thus encouraging the pursuit of sustainable growth, and in line with the options plan approved for executive directors under the remuneration policy approved by the General Shareholders' Meeting on 21 April 2021, as detailed in items 72 and 74 above, the Executive Committee approved, in May 2021, a Long-Term Incentive Programme - Option Plan. was approved by the Executive Committee, aimed at the most senior Directors of the company, directly dependent on the

Executive Committee of CTT or the Board of Directors of the subsidiary companies, as well as the Directors or Managers of the CTT Expresso in Spain.

In accordance with the aforementioned options plan, its participants (Directors) who adhered to it are granted **options that confer the right to acquire shares representing CTT's share capital**, subject to the following rules applicable to the attribution and the exercise and financial settlement of the options and delivery and retention of the shares (options of a non-transferable nature even between participants, except in the case of succession by death).

- In accordance with the plan, each participant will be entitled to receive **five distinct option tranches**, each with a distinct **strike price** and depending on the **number of options** assigned by the Executive Committee, as per the table below:

Tranche	Total number of options to be granted to all the participants	Strike Price
1	1,200,000	€3.00
2	1,200,000	€5.00
3	1,200,000	€7.50
4	1,200,000	€10.00
5	1,200,000	€12.50

- All the option tranches comprise a single tranche for exercise purposes and are considered to be granted to the participants on the date of the Shareholders' General Meeting, which took place on 21 April 2021. The options attributed after that date shall be made proportionally to the time of exercise of the functions, taking into account the duration of the plan.

- The automatic **exercise date** of all options is 1 January 2023.

- After exercise, the options awarded under the plan confer the right to be granted shares via **physical settlement** by means of calculation to be made as follows:

  No. of Shares = No. of Options exercised x [(Share Price - Strike Price / Share Price] where:

  - the **Strike Price** corresponds to that indicated in the table above;

  - the **Share Price** corresponds to the arithmetic average of the prices, weighted by the respective trading volumes, of the transactions of Company's shares traded on the Euronext Lisbon regulated market in the Stock market sessions held during the 45 days prior to the exercise date, that is, on 1 January, 2023.

- In the event that shares are granted depending on the stock market performance and the Company's positive performance, from the attribution date to the exercise date and during the retention period, the options will be subject to settlement over the deferral/retention period.

- With regard to **50% of the options** (on a pro rata basis with respect to each tranche of options) granted under the plan, the number of shares corresponding to the result of the sum of the physical settlement will be transferred to each participant, subject to the **positive performance** of the Company in each of the financial years 2020, 2021 and 2022, on the fifth trading day immediately following the date of approval of the 2022 accounts by the Annual General Meeting of the Company to be held in 2023, and its holder will then be entitled to freely trade them.

- The remaining **50% of the options** (on a pro rata basis with respect to each tranche of options) the number of shares corresponding to the result of the sum of the physical settlement shall be subject to a **Retention Period** by the Company and will be released, respectively:

  - (i) on the fifth trading day immediately following the end of the month after the date of approval of the accounts relating to financial year 2023 at an annual general meeting of the Company to be held in

2024, or on 31 May 2024 (whichever date occurs later) and subject to the positive performance of the Company in each of the financial years 2021 to 2023; and

- (ii) on the fifth trading day immediately following the end of the month after the date of approval of the accounts for the financial year 2024 at an annual general meeting of the Company to be held in 2025, or on 31 May 2025 (whichever date occurs later) and subject to the positive performance of the Company in each of the financial years 2021 to 2024, respectively for each tranche.

- The **strike and exercise prices** will only be altered, by decision of the Remuneration Committee, in the event of financial transactions carried out by the Company during the term of the plan that are likely to significantly affect the value of the shares and to the extent necessary to neutralize the effect of these transactions and preserve the economic value of the options (such as a reduction or increase in share capital, stock splits, distribution of shareholder remuneration, mergers or other corporate restructuring).

- The exercise of options is subject to **eligibility conditions**, particularly the achievement of objectives or performance targets by the Company, since the **attribution of shares on the exercise date** is subject to the evolution of the market price of the shares and the attribution of shares on the exercise date and the respective payment/delivery and release at the end of each retention period subject to a positive performance by the Company, from the attribution date until the exercise date and during the retention period.

- The exercise of options may be cancelled in the event of termination of the participant's employment contract or equivalent by his own initiative, or by the employer's initiative based on just cause for dismissal, or in the event of non-compliance by the participant with any substantial provision of the terms and conditions of the plan that triggers an **Adjustment Mechanism**.

- The option plan shall remain in force until such time as the Executive Committee resolves on its termination or substitution (without prejudice to rights legitimately acquired thereunder) or until full compliance with the obligations arising therefrom.

- Similarly to the option plan approved for the executive directors under the remuneration policy in force for the 2020/2022 term of office, this option plan for Directors will not have a dilutive effect on shareholders, since the shares that may be delivered under the plan will be **own shares** acquired by the Company, as per **point 3 above**, under the authorisation of the General Meeting of Shareholders for the acquisition and sale of own shares.

88. Control mechanisms provided for in any employee-share ownership scheme in as much as voting rights are not directly exercised by those employees (Article 245-A(1)(e))

There were no systems of participation of the workers in the capital in force at CTT during 2021 and there are none currently in force.

5.5 TRANSACTIONS WITH RELATED PARTIES

5.5.1 Control mechanisms and procedures

89. Mechanisms implemented by the Company for the purpose of controlling transactions with related parties

Since 2014, the Company has been implementing procedures aimed at ensuring strict compliance with the legal and accounting rules and current best practices concerning transactions with related parties and the pursuit of CTT's interests in this regard, in particular through the **Regulation on Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interest**.

The **Regulation on Assessment and Control of Transactions with Related Parties and Prevention of Conflict of Interest** in force at CTT was revised in December 2021 and approved by the Board of Directors, with the prior favourable opinion of the Audit Committee, as provided for in the Portuguese Securities Code and in the Recommendations of the IPCG Code of 2018, as amended in 2020. It is published on CTT's website, at www.ctt.pt ("Group CTT"/"About Us"/"Corporate Governance"/"Articles of Association and Regulations").

Under the new Regulation, the following are considered "Related Parties":

- Any Shareholder with at least 2% of CTT's share capital, whether directly or indirectly, pursuant to article 20 of the Portuguese Securities Code
- Members of CTT's management and supervisory bodies and any officers who, although not members of these corporate bodies are so classified under the referenced Regulation;
- Members of the management bodies of CTT subsidiaries;
- Any third-party entity that is related to any of the persons identified in the previous three points through relevant business or personal interest;
- Subsidiaries, associated companies and jointly controlled entities (joint ventures) of CTT.

According to that Regulation, "Transactions with Related Parties" (i.e. all legal transactions or acts resulting in a transfer of resources, services or obligations, regardless of whether a price is charged, between, on the one hand, CTT and/or subsidiaries and, on the other hand, a related party) shall adhere to the following principles:

- They must always be formalized in writing, specifying their terms and conditions;
- They shall be carried out (i) in accordance with the legislation in force, in particular in full respect of the interests of the Company and its subsidiaries, as applicable (ii) ensuring the fair/ equitable and reasonable character of the transaction from the point of view of the Company and shareholders who are not related parties (including minority shareholders) and (iii) within the current activity and under market conditions, as defined in the regulation, unless it is demonstrated that the transaction that does not comply with these requirements is suitable for the interests of the Company and subsidiary companies and the fair/ equitable and reasonable character mentioned above, and cumulatively the transaction is approved by the Board of Directors, with prior opinion of the Audit Committee;
- The following should be clearly and accurately disclosed (i) relevant transactions, i.e, whose value is equal to or exceeds 2.5% of CTT's consolidated assets according to the latest audited financial information approved by CTT's corporate bodies (calculated in relation to a single transaction or to the set of transactions carried out during any 12-month period or during the same financial year with the same related party), and that, cumulatively, have not been carried out within the scope of the current activity and/or under market conditions, (ii) and most Transactions with Related Parties, in the notes to the Company's financial statements, with sufficient details to identify the "Related Party" and the essential conditions related to the transactions;
- Loans and guarantees to "Related Parties" are expressly prohibited, except to subsidiaries, associated companies or jointly controlled entities (joint ventures);
- "Significant Transactions", i.e., of an amount greater than €1,000,000 relating to a single business or to a series of business transactions carried out during any 12-month period or during the same financial year with the same related party, and those intended to be carried out outside the scope of the current activity and/or outside market conditions, must be subject to a "prior opinion" by the supervisory body, unless they are exempt transactions under the terms of the Regulation (i.e. transactions entered into between CTT and a subsidiary that is in a controlling relationship with CTT and in which no related party has interests and transactions proposed to all CTT shareholders under the same terms, where the equal treatment of all shareholders and the protection of CTT's interests are ensured);
- Similarly, transactions to be carried out by CTT Directors and/or subsidiaries (directly or through an intermediary) with the company and/or subsidiaries shall be subject to a "prior favourable opinion" by the supervisory body and are subject to prior authorization from the Board of Directors, except when they are included in the actual trade of the company in question and no special advantage is granted to the director directly or through an intermediary;

- All "Transactions with Related Parties" not subject to a "prior opinion" from the Audit Committee are subject to subsequent appreciation by this body.

See point 91 of Part I below on the prior and subsequent mechanisms for the Audit Committee to control transactions with related parties.

90. Details of transactions that were subject to control in the referred year

In 2021, there were no transactions with related parties subject to prior control by the Company's supervisory body under the procedures described in the Regulation on Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interest mentioned in points 89 and 91 of Part I of this chapter.

In addition, transactions were subject to subsequent **control by the aforementioned body,** almost all of which correspond to intra-Group financing.

For further details on Transactions with Related Parties, see Note 52 - Related Parties to the consolidated and individual financial statements in chapter 7 (see pages 404 to 409) of this Report.

91. Procedures and criteria applicable to the supervisory body when same provides preliminary assessment of the business deals to be carried out between the company and the holders of qualifying holdings

According to the Regulation for Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interest, the following are submitted by the Executive Committee to the **prior opinion of the Audit Committee**:

- “Significant Transactions", i.e., transactions of an amount exceeding €1,000,000 related to a single transaction or to a set of transactions carried out during any 12-month period or during the same financial year with the same related party, and those intended to be carried out outside the scope of the current activity and/or outside market conditions, unless they are exempted transactions under the Regulation (i.e. transactions entered into between CTT and a subsidiary that is in a control relationship with CTT and in which no related party has an interest and transactions proposed to all CTT shareholders under the same terms, where the equal treatment of all shareholders and the protection of CTT's interests are ensured); and
- Transactions to be entered into between, on the one hand, members of the management bodies of CTT and/or subsidiaries (directly or through an intermediary) and, on the other hand, CTT and/or subsidiaries, pursuant to and for the purposes of the provisions of articles 397 and 423-H of the PCC, except when they are included in the actual trade of the company in question and no special advantage is granted to the director directly or through an intermediary.

In this context, the Audit Committee analyzes, in particular, the terms, the conditions, the objective and opportunity of the transaction, the interest of the related party, any limitations that could be imposed on CTT as a result of the transaction, the pre-contractual procedures implemented, the mechanisms adopted to resolve or prevent potential conflicts of interest and demonstration that the operation will be carried out within the scope of the Company's current activity or under normal market conditions.

All other “Transactions with Related Parties” are communicated to the Audit Committee for subsequent appraisal, namely in the context of the annual activity report, by the last day of July or January, according to whether the transaction occurred in the 1st or 2nd semester of the year.

5.5.2 Data on business deals

92. Place where the financial statements including information on business dealings with related parties are available, in accordance with IAS 24

The relevant transactions with related parties are described in Note 52 to the consolidated and individual financial statements in chapter 7 (see pages 404 to 409) of this Report and were carried out within the scope of the Company's current activity and under normal market conditions.

Part II – CORPORATE GOVERNANCE ASSESSMENT

1. Identification of the adopted corporate governance code

In conformity with the provisions of article 2(1) of CMVM Regulation No. 4/2013, CTT has adopted the Corporate Governance Code of the Portuguese Institute of Corporate Governance ("IPCG Code") of 2018, revised in 2020, which can be consulted at **www.cgov.pt**.

2. Analysis of compliance with the adopted corporate governance code

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 - Corporate Governance
I. General Provisions			
General principle	Corporate Governance should promote and enhance the performance of companies, as well as of the capital markets, and strengthen the trust of investors, employees and the general public in the quality and transparency of management and supervision, as well as in the sustained development of the companies.		
I.1. Company's relationship with investors and disclosure			
Principle	Companies, in particular its directors, should treat shareholders and other investors equitably, namely by ensuring mechanisms and procedures are in place for the suitable management and disclosure of information.		
I.1.1.	The Company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the markets in general.	Adopted	18, 21, 35, 38, 55, 56 to 63 (see chapters 10. Investor Support and 11. Website, pages 446 to 451 of this Integrated Report)
I.2. Diversity in the composition and functioning of the company's governing bodies			
Principle 1.2.A.	Companies ensure diversity in the composition of their governing bodies, and the adoption of requirements based on individual merit, in the appointment procedures that are exclusively within the powers of the shareholders.		
Principle 1.2.B.	Companies should be provided with clear and transparent decision structures and ensure a maximum effectiveness of the functioning of their governing bodies and commissions.		
Principle 1.2.C.	Companies ensure that the functioning of their bodies and committees is duly recorded, namely in minutes, to allow an understanding not only of the meaning of the decisions taken, but also of their grounds and the opinions expressed by their members.		
I.2.1.	Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable for the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.	Adopted	16, 18, 19, 26 and 33

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 - Corporate Governance
I.2.2.	The company's managing and supervisory boards, as well as their committees, should have internal regulations — namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members —, disclosed in full on the Company's website. Minutes of the meetings of each of these bodies should be drawn out. I.2.2.(1) The Board of Directors should have internal regulations - namely regulating the performance of their duties, their chairmanship, periodicity of meetings, their functioning and the duties of their members -, disclosed in full on the Company's website. I.2.2.(2) Idem with regard to the supervisory body. I.2.2(3) Idem with regard to the internal committees. I.2.2.(4) Minutes of all meetings of the management body should be drawn out. I.2.2.(5) Idem with regard to the supervisory body. I.2.2(6) Idem with regard to internal committees.	I.2.2.(1) Adopted I.2.2.(2) Adopted I.2.2.(3) Adopted I.2.2.(4) Adopted I.2.2.(5) Adopted I.2.2.(6) Adopted	21, 21, 22, 23, 27, 29, 34, 35 and chapter 11. Website (pages 449 to 451 of this Integrated Report)
I.2.3.	The composition and the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website. I.2.3.(1) The composition and the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website. I.2.3.(2) The number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.	I.2.3.(1) Adopted I.2.3.(2) Adopted	21, 23, 29, 35 and 61 (see point 61 chapter 11. Website pages 449 to 451 of this Integrated Report)
I.2.4.	A policy for the communication of irregularities (whistleblowing) should be adopted that guarantees the suitable means of communication and treatment of those irregularities with the safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality is requested.	Adopted	49
I.3. Relationships between the company bodies GRI 102-17, 102-26			
Principle	Members of the company's boards, especially directors, should create, considering the duties of each of the boards, the appropriate conditions to ensure balanced and efficient measures to allow for the different governing bodies of the company to act in a harmonious and coordinated way, in possession of the suitable amount of information in order to carry out their respective duties.		
I.3.1.	The bylaws, or other equivalent means adopted by the company should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.	Adopted	18 and 21

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 - Corporate Governance
I.3.2.	Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.	Adopted	18 and 21
I.4. Conflicts of interest GRI 102-25			
Principle	The existence of current or potential conflicts of interest between members of the company's bodies or committees and the company, should be prevented. The non-interference of the member in conflict in the decision process should be guaranteed.		
I.4.1.	The members of the managing and supervisory boards and the internal committees are bounded, by internal regulation or equivalent, to inform the respective board or committee whenever there are facts that may constitute or give rise to a conflict between their interests and the company's interest.	Adopted	21
I.4.2.	Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.	Adopted	21
I.5. Related party transactions			
Principle	Due to the potential risks that they may hold, transactions with related parties should be justified by the interest of the company and carried out under market conditions, subject to principles of transparency and adequate supervision.		
I.5.1.	The managing body should disclose, in the corporate governance report or by other means publicly available, the internal procedure for verifying transactions with related parties.	Adopted	38, 89 and 91
I.5.2.	The managing body should report to the supervisory body the results of the internal procedure for verifying transactions with related parties, including transactions under analysis, at least every six months.	n.a.	91
II. Shareholders and general meetings GRI 102-29, 102-37			
Principle II.A.	As an instrument for the efficient functioning of the company and the fulfilment of the corporate purpose of the company, the suitable involvement of the shareholders in matters of corporate governance is a positive factor for the company's governance.		
Principle II.B.	The company should stimulate the personal participation of shareholders in general meetings, which is a space for communication by the shareholders with the company's boards and committees and also for reflection about the company itself.		
Principle II.C.	The company should implement adequate means for participation and remote voting by shareholders in meetings.		
II.1.	The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote. II.1.(1) The company should not set an excessively high number of shares to confer voting rights, II.1.(2) and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.	II.1.(1) Adopted II.1.(2) n.a.	12
II.2.	The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.	Adopted	14

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 - Corporate Governance
II.3.	The company should implement adequate means for the remote participation by shareholders in the general meeting, which should be proportionate to its size.	Adopted	12
II.4.	The company should also implement adequate means for the exercise of remote voting, including by correspondence and electronic means.	Adopted	12
II.5.	The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution — without increased quorum in comparison to the legally established — and in that resolution, all votes cast will be counted without observation of the imposed limits.	n.a.	5 and 13
II.6.	The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.	Adopted	4
III. Non-executive management, monitoring and supervision			
Principle III.A.	The members of corporate bodies who possess non-executive management duties or monitoring and supervisory duties should, in an effective and judicious manner, carry out monitoring duties and incentivize executive management for the full accomplishment of the corporate purpose, and such performance should be complemented by committees for areas that are central to corporate governance.		
Principle III.B.	The composition of the supervisory body and the non-executive directors should provide the company with a balanced and suitable diversity of skills, knowledge, and professional experience.		
Principle III.C.	The supervisory body should carry out a permanent oversight of the company's managing body, also in a preventive perspective, following the company's activity and, in particular, the decisions of fundamental importance.		
III.1.	Without prejudice to the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.	n.a.	17 and 18 and 21.1

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 - Corporate Governance
III.2.	The number of non-executive members in the management body, as well as the number of the members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed. The formation of such suitability judgment should be included in the corporate governance report. III.2.(1) The number of non-executive members in the management body should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed. The formation of such suitability judgment should be included in the corporate governance report. III.2.(2) Idem with regard to the supervisory body. III.2.(3) Idem with regard to the number of committee members for financial matters.	III.2.(1) Adopted III.2.(2) Adopted III.2.(3) n.a.	15, 17, 18 and 31
III.3.	In any case, the number of non-executive directors should be higher than the number of executive directors.	Adopted	17 and 18
III.4.	Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to: i. Having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non- consecutive basis; ii. Having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years; iii. Having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person; iv. Having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; v. Having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings; vi. Having been a qualified holder or representative of a shareholder of qualifying holding.	Adopted[1]	17, 18, 19, 20 and 78

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 - Corporate Governance
III.5.	The provisions of paragraph (i) of recommendation III.4 do not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).	n.a.	17 and 18
III.6.	The supervisory body, in observance of the powers conferred to it by law, should assess and give its opinion on the strategic lines and the risk policy prior to its final approval by the management body. III.6.(1) The supervisory body, in observance of the powers conferred to it by law, should assess and give its opinion on the strategic lines and the risk policy prior to its final approval by the management body. III.6.(2) Idem with regard to the risk policy.	III.6.(1) Adopted III.6.(2) Adopted	38
III.7.	Companies should have specialized committees, separately or cumulatively, on matters related to corporate governance, appointments and performance assessment. In the event that the remuneration committee provided for in article 399 of the Commercial Companies Code has been created and should this not be prohibited by law, this recommendation may be fulfilled by conferring competence on such committee in the aforementioned matters. III.7.(1) Companies should have a committee specialized in matters of corporate governance. III.7.(2) Idem with regard to matters of appointments. III.7.(3) Idem with regard to the matter of performance assessment.	III.7.(1) Adopted III.7.(2) Adopted III.7.(3) Adopted	21 and 29
IV. Executive management			
Principle IV.A.	As way of increasing the efficiency and the quality of the managing body's performance and the suitable flow of information in the board, the daily management of the company should be carried out by directors with qualifications, powers and experience suitable for the role. The executive board is responsible for the management of the company, pursuing the company's objectives and aiming to contribute towards the company's sustainable development.		
Principle IV.B.	In determining the number of executive directors, it should be taken into account, besides the costs and the desirable agility in the functioning of the executive board, the size of the company, the complexity of its activity, and its geographical spread.		
IV.1.	The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors applicable to their performance of executive functions in entities outside of the group.	Adopted	26

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 - Corporate Governance
IV.2.	The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: (i) the definition of the strategy and main policies of the company; (ii) the organization and coordination of the business structure; (iii) matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics. IV.2.(1)The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: (i) the definition of the strategy and main policies of the company; IV.2.(2) (ii) the organization and coordination of the business structure; IV.2.(3) (iii) matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.	IV.2.(1) Adopted IV.2.(2) Adopted IV.2.(3) Adopted	21
IV.3.	In the annual report, the managing body explains in what terms the strategy and main policies defined seek to ensure the long-term success of the company and which the main contributions are resulting therein for the community at large.	Adopted	Chapter 2.2 Strategic lines (pages 46 to 47) of this Integrated Report)
V. Evaluation of performance, remuneration and appointment			
V.1. Annual evaluation of performance 102-28			
Principle	The company should promote the assessment of performance of the executive body and of its members individually, and also the assessment of the overall performance of the managing body and its specialized committees.		
V.1.1.	The managing body should annually evaluate its performance as well as the performance of its committees and executive directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees. V.1.1.(1) The managing body should annually evaluate its performance, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees. IV.1.1.(2) Idem with regard to the managing body's committees. V.1.1.(3) Idem with regard to the performance of the executive directors.	V.1.1.(1) Adopted V.1.1.(2) Adopted V.1.1.(3) Adopted	21, 24, 29, 66, 70 and 71
V.2. Remuneration			
Principle V.2.A.	The remuneration policy of the members of the managing and supervisory boards should allow the company to attract qualified professionals at an economically justifiable cost in relation to its financial situation, induce the alignment of the member's interests with those of the company's shareholders — taking into account the wealth effectively created by the company, its financial situation and the market's — and constitute a factor of development of a culture of professionalization, promotion of merit and transparency within the company.		
Principle V.2.B.	Directors should receive compensation: i) that suitably remunerates the responsibility taken, the availability and competence placed at the service of the company; ii) that guarantees a performance aligned with the long-term interests of the shareholders and promotes the sustainable performance of the company; and iii) that rewards performance.		

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 - Corporate Governance
V.2.1.	The company should create a remuneration committee, the composition of which should ensure its independence from the management, which may be the remuneration committee appointed under the terms of article 399 of the Commercial Companies Code.	Adopted	15, 21, 24, 66 and 67
V.2.2.	The remuneration should be set by the remuneration committee or the general meeting, on a proposal from that committee.	Adopted	15, 21, 24, 66 and 67
V.2.3.	For each term of office, the remuneration committee or the general meeting, on a proposal from that committee, should also approve the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office. The said situation as well as the amounts should be disclosed in the corporate governance report or in the remuneration report.	Adopted	83
V.2.4.	In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.	Adopted	67 and 69
V.2.5.	Within the company's budgetary limitations, the remuneration committee should be able to freely decide on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties.	Adopted	67
V.2.6.	The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee.	Adopted	67
V.2.7.	Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company and not stimulating the assumption of excessive risks.	Adopted	69, 70, 71 and 72
V.2.8.	A significant part of the variable component should be partially deferred in time, for a period of no less than three years, being necessarily connected to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.	Adopted	70 and 72
V.2.9.	When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the starting of the exercise period should be deferred in time for a period of no less than three years.	Adopted	69, 70, 71, 72, 74 and 85
V.2.10.	The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.	Adopted	69 and 70
V.3. Appointments			
Principle	Regardless of the manner of appointment, the profile, the knowledge and the curriculum of the members of the company's governing bodies, and of the executive staff, should be suited to the functions carried out.		

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 - Corporate Governance
V.3.1.	The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.	Adopted	19, 21 and 29
V.3.2.	The overview and support to the appointment of members of senior management should be attributed to a nomination committee unless this is not justified by the company's size.	n.a.(2)	21, 29 and 66
V.3.3.	This nominating committee includes a majority of non–executive, independent members.	n.a. (2)	21, 29 and 66
V.3.4.	The nominating committee should make its terms of reference available and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organization, a suitable diversity, including gender diversity.	n.a. (2)	21, 29 and 66
VI. INTERNAL CONTROL GRI 102-30			
Principle	Based on its mid and long-term strategies, the company should establish a system of risk management and control, and of internal audit, which allow for the anticipation and minimization of risks inherent to the company's activity.		
VI.1.	The managing body should debate and approve the company's strategic plan and risk policy, which should include the establishment of limits on risk-taking. VI.1.(1) The managing body shall debate and approve the strategic plan. VI.1.(2) The managing body shall debate and approve the company's risk policy, which includes the establishment of limits on risk-taking.	VI.1.(1) Adopted VI.1.(2) Adopted	21, 50, 52 and 54 (see for points 52 and 54 subchapter 2.7.1. Description of the Risk Management Process, chapter 2.7. Risk Management pages 60 to 66 of this Integrated Report)
VI.2.	The supervisory board should be internally organized, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body.	Adopted	38
VI.3.	The internal control systems, comprising the functions of risk management, compliance, and internal audit, should be structured in terms adequate to the size of the company and the complexity of the inherent risks to its activity. The supervisory body should evaluate them and, within its competence to supervise the effectiveness of this system, propose adjustments where they are deemed to be necessary.	Adopted	38, chapter 2.7. Risk Management (see pages 60 to 66 of this Integrated Report)
VI.4.	The supervisory body should provide its view on the work plans and resources allocated to the services of the internal control system, including the risk management, compliance and internal audit functions, and may propose the adjustments deemed to be necessary.	Adopted	38
VI.5.	The supervisory body should be the recipient of the reports prepared by the internal control services, including the risk management functions, compliance and internal audit, at least regarding matters related to the approval of accounts, the identification and resolution of conflicts of interest, and the detection of potential irregularities.	Adopted	38

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 - Corporate Governance
VI.6.	Based on its risk policy, the company should establish a risk management function, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; and (iv) the monitoring procedures, aiming at their follow-up. VI.6.(1) Based on its risk policy, the company should establish a risk management function, identifying (i) the main risks it is subject to in carrying out its activity, VI.6.(2) (ii) the probability of occurrence of those risks and their respective impact, VI.6.(3) (iii) the devices and measures to adopt towards their mitigation and VI.6.(4) (iv) the monitoring procedures, aiming at their follow-up.	VI.6.(1) Adopted VI.6.(2) Adopted VI.6.(3) Adopted VI.6.(4) Adopted	50 to 55 (see for points 52 to 54 subchapter 2.7.1. Description of the Risk Management Process of chapter 2.7. Identification of risks (risk matrix) and CTT response, chapter 2.7. Risk Management, pages 60 to 66 of this Integrated Report)
VI.7.	The company should establish procedures for the supervision, periodic evaluation, and adjustment of the internal control system, including an annual evaluation of the level of internal compliance and the performance of that system, as well as the perspectives for amendments of the risk structure previously defined.	Adopted	21, 38, 50, 52 and 54 (see for points 52 and 54 subchapter 2.7.1. Description of the Risk Management Process, chapter 2.7. Risk Management pages 60 to 66 of this Integrated Report)
VII. FINANCIAL INFORMATION			
VII.1 Financial Information			
Principle VII.A.	The supervisory body should, with independence and in a diligent manner, ensure that the managing body complies with its duties when choosing appropriate accounting policies and standards for the company, and when establishing suitable systems of financial reporting, risk management, internal control, and internal audit.		
Principle VII.B.	The supervisory body should promote an adequate coordination between the internal audit and the statutory audit of accounts.		
VII.1.1.	The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.	Adopted	38
VII.2 Statutory audit of accounts and supervision			
Principle	The supervisory body should establish and monitor clear and transparent formal procedures on the relationship of the company with the statutory auditor and on the supervision of compliance, by the auditor, with rules regarding independence imposed by law and professional regulations.		
VII.2.1.	By internal regulations, the supervisory body should define, according to the applicable legal regime, the monitoring procedures aimed at ensuring the independence of the statutory audit.	Adopted	37 and 38

Recommendations of the IPCG Code		Comply or explain	Points of Chapter 5 - Corporate Governance
VII.2.2.	The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company. VII.2.2.(1) The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, VII.2.2.(2) having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.	VII.2.2.(1) Adopted VII.2.2.(2) Adopted	38
VII.2.3.	The supervisory body should annually assess the work conducted by the statutory auditor, their independence and their suitability in carrying out their functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.	Adopted	38 and 45

Comply or Explain

(1) **Recommendation III.4**

"Each company should include a number of non-executive directors that corresponds to ***no less than one third****, but always plural, who satisfy the legal* ***requirements of independence****. For the purposes of this recommendation, an independent person is one who is not* ***associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision****, namely due to:*

i. having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non–consecutive basis;
ii. having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years;
iii. having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person;
iv. having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties;
v. having lived in a non–marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings;
vi. having been a qualified holder or representative of a shareholder of qualifying holding."

Although there is no total coincidence of criteria for assessing the independence of non–executive members of the Board of Directors, between, on the one hand, CMVM Regulation No. 4/2013 (Point 18.1 of Annex I to said Regulation) which, in the case of the members of the Board of Directors who are also members of the Audit Committee, refers to the Portuguese Companies Code, and, on the other hand, the IPCG Code which generally refers to independence requirements without express reference to the regime of the Portuguese Companies Code as regards the members of the Audit Committee, **the Company fully complies with Recommendation III.4. of IPCG Code** to the extent that, in accordance with the criteria defined for the purposes of this Recommendation, 43% of all its Directors are independent. The percentage rises to 67% when measured solely in terms of its non-executive Directors.

(2) **Recommendations V.3.2. and V.3.4.**

According to the Note on Interpretation of the IPCG Corporate Governance Code 2018 (Amended in 2020) - Note no. 3, it was considered that Recommendations V.3.2. and V.3.4. **are not applicable to CTT, as these recommendations refer to the nominating committee whose function is to monitor and support the appointments of senior management and CTT does not qualify as Senior Management**, within the meaning of EU Regulation, **any person other than members of the management and supervisory bodies, and the appointment of these members is monitored and supported by the Corporate Governance, Evaluation and Nominating Committee** (see adoption of sub-recommendation III.7.(2) of the IPCG Code above).

06

Proposal for the appropriation of results

A future in local trade

6. PROPOSAL FOR THE APPROPRIATION OF RESULTS

Under the terms of article 23 of the Articles of Association of CTT - Correios de Portugal, S.A. ("CTT" or "Company"), the annual net profit, duly approved, will be appropriated as follows:

a. a minimum of 5% will be transferred to the legal reserve, until the required amount is reached;

b. a percentage will be distributed to the shareholders as dividends and as decided by the General Meeting;

c. the remaining amount will be appropriated as deliberated by the General Meeting in the interest of the Company.

Under the terms of article 295(1) of the Portuguese Companies Code ("PCC"), a minimum of 5% is intended for the constitution of the legal reserve and, if necessary, its reintegration until this reserve reaches 20% of the share capital. As the share capital is €75,000,000.00, 20% is calculated at €15,000,000.00, whereby the legal reserve as of 31 December 2021 corresponds to the minimum amount required by the Articles of Association and the PCC.

Pursuant to article 294(1) of the PCC, save for another bylaw provision or a resolution passed with a majority of 3/4 of the votes corresponding to the share capital in a General Meeting called for that purpose, half of the financial year's distributable profits must be distributed to shareholders, as set out by law. CTT's Articles of Association contain no provision contrary to the referenced legal provision.

Distributable profits are the financial year's net profit after the constitution or increase of the legal reserve and after negative retained earnings have been covered, if applicable. As of 31 December 2021, the legal reserve is fully constituted and retained earnings are positive. For the financial year ended 31 December 2021, net profit for the year in the individual accounts amounted to €37,680,272.00.

Given the accounting rules in force, an amount of €3,618,283.00 is already reflected in the stated net profit regarding profit sharing with CTT employees and executive Board members.

Accordingly, and in compliance with the provisions applicable under the law and the Articles of Association, the Board of Directors proposes that:

a. The net profit for the 2021 financial year, totaling € 37,680,272.00, as per the individual financial statements, is allocated as follows:

Dividends*...€ 17,819,999.88

(€0.12 per share)

Retained Earnings ....€ 19,860,272.12

b. A maximum amount of €3,618,283.00 (already considered in the individual financial statements) is allocated to CTT employees and executive Board members as profit sharing.

* Excludes own shares held by the company (currently 1.500.001 own shares); in the event that, at the payment date, the number of own shares is changed, the total amount of the dividends is adjusted preserving the value of €0.12 per share.

Lisbon, 16 March 2022

The Board of Directors

07

Consolidated and individual financial statements

A future in proximity to customers

7. CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS

GRI 201-1

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED AND INDIVIDUAL STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 AND 31 DECEMBER 2021 (Euros)

		Group		Company	
		31.12.2020	31.12.2021	31.12.2020	31.12.2021
ASSETS					
Non-current assets					
Tangible fixed assets	5	294,989,377	296,287,578	243,270,945	223,537,166
Investment properties	7	7,075,908	6,327,424	7,075,908	6,327,424
Intangible assets	6	58,016,961	63,507,247	22,270,219	28,252,438
Goodwill	9	70,201,828	81,471,314	—	—
Investments in subsidiary companies	10	—	—	235,531,801	271,702,900
Investments in associated companies	11	481	481	—	—
Investments in joint ventures	12	2,925,100	17,992	2,925,100	—
Other investments	13	6,394	311,684	6,394	6,394
Group Companies	52	—	—	31,930,000	52,530,000
Accounts receivable	19	—	—	495,932	587,308
Financial assets at fair value through profit or loss	15	2,107	2,261,947	—	—
Debt securities at fair value through other comprehensive income	14	12,273,557	4,906,841	—	—
Debt securities at amortized cost	14	453,090,517	294,986,658	—	—
Other non-current assets	24	1,063,789	1,772,136	635,508	1,144,290
Credit to banking clients	20	985,355,687	1,125,984,322	—	—
Other banking financial assets	16	11,420,777	5,237,710	—	—
Deferred tax assets	51	87,891,868	87,255,087	84,780,644	83,416,006
Total non-current assets		**1,984,314,351**	**1,970,328,421**	**628,922,453**	**667,503,928**
Current assets					
Inventories	18	6,601,999	6,872,274	6,259,585	6,445,041
Accounts receivable	19	153,616,009	160,930,050	111,665,473	112,775,176
Credit to banking clients	20	107,925,845	415,924,171	—	—
Group Companies	52	—	—	2,814,465	7,437,805
Income taxes receivable	37	—	8,268	—	—
Prepayments	21	6,498,759	8,725,934	4,603,214	4,764,138
Financial assets at fair value through profit or loss	15	—	24,999,138		—
Debt securities at fair value through other comprehensive income	14	7,281,273	1,188,069	—	—
Debt securities at amortized cost	14	45,160,057	39,173,861	—	—
Other current assets	24	33,728,584	68,848,382	29,731,071	47,365,141
Other banking financial assets	16	29,456,513	9,721,536	—	—
Cash and cash equivalents	23	518,180,171	877,872,696	268,113,910	189,794,106
		908,449,210	1,614,264,378	423,187,718	368,581,407
Non-current assets held for sale	22	2,139,065	605,798	1,173,231	—
Total current assets		**910,588,275**	**1,614,870,176**	**424,360,949**	**368,581,407**
Total assets		**2,894,902,626**	**3,585,198,598**	**1,053,283,402**	**1,036,085,335**
EQUITY AND LIABILITIES					
Equity					
Share capital	26	75,000,000	75,000,000	75,000,000	75,000,000
Own shares	27	(8)	(6,404,963)	(8)	(6,404,963)
Reserves	27	65,919,935	67,078,351	65,836,605	67,051,605
Retained earnings	27	39,962,419	43,904,074	39,900,355	43,926,574
Other changes in equity	27	(47,600,236)	(43,998,612)	(47,454,842)	(43,942,681)
Net profit		16,669,309	38,404,113	16,720,995	37,680,272
Equity attributable to equity holders		149,951,419	173,982,963	150,003,105	173,310,807
Non-controlling interests	30	323,675	563,106	—	—
Total equity		**150,275,094**	**174,546,069**	**150,003,105**	**173,310,807**
Liabilities					
Non-current liabilities					
Accounts payable	34	—	—	309,007	309,007
Medium and long term debt	31	164,034,127	149,336,438	135,302,537	112,714,883
Employee benefits	32	264,369,292	260,805,742	262,426,248	258,892,489
Provisions	33	17,416,354	14,679,520	12,369,072	10,469,392
Prepayments	21	283,289	272,088	283,289	272,088
Other banking financial liabilities	16	44,506,988	277,760,616	—	—
Deferred tax liabilities	51	2,793,698	2,427,513	2,639,362	2,342,255
Total non-current liabilities		**493,403,748**	**705,281,916**	**413,329,515**	**385,000,114**
Current liabilities					
Accounts payable	34	375,562,902	350,304,332	342,809,432	312,508,476
Banking clients' deposits and other loans	35	1,688,465,160	2,121,511,345	—	—
Group Companies	52	—	—	25,403,386	23,551,847
Employee benefits	32	18,630,568	21,090,144	18,599,613	21,062,563
Income taxes payable	37	1,340,420	11,611,897	2,439,808	9,705,744
Short term debt	31	42,832,626	51,783,012	27,245,348	34,942,393
Prepayments	21	3,412,059	3,452,240	2,446,754	2,520,645
Other current liabilities	36	99,493,397	118,594,781	71,006,442	73,482,746
Other banking financial liabilities	16	21,486,652	27,022,862	—	—
Total current liabilities		**2,251,223,784**	**2,705,370,613**	**489,950,783**	**477,774,413**
Total liabilities		**2,744,627,532**	**3,410,652,529**	**903,280,298**	**862,774,528**
Total equity and liabilities		**2,894,902,626**	**3,585,198,598**	**1,053,283,402**	**1,036,085,335**

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED AND INDIVIDUAL INCOME STATEMENT FOR THE TWELVE MONTH PERIODS ENDED 31 DECEMBER 2020 AND 31 DECEMBER 2021

Euros

		Group				Company			
	NOTES	Twelve months ended		Three months ended		Twelve months ended		Three months ended	
		31.12.2020	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**
Sales and services rendered	4/40	672,854,025	757,727,347	188,951,581	209,241,453	468,833,332	475,056,506	124,632,891	124,330,222
Financial margin	41	44,636,907	55,776,365	11,814,868	15,329,231	—	—	—	—
Other operating income	42	27,749,403	34,366,502	10,211,951	10,413,590	44,710,790	51,729,627	14,952,111	13,831,497
		745,240,335	847,870,214	210,978,400	234,984,274	513,544,122	526,786,133	139,585,002	138,161,719
Cost of sales	18	(19,218,064)	(26,214,696)	(5,897,765)	(12,345,420)	(18,607,910)	(19,955,770)	(5,736,972)	(6,479,027)
External supplies and services	43	(256,144,789)	(330,550,693)	(74,338,907)	(92,715,390)	(111,195,328)	(133,173,920)	(30,280,487)	(37,457,769)
Staff costs	44	(342,488,107)	(358,012,815)	(91,046,599)	(90,330,540)	(293,331,088)	(298,137,445)	(78,115,122)	(74,006,304)
Impairment of accounts receivable, net	45	(5,613,098)	(2,614,663)	(901,621)	(915,923)	(2,794,597)	(1,115,625)	(429,035)	(227,952)
Impairment of non-depreciable assets	12	—	(2,193,233)	—	(2,193,233)	—	(2,193,233)	—	(2,193,233)
Impairment of other financial banking assets	45	(8,916,969)	(14,050,228)	(1,333,741)	(4,283,833)	—	—	—	—
Provisions, net	33	(853,298)	3,886,116	69,532	2,589,065	(83,122)	3,039,668	(209,822)	1,782,974
Depreciation/amortization and impairment of investments, net	46	(62,135,823)	(58,006,442)	(16,080,957)	(14,792,627)	(46,597,825)	(39,516,410)	(12,024,269)	(9,771,655)
Net gains/(losses) of assets and liabilities at fair value through profit or loss	47	—	1,101,005	—	1,101,005	—	—	—	—
Net gains/(losses) of other financial assets at fair value through other comprehensive income	47	380,000	—	380,000	—	—	—	—	—
Gains / (losses) on derecognition of financial assets and liabilities at amortized cost	47	—	17,776,526	—	—	—	—	—	—
Other operating costs	48	(16,194,526)	(18,075,662)	(4,437,048)	(4,762,991)	(8,752,418)	(9,648,982)	(2,638,063)	(2,798,222)
Gains/losses on disposal of assets	49	451,469	956,539	(155,309)	50,661	678,502	987,331	63,944	30,290
		(710,733,205)	(785,998,245)	(193,742,415)	(218,599,225)	(480,683,786)	(499,714,387)	(129,369,826)	(131,120,897)
		34,507,130	**61,871,969**	**17,235,985**	**16,385,049**	**32,860,335**	**27,071,746**	**10,215,175**	**7,040,823**
Interest expenses	50	(9,660,185)	(8,532,413)	(2,350,307)	(2,145,911)	(8,366,012)	(7,167,982)	(2,033,491)	(1,790,091)
Interest income	50	20,091	25,394	9,336	10,301	525,238	852,226	164,195	263,582
Gains/losses in subsidiary, associated companies and joint ventures	10/11/12	(1,741,529)	(2,557,449)	(658,864)	(878,612)	(958,448)	22,068,979	6,095,223	6,509,158
		(11,381,623)	(11,064,467)	(2,999,835)	(3,014,221)	(8,799,222)	15,753,223	4,225,927	4,982,649
Earnings before taxes		**23,125,507**	**50,807,502**	**14,236,150**	**13,370,828**	**24,061,113**	**42,824,969**	**14,441,101**	**12,023,472**
Income tax for the period	51	(6,358,973)	(12,216,200)	(1,885,233)	(1,217,135)	(7,340,118)	(5,144,697)	(2,112,215)	(890,126)
Net profit for the period		**16,766,534**	**38,591,303**	**12,350,917**	**12,153,694**	**16,720,995**	**37,680,272**	**12,328,886**	**11,133,345**
Net profit for the period attributable to:									
Equity holders		16,669,309	38,404,113	12,339,831	12,095,451	—	—	—	—
Non-controlling interests	30	97,225	187,190	11,086	58,243	—	—	—	—
Earnings per share:	29	**0.11**	**0.26**	**0.08**	**0.08**	**0.11**	**0.25**	**0.08**	**0.07**

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED AND INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME FOR THE TWELVE MONTH PERIODS ENDED 31 DECEMBER 2020 AND 31 DECEMBER 2021

Euros

		Group				Company			
	NOTES	Twelve months ended		Three months ended		Twelve months ended		Three months ended	
		31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021
Net profit for the period		**16,766,534**	**38,591,303**	**12,350,917**	**12,153,694**	**16,720,995**	**37,680,272**	**12,328,887**	**11,133,345**
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)	27	(15,806)	22,345	(9,108)	32,992	23,691	55,224	(359,622)	73,557
Changes to fair value reserves	27	67,340	(56,584)	(368,717)	(19,001)	—	—	—	—
Employee benefits (non re-classifiable adjustment to profit and loss)	27/32	2,917,315	4,999,158	2,917,315	4,999,158	2,896,864	4,878,001	2,896,864	4,878,001
Deferred tax/Employee benefits (non re-classifiable adjustment to profit and loss)	27/50	(773,407)	(1,397,534)	(773,407)	(1,397,534)	(811,122)	(1,365,840)	(811,122)	(1,365,840)
Other changes in equity	27/30	(101,815)	52,242	(49,071)	7,199	—	—	—	—
Other comprehensive income for the period after taxes		**2,093,628**	**3,619,627**	**1,717,012**	**3,622,814**	**2,109,433**	**3,567,385**	**1,726,120**	**3,585,718**
Comprehensive income for the period		**18,860,162**	**42,210,930**	**14,067,929**	**15,776,508**	**18,830,428**	**41,247,657**	**14,055,007**	**14,719,063**
Attributable to non-controlling interests		81,420	239,431	1,979	95,338				
Attributable to shareholders of CTT		18,778,742	41,971,497	14,065,951	15,681,168				

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2020 AND 31 DECEMBER 2021

Euros

	NOTES	Share capital	Own Shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Non-controlling interests	Total
Balance on 31 December 2019		**75,000,000**	**(8)**	**65,852,595**	**(49,744,144)**	**10,867,301**	**29,196,933**	**242,255**	**131,414,932**
Appropriation of net profit for the year of 2019	28	—	—	—	—	29,196,933	(29,196,933)	—	—
		—	**—**	**—**	**—**	**29,196,933**	**(29,196,933)**	**—**	**—**
Other movements	27/30	—	—	—	—	(86,009)	—	(15,806)	(101,815)
Actuarial gains/losses - Health Care, net from deferred taxes	27	—	—	—	2,143,908	—	—	—	2,143,908
Changes to fair value reserves	27	—	—	67,340	—	—	—	—	67,340
Adjustments from the application of the equity method	27	—	—	—	—	(15,806)	—	—	(15,806)
Net profit for the period		—	—	—	—	—	16,669,309	97,225	16,766,534
Comprehensive income for the period		**—**	**—**	**67,340**	**2,143,908**	**(101,815)**	**16,669,309**	**81,420**	**18,860,163**
Balance on 31 December 2020		**75,000,000**	**(8)**	**65,919,935**	**(47,600,236)**	**39,962,419**	**16,669,309**	**323,676**	**150,275,095**
Appropriation of net profit for the year of 2020		—	—	—	—	16,669,309	(16,669,309)	—	—
Dividends	28	—	—	—	—	(12,750,000)	—	—	(12,750,000)
Acquisition of own shares	27	—	(6,404,954)	—	—	—	—	—	(6,404,954)
Share plan	27	—	—	1,215,000	—	—	—	—	1,215,000
		—	**(6,404,954)**	**1,215,000**	**—**	**3,919,309**	**(16,669,309)**	**—**	**(17,939,954)**
Other movements	27/30	—	—	—	—	—	—	52,242	52,242
Actuarial gains/losses - Health Care, net from deferred taxes	27	—	—	—	3,601,623	—	—	—	3,601,623
Changes to fair value reserves	27	—	—	(56,584)	—	—	—	—	(56,584)
Adjustments from the application of the equity method	27	—	—	—	—	22,345	—	—	22,345
Net profit for the period		—	—	—	—	—	38,404,113	187,190	38,591,303
Comprehensive income for the period		**—**	**—**	**(56,584)**	**3,601,623**	**22,345**	**38,404,113**	**239,431**	**42,210,930**
Balance on 30 December 2021		**75,000,000**	**(6,404,963)**	**67,078,351**	**(43,998,612)**	**43,904,074**	**38,404,113**	**563,106**	**174,546,069**

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.

INDIVIDUAL STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2020 AND 31 DECEMBER 2021

Euros

	NOTES	Share capital	Own Shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Total
Balance on 31 December 2019		**75,000,000**	**(8)**	**65,836,605**	**(49,540,583)**	**10,679,731**	**29,196,933**	**131,172,677**
Appropriation of net profit for the year of 2019	28	—	—	—	—	29,196,933	(29,196,933)	—
		—	**—**	**—**	**—**	**29,196,933**	**(29,196,933)**	**—**
Actuarial gains/losses - Health Care, net from deferred taxes	27	—	—	—	2,085,742	—	—	2,085,742
Adjustments from the application of the equity method	27	—	—	—	—	23,691	—	23,691
Restated net profit for the period		—	—	—	—	—	16,720,995	16,720,995
Restated comprehensive income for the period		**—**	**—**	**—**	**2,085,742**	**23,691**	**16,720,995**	**18,830,428**
Balance on 31 December 2020		**75,000,000**	**(8)**	**65,836,605**	**(47,454,842)**	**39,900,355**	**16,720,995**	**150,003,105**
Appropriation of net profit for the year of 2020		—	—	—	—	16,720,995	(16,720,995)	—
Dividends	28	—	—	—	—	(12,750,000)	—	(12,750,000)
Acquisition of own shares	27	—	(6,404,954)	—	—	—	—	(6,404,954)
Share plan	27	—	—	1,215,000	—	—	—	1,215,000
		—	**(6,404,954)**	**1,215,000**	**—**	**3,970,995**	**(16,720,995)**	**(17,939,954)**
Actuarial gains/losses - Health Care, net from deferred taxes	27	—	—	—	3,512,161	—	—	3,512,161
Adjustments from the application of the equity method	27	—	—	—	—	55,224	—	55,224
Net profit for the period		—	—	—	—	—	37,680,272	37,680,272
Comprehensive income for the period		**—**	**—**	**—**	**3,512,161**	**55,224**	**37,680,272**	**41,247,657**
Balance on 31 December 2021		**75,000,000**	**(6,404,963)**	**67,051,605**	**(43,942,681)**	**43,926,574**	**37,680,272**	**173,310,807**

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED AND INDIVIDUAL CASH FLOW STATEMENT FOR THE TWELVE MONTH PERIODS ENDED 31 DECEMBER 2020 AND 31 DECEMBER 2021
Euro

	NOTES	Group		Company	
		31.12.2020	31.12.2021	31.12.2020	31.12.2021
Cash flow from operating activities					
Collections from customers		663,468,181	740,511,910	481,420,564	494,878,809
Payments to suppliers		(309,560,288)	(383,512,671)	(140,242,245)	(162,322,601)
Payments to employees		(317,791,162)	(325,606,922)	(270,321,582)	(268,424,363)
Banking customer deposits		405,180,295	433,108,515	—	—
Credit to bank clients		(208,132,405)	(448,171,549)	—	—
Cash flow generated by operations		**233,164,621**	**16,329,283**	**70,856,737**	**64,131,846**
Payments/receivables of income taxes		(8,969,035)	(3,620,588)	(2,381,639)	99,398
Other receivables/payments		58,790,609	40,599,751	1,831,743	(45,828,328)
Cash flow from operating activities (1)		**282,986,196**	**53,308,446**	**70,306,841**	**18,402,916**
Cash flow from Investing activities					
Receivables resulting from:					
Tangible fixed assets		870,185	2,172,110	870,185	2,172,110
Investment properties		55,000	—	55,000	—
Financial investments	11/13	2,401,250	—	2,401,250	—
Investment in securities at fair value through other comprehensive income	14	43,425,171	13,242,636		—
Investment in securities at amortized cost	14	198,208,406	429,477,883	—	—
Demand deposits at Bank of Portugal		10,128,434	—	—	—
Other banking financial assets	16	36,190,000	26,895,000	—	11,633
Interest income		37,358	38,198	22,621	3,400,000
Loans granted	52	—	—	4,008,000	—
Payments resulting from:					
Tangible fixed assets		(25,397,586)	(16,778,472)	(16,699,452)	(8,550,467)
Intangible assets		(12,431,219)	(14,342,965)	(5,344,548)	(5,986,334)
Financial investments	8	(2,678,381)	(15,662,872)	(3,928,381)	(14,065,028)
Investment in securities at fair value through other comprehensive income	14	(61,991,546)	—	—	—
Investment in securities at amortized cost	14	(245,340,540)	(262,409,425)	—	—
Investment in securities at fair value through profit or loss	14	—	(24,999,973)	—	—
Demand deposits at Bank of Portugal		—	(4,142,200)	—	—
Other banking financial assets	16	(43,000,000)	(1,750,000)	—	—
Loans granted	52	—	—	(22,230,000)	(23,300,000)
Cash flow from investing activities (2)		**(99,523,465)**	**131,739,920**	**(40,845,325)**	**(46,318,086)**
Cash flow from financing activities					
Receivables resulting from:					
Loans obtained	31	21,293,090	100,261,411	—	—
Capital realizations and other equity instruments		—	34,000		—
Other credit institutions' deposits		250,000	—	—	—
Other banking financial liabilities	16	—	251,500,000	—	—
Payments resulting from:					
Loans repaid	31	(21,405,813)	(110,777,850)	(95,000)	(8,447,942)
Other credit institutions' deposits		(38,131,082)	—	—	—
Interest expenses		(1,442,885)	(283,653)	(1,389,153)	(189,159)
Confirming	31	—	(2,938,473)	—	—
Lease liabilities	31	(28,528,597)	(30,343,081)	(21,455,288)	(22,604,891)
Acquisition of own shares		—	(6,404,954)	—	(6,404,954)
Other banking financial liabilities	16	(31,536,230)	(20,130,815)	—	—
Dividends	28	—	(12,750,000)	—	(12,750,000)
Cash flow from financing activities (3)		**(99,501,518)**	**168,166,585**	**(22,939,441)**	**(50,396,946)**
Net change in cash and cash equivalents (1+2+3)		83,961,213	353,214,950	6,522,074	(78,312,116)
Changes in the consolidation perimeter		—	4,915,814	—	—
Cash and equivalents at the beginning of the period		414,865,569	498,826,782	261,608,648	268,130,723
Cash and cash equivalents at the end of the period	23	498,826,782	856,957,546	268,130,723	189,818,607
Cash and cash equivalents at the end of the period		**498,826,782**	**856,957,546**	**268,130,723**	**189,818,607**
Sight deposits at Bank of Portugal		15,795,600	19,937,800	—	—
Outstanding checks of Banco CTT / Checks clearing of Banco CTT		3,575,300	1,002,263	—	—
Impairment of slight and term deposits		(17,510)	(24,913)	(16,813)	(24,501)
Cash and cash equivalents (Balance sheet)		**518,180,171**	**877,872,696**	**268,113,910**	**189,794,106**

The attached notes are an integral part of these financial statements.

CTT – CORREIOS DE PORTUGAL, S.A.

Notes to the consolidated and individual financial statements
(Amounts expressed in Euros)

TABLE OF CONTENTS

1. Introduction

1.1 CTT – Correios de Portugal, S.A. (parent company)

GRI 102-1, 102-3, 102-5

CTT – Correios de Portugal, S.A. – Sociedade Aberta ("CTT" or "Company"), with head office at Avenida D. João II, no. 13, 1999-001 in Lisbon, had its origin in the "Administração Geral dos Correios Telégrafos e Telefones" government department and its legal form is the result of successive re-organizations carried out by the Portuguese state business sector in the communications area.

Decree-Law no. 49.368, of 10 November 1969 founded the state-owned company CTT - Correios e Telecomunicações de Portugal, E. P., which started operating on 1 January 1970. By Decree-Law no. 87/92, of 14 May, CTT – Correios e Telecomunicações de Portugal, E. P., was transformed into a legal entity governed by private law, with the status of a state-owned public limited company. Finally, with the foundation of the former Telecom Portugal, S.A. by spin-off from Correios e Telecomunicações de Portugal, S.A. under Decree-Law no. 277/92, of 15 December, the Company's name was changed to the current CTT – Correios de Portugal, S.A..

On 31 January 2013 the Portuguese State through the Order 2468/12 – SETF, of 28 December, determined the transfer of the investment owned by the Portuguese State in CTT to Parpública – Participações Públicas, SGPS, S.A.

At the General Meeting held on 30 October 2013, the registered capital of CTT was reduced to 75,000,000 Euros, being from that date onward represented by 150,000,000 shares, as a result of a stock split which was accomplished through the reduction of the nominal value from 4.99 Euros to 0.50 Euros.

During the financial year ended 31 December 2013, CTT's capital was opened to the private sector. Supported by Decree-Law no. 129/2013, of 6 September and the Resolution of the Council of Ministers ("RCM") no. 62-A/2013, of 10 October, the RCM no. 62-B/2013, of 10 October and RCM no. 72-B/2013, of 14 November, the first phase of privatization of the capital of CTT took place on 5 December 2013. From this date, 63.64% of the shares of CTT (95.5 million shares) were owned by the private sector, of which 14% (21 million shares) were sold in a Public Offering and 49.64% (74.5 million shares) by Institutional Direct Selling. On 31 December 2013 the Portuguese State, through Parpública - Participações Públicas, SGPS, S.A. held 36.36% of the shares of CTT, 30.00% by holding and 6.36% by allocation.

On 5 September 2014, the second phase of the privatization of CTT took place. The shares held by Parpública - Participações Públicas, SGPS, S.A., which on that date represented 31.503% of CTT's capital, were subject to a private offering of Shares ("Equity Offering") via an accelerated book building process. The Equity Offering was addressed exclusively to institutional investors.

The shares of CTT are listed on Euronext Lisbon.

The financial statements attached herewith are expressed in Euros, as this is the functional currency of the **Group** and the **Company**.

These financial statements were approved by the Board of Directors and authorized for issue on 16 March 2022.

1.2 Business

GRI 102-1, 102-2, 102-4, 207-4

The main activity of CTT and its subsidiaries ("Group CTT" or "Group"): CTT - Expresso – Serviços Postais e Logística, S.A. and its branch in Spain, Payshop Portugal, S.A., CTT Contacto, S.A., Corre – Correio Expresso de Moçambique, S.A., Banco CTT, S.A., 321 Crédito – Instituição Financeira de Crédito, S.A., CTT Soluções Empresariais S.A., Fundo de Inovação TechTree, HCCM - Outsourcing Investment, S.A., NewSpring Services, S.A., CTT IMO - Sociedade Imobiliária, S.A. and Open Lockers, S.A. is to ensure the provision of universal postal services, to render postal services and financial services.

During 2015, within the scope of its financial services, CTT Group extended the scope of its activity with the establishment of Banco CTT, S.A., whose main activity is performing banking activities, including all the accessory, connected and similar operations compatible with the banking activity and allowed by law.

In 2020, within the scope of the activities provided in business solutions, the group expanded the scope of its activity to provide business consulting and support for business management and administration, namely, in the areas of human resources, sustainability, administrative management, information technologies, advertising and communication.

In 2021, with the entry into the consolidation perimeter of the entities HCCM - Outsourcing Investment and NewSpring Services, the Group once again expanded the scope of its activity to provide technical back-office services, advice, support and logistical support for technological activities and processing and document production; provision of services and Know-how to companies in the area of new technologies and provision of services in the area of technical and commercial support.

Also in 2021, with the establishment of the company CTT IMO - Sociedade Imobiliária, S.A., the Group expanded the scope of its activity to the purchase, exchange, sale and lease of real estate, and the resale of those acquired for this purpose, the promotion and the real estate management, as well as the administration of own real estate.

With the establishment of the company Open Lockers, S.A., the Group extended again the scope of its activity to the management, purchase, sale, production, installation, storage and maintenance of electronic or automatic lockers or other equipment for the storage, storage and collection of goods and/ or the possibility for the respective return, namely in the context of electronic commerce or traditional commerce.

The CTT Group also provides complementary services, such as the marketing of goods or provision of services on its own account or on behalf of third parties, provided that they are related with the normal operations of the public postal network, namely, the provision of information services, and the provision of public interest or general interest services.

The postal service is provided by CTT under the Concession contract of the Universal Postal Service signed on 1 September 2000 between the Portuguese Government and CTT. This Contract remained in force until 31.12.2021, beyond its expiration date - 31.12.2020 -, following its extension unilaterally decided by the Government, as per article 35-W(a) of Decree-Law No. 10-A/2020, of 13 March, as amended by Decree-Law No. 106-A/2020 of 30 December. In addition to the services rendered under the concession, CTT can provide other postal services as well as develop other activities, particularly those which enable the use of the universal service network in a profitable manner, either directly or through incorporation or interests in companies or other forms of cooperation between companies. Within these activities it should be highlighted the provision of services of public interest or general interest subject to conditions to be agreed with the State.

Following the amendments introduced by Directive 2008/6/EC of 20 February 2008 of the European Parliament and of the Council to the regulatory framework that governs the provision of postal services, in 2012 the transposition into the national legal order took place through the adoption of Law no. 17/2012, of 26 April ("Postal Law"), revoking Law No. 102/99, of 26 July, with the amendments introduced by Decree-Law No. 160/2013, of 19 November and by Law No. 16/2014, of 4 April by Decree-Law no. 49/2021, of June 14h the Postal Law establishes the legal framework for the provision of postal services in full competition in the national territory, as well as international services with origin or destination in the national territory.

Thus, since 2012, the postal market in Portugal has been fully open to competition. For reasons of general interest, the following activities and services remained reserved: placement of mailboxes on public roads for the acceptance of mail, issuance and sale of postage stamps with the word "Portugal" and registered mail used in legal or administrative proceedings.

Therefore, the scope of the universal postal service includes the following services, of national and international scope:

- A postal service for letter mail (excluding direct mail), books, catalogues, newspapers and other periodicals up to 2 kg; and
- A postal service for postal parcels up to 10 kg, as well as delivery in the country of parcels received from other Member States of the European Union weighing up to 20kg; and
- A delivery service for registered items and a service for insured items.

The concession contract signed between the Portuguese Government and CTT covers:

- The universal postal service as defined above;
- The reserved services: (i) the right to place mailboxes on public roads for the acceptance of mail, (ii) the issuance and sale of postage stamps with the word "Portugal" and (iii) the service of registered mail used in legal or administrative proceedings;
- The provision of special payment orders which allows the transference of funds electronically and physically, at national and international level, designated by postal money order service, on an exclusive basis; and
- Electronic Mailbox Service, on a non-exclusive basis.

On 23.12.2021, the Council of Ministers communicated the approval on that date of the decree amending the legal framework applicable to the provision of postal services in Portugal. The corresponding decree was promulgated on 05.02.2022 and the Decree-Law no. 22-A/2022 was published on 07.02.2022. The new concession agreement entered into force on 08.02.2022 and will have a duration of approximately seven years - until 31.12.2028. The main amendments considered in the new regulatory framework arising from the law and the new concession agreement are as follows:

1. **With regard to pricing:**

- Pursuant to the law, pricing criteria will be defined by agreement between CTT, ANACOM and the Consumer Directorate-General for periods of three years or, if no agreement is reached, by the Government. This definition shall take into consideration the sustainability and the economic and financial viability of the USO provision, and shall also consider the variation in volumes, the change in relevant costs, the quality of the service provided and the incentive to an efficient provision of the universal service;

- For the year 2022, which will be the transition period, the agreement stipulates that the prices to be implemented by CTT shall respect a maximum annual average variation of 6.80%, which considers the decline in volumes observed in the first nine months of 2021 and the variation of the Consumer Price Index for the Transport expense category, as communicated by the National Statistics Institute for the month of October 2021.

2. With regard to quality of service indicators and performance targets:

- Quality criteria shall be approved by the Government upon ANACOM's proposal, also for three-year periods, following a set of clear guidelines: ensure high levels of quality of service in line with current best practices in the European Union and the relative importance of the postal services covered by the USO, and taking into account the average standards of the European Union countries, applicable for each indicator;
- Quality indicators and performance targets defined by ANACOM on 29.04.2021 shall apply until the definition of new indicators and performance targets; as long as the current indicators remain in force, specifically in 2022, should there be any penalties, these will be translated into investment obligations that result in improvements for the benefit of the service provision and end users;
- In the event of non-compliance with the new quality indicators, the penalty to be applied by the Government will translate into investment obligations or price revisions, in accordance with the principles of proportionality, adequacy, non-discrimination and transparency.

3. Density of the postal network:

- The procedure to define the objectives of postal network density and minimum service offers is maintained, which foresees a decision by ANACOM upon CTT's proposal;
- The current criteria for the definition of objectives remain in force, with the additional obligation of ensuring the existence of a post office in each municipality. This situation already occurs, following the reopening of post offices in municipality seats voluntarily concluded by the Company.

This framework improves the decision-making mechanisms and provides clear criteria to guarantee the provision of the USO under sustainable economic conditions, promoting a better balance between the continuity of the postal service provision and the reinforcement of the Company's capacity to face the challenges of digital transition, pursuing the consistent implementation of its transformation process. For reasons of general interest, only the following activities and services have remained reserved to the concessionaire: sitting of letter boxes on the public highway intended for the deposit of postal items, issue and sale of postage stamps bearing the word Portugal and the registered mail service used in court or administrative proceedings.

2. Significant accounting policies

The significant accounting policies adopted by the **Group** and the **Company** in the preparation of the consolidated and individual financial statements are those mentioned hereinafter.

2.1 Basis of presentation

The consolidated and individual financial statements were prepared under the assumption of going concern and are prepared under the historical cost convention, except for the assets and liabilities accounted at fair value, and in accordance with the International Financial Reporting Standards, as adopted by the European Union as at 31 December 2021.

These standards include the IFRS issued by the International Accounting Standards Board ("IASB"), the IAS issued by the International Accounting Standards Committee ("IASC") and the respective interpretations – IFRIC and SIC, issued, respectively, by the International Financial Reporting Interpretation Committee ("IFRIC") and by the Standing Interpretation Committee ("SIC"). Hereinafter, these standards and interpretations are generally referred to as "IFRS".

In addition to the standards that became effective as of 1 January 2021, described in Note 2.1.1, and which are set out in the accounting policies adopted in the preparation of the consolidated and individual financial statements as at 31 December 2021 and described in Note 2.2 through Note 2.32, there are additional issued standards and interpretations, described in Note 2.1.2, which did not become mandatory in the year starting on 1 January 2021.

2.1.1 New standards or amendments adopted by the Group and the Company

The standards and amendments recently issued, already effective and adopted by the **Group** and the **Company** in the preparation of these financial statements, are as follows:

- **Amendments to IFRS 16 - Leases - Concessions related to COVID-19 at the level of rents beyond 30 June 2021 -** On 28 May 2020, the amendment to IFRS 16 named 'Concessions related to COVID-19 was issued, having introduced the following practical expedient: A lessee may choose not to assess whether a COVID-19 pandemic related lease grant is a lease modification.

  Lessees who choose to apply this expedient, account for the change to rent payments resulting from a COVID-19 pandemic related concession in the same way as they account for a change that is not a lease modification in accordance with IFRS 16.

  Initially, the practical expedient applied to payments originally due by 30 June 2021, however, due to the extention of the pandemic impact, on 31 March 2021 it has been extended to payments originally due by 30 June 2022. The change applies to annual reporting periods beginning on or after 1 April 2021.

  The practical expedient can be applied as long as the following criteria are met:
  - the change in lease payments results in a revised lease consideration that is substantially equal to, or less than, the consideration immediately preceding the change;
  - any reduction in lease payments only affects payments due on or through 30 June 2022; and
  - there are no significant changes to other terms and conditions of the lease.

- **Amendments to IFRS 4 - Insurance Contracts and Deferral of the application of IFRS 9** - This amendment refers to the temporary accounting consequences that result from the difference between the date of entry into force of IFRS 9 - Financial Instruments and the future IFRS 17 - Contracts for Safe. Specifically, the amendment made to IFRS 4 postpones until 1 January 2023 the expiry date of the temporary exemption from the application of IFRS 9 in order to align the effective date of the latter with that of the new IFRS 17.

  The referred temporary exemption is optional and only available to entities whose activities are predominantly related to insurance.

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16** – Reform of reference interest rates - phase 2 These amendments are part of the second phase of the IASB's "IBOR reform" project and allow exemptions related to the reform of the benchmark for reference interest rates, by an alternative interest rate (Risk Free Rate (RFR)). The changes include the following practical expedients:
    - A practical expedient that requires contractual changes, or changes in cash flows that are directly required by the reform, are treated in the same way as a floating interest rate change, equivalent to a movement in the market interest rate;
    - Allow changes required by the reform to be made to coverage designations and coverage documentation without discontinuing the coverage relationship; and
    - Provide temporary operational relief to entities that have to comply with the separately identifiable requirement when an RFR instrument is designated as hedging a risk component.

The **Group** and the **Company** did not register significant changes with the adoption of these standards and interpretations.

2.1.2 New standards, amendments and interpretations issued, but without effective application to the years starting on 1 January 2021 or not early adopted

2.1.2.1 The Group and the Company decided to opt for not having an early application of the following standards and/or interpretations endorsed by the EU:

- **Amendments to IFRS 3 – References to the Conceptual Framework for Financial Reporting** - This amendment updates the references to the Conceptual Framework in the text of IFRS 3, and no changes have been made to the accounting requirements for business combinations. The accounting treatment to be adopted in relation to liabilities and contingent liabilities under IAS 37 and IFRIC 21, incurred separately versus those included in a business combination, is also clarified.

  These changes will apply prospectively for annual periods beginning on or after January 1, 2022, with earlier application permitted.

- **Amendments to IAS 16 – Income obtained before entry into operation** - Clarifies the accounting treatment given to the consideration obtained with the sale of products that result from the production in the test phase of tangible fixed assets, prohibiting their deduction from the acquisition cost of the assets. The entity recognizes the income obtained from the sale of such products and the costs of their production in profit or loss.

  These changes shall apply retrospectively for annual periods beginning on or after January 1, 2022, with earlier application permitted.

- **Amendments to IAS 37 – Onerous contracts – costs of complying with a contract** - This amendment specifies that in the assessment of whether or not a contract is onerous, only expenses directly related to the performance of the contract can be considered, such as incremental costs related to direct labour and materials and the allocation of other directly related expenses such as the allocation of depreciation expenses of the tangible assets used to perform the contract. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly charged to the counterparty in accordance with the contract. This amendment shall apply to contracts which, at the beginning of the first annual reporting period to which the amendment is applied, still include unfulfilled contractual obligations, without the need to restate the comparative.

  These amendments are effective for annual periods beginning on or after 1 January 2022. The Group and the Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the period in which it first applies the amendments.

- **Amendments to IFRS 1 - Subsidiary as a first-time adopter of IFRS (included in the annual improvements for the 2018-2020 cycle)** - This improvement clarifies that, when the subsidiary chooses to measure its assets and liabilities at the amounts included in the consolidated financial statements of the parent company (assuming that no adjustment has occurred in the consolidation process), the measurement of accumulated translation differences of all foreign operations can be carried out at the amounts that would be recorded in the consolidated financial statements, based on the parent company's transition date for IFRS.

  These changes shall apply for annual periods beginning on or after January 1, 2022, with earlier application permitted.

- **Amendments to IFRS 9 – Derecognition of financial liabilities – Fees to be included in the '10 percent' variation test (included in the annual improvements for the 2018-2020 cycle)** - This improvement clarifies which fees an entity must include when evaluating whether the terms of a financial liability are materially different from the terms of the original financial liability. This improvement clarifies that in the scope of derecognition tests carried out on renegotiated liabilities, only commissions paid or received between the debtor and creditor should be included, including commissions paid or received by the debtor or creditor on behalf of the other.

  These amendments are effective for annual periods beginning on or after 1 January 2022. The **Group** and the **Company** will apply the amendments to financial liabilities that are modified or renegotiated on or after the beginning of the period in which the entity first applies the amendment.

- **Amendments to IAS 41 – Taxation and fair value measurement (included in the annual improvements for the 2018-2020 cycle) -** This improvement eliminates the requirement to exclude tax cash flows when measuring the fair value of biological assets, ensuring consistency with the principles of IFRS 13 – Fair value.

  These changes shall be applied prospectively for annual periods beginning on or after 1 January 2022, with earlier application permitted.

- **IFRS 17 – Insurance Contracts - IFRS 17 applies to all insurance contracts (ie, life, non-life, direct insurance and reinsurance) -** regardless of the type of entities issuing them, as well as to some guarantees and to some financial instruments with discretionary participation features. Broadly speaking, IFRS 17 provides an accounting model for insurance contracts that is most useful and most consistent for issuers. In contrast to the requirements of IFRS 4, which are based on previously adopted local accounting policies, IFRS 17 provides an integral model for insurance contracts, covering all relevant accounting aspects.

IFRS 17 is applicable for annual periods beginning on or after 1 January 2023.

- **Amendments to IAS 8 – Definition of accounting estimates** - The amendment clarifies the distinction between changes in accounting estimates, changes in accounting policy and the correction of errors. Additionally, it clarifies how an entity uses measurement techniques and inputs to develop accounting estimates.

  These changes shall be applied prospectively for annual periods beginning on or after 1 January 2023, with earlier application permitted.

- **Amendments to IAS 1 – Disclosure of Accounting Policies** - These amendments are intended to assist the entity in the disclosure of 'material' accounting policies, previously designated as 'significant' policies. However, due to the inexistence of this concept in the IFRS standards, it was decided to substitute the concept “materiality”, a concept already known by the users of the financial statements. When assessing the materiality of accounting policies, the entity must consider not only the size of transactions but also other events or conditions and their nature.

  These changes shall be applied prospectively for annual periods beginning on or after 1 January 2023, with earlier application permitted.

The **Group** and the **Company** did not apply any of these standards in advance to the financial statements in the twelve-month period ended 31 December 2021. No significant impacts on the financial statements resulting from their adoption are estimated.

2.1.2.2 Standards, amendments and interpretations issued that are not yet effective for the Group and the Company:

- **Amendments to IAS 1 – Presentation of financial statements – Classification of current and non-current liabilities** - This amendment seeks to clarify the classification of liabilities as current or non-current balances depending on the rights that an entity has to defer its payment, at the end of each reporting period.

  The classification of liabilities is not affected by the entity's expectations (the assessment should determine whether a right exists, but should not consider whether or not the entity will exercise such a right), or by events occurring after the reporting date, such as a default of a “covenant”.

  However, if the right to defer settlement for at least twelve months is subject to the fulfillment of certain conditions after the balance sheet date, these criteria do not affect the right to defer settlement for the purpose of classifying a liability as current or non-current. .

  This amendment also includes a new definition of “settlement” of a liability and is applicable retrospectively.

- **Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction** - The amendments clarify that payments that settle a liability are tax deductible, however it is a matter of professional judgment whether such deductions are attributable to the liability that is recognized in the financial statements or the related asset. This is important in determining whether there are temporary differences in the initial recognition of the asset or liability.

Pursuant to these amendments, the initial recognition exception is not applicable to transactions that give rise to equal taxable and deductible temporary differences. It is only applicable if the recognition of an active lease and a passive lease give rise to taxable and deductible temporary differences that are not equal.

- **Amendments to IFRS 17 - Insurance contracts - Initial application of IFRS 17 and IFRS 9 - Comparative information** - This amendment to IFRS 17 refers to the presentation of comparative information on financial assets in the initial application of IFRS 17.

  The amendment adds a transition option that allows an entity to apply an 'overlay' in the classification of a financial asset in the comparative period(s) presented in the initial application of IFRS 17. The 'overlay' allows all financial assets, including those held in connection with non-contract activities within the scope of IFRS 17 to be classified, instrument by instrument, in the comparative period(s) in line with how the entity expects these assets to be classified on initial application of IFRS 9.

These standards have not yet been adopted ("endorsed") by the European Union and, as such, were not applied by the **Group** and the **Company** in the twelve-month period ended 31 December 2021. No significant impacts are estimated on the financial statements arising from the its adoption.

2.2 Consolidation principles

The consolidated financial statements comprise financial statements of the **Company** and its subsidiaries.

Investments in companies in which the **Group** holds the control ("subsidiaries"), in other words, where the **Group** is exposed, or has rights, to variable returns from its involvement with the relevant activities of the investee and has the ability to affect those returns through its power over the investee activities, were consolidated in these financial statements by the full consolidation method. The companies consolidated by the full consolidation method are shown in Note 8.

Equity and net profit for the period corresponding to third-party participation in subsidiaries are reflected separately in the consolidated financial position statement and consolidated income statement and comprehensive income statement in the caption Non-controlling interests. The gains and losses attributable to non-controlling interests are allocated to them.

The Group applies the purchase method to account for the acquisition of subsidiaries. The acquisition cost is measured at the fair value of the assets delivered, the equity instruments issued and the liabilities incurred or assumed on the acquisition date.

The assets and liabilities of each **Group** company are initially measured at fair value as of the date of acquisition, as established in IFRS 3. Any excess of cost over the fair value of the net assets and liabilities acquired is recognized as goodwill. If the difference between the cost and the fair value of the assets and liabilities acquired is negative, it is recorded as income of the year.

Transaction costs directly attributable to business combinations are immediately recognized in profit and loss.

Non-controlling interests include the third parties' portion of the fair value of the identifiable assets and liabilities as of the date of acquisition of the subsidiaries.

Subsidiaries are consolidated using the full method from the date on which control is transferred to the **Group**. In the acquisition of additional shares of capital in companies already controlled by the **Group**, the difference between the percentage of capital acquired and the respective acquisition value is recorded directly in equity under the caption Retained earnings. When, on the date of acquisition of control, the **Group** already holds a previously acquired shareholding, the fair value of that shareholding contributes to the determination of goodwill or negative goodwill.

In the case of disposals of shares resulting in the loss of control over a subsidiary, any remaining shareholding is revalued at market value on the date of sale and the gain or loss resulting from this revaluation is recorded in the income statement, as well as the gain or loss loss resulting from such disposal. Subsequent transactions involving the sale or acquisition of shares to non-controlling interests, which do not imply a change in control, do not result in the recognition of gains, losses or goodwill, and any difference between the transaction value and the book value of the transacted participation is recognized in the Equity, in Other Equity instruments.

The results of subsidiaries acquired or sold during the year are included in the consolidated income statement from the date of acquisition up to the date of disposal.

Whenever necessary, adjustments are made to the financial statements of the subsidiaries to be in accordance with the **Group**'s accounting policies. Transactions (including unrealized gains and losses on sales between **Group** companies), balances and dividends distributed between **Group** companies are eliminated in the consolidation process.

The investments in associated companies and joint ventures are booked in the financial statements using the equity method (note 2.10).

2.3 Segment reporting

The **Group** presents the operational segments based on internal management information.

In accordance with IFRS 8, an operating segment is a **Group** component:
- (i) that engages in business activities from which it may earn revenues and incur expenses;
- (ii) whose operating results are reviewed regularly by the entity's chief operating decision maker in order to make decisions about resources to be allocated to the segment and assess its performance; and
- (iii) for which discrete financial information is available.

The **Group** did not apply the aggregation criteria provided for in paragraph 12 of IFRS 8.

2.4 Transactions and balances in foreign currency

Transactions in foreign currency (a currency different from the **Group** and the **Company** functional currency) are recorded at the exchange rates in force on the transaction date. At each reporting date, the carrying values of the monetary items in foreign currency are updated at the exchange rates on that date. The carrying values of non-monetary items recorded at historical cost in foreign currency are not updated.

Favorable and unfavorable currency translation differences arising from the use of different exchange rates in force on the transaction dates and those in force on the recovery, payment or reporting dates are recognized in the profit or loss for the year.

The elements included in the Statement of Financial Position of each Group entity included in the consolidation perimeter (note 8) are measured using the currency of the economic environment in which the entity operates (functional currency). The Group's assets and liabilities expressed in a currency other than the Group's presentation currency (Euro) are translated using the exchange rates at the end of the period, and the average exchange rate in the case of the translation of results.

The following exchange rates were used in the translation of the balances and financial statements in foreign currency:

	2020		2021	
	Close	Average	Close	Average
Mozambican Metical (MZN) [(1)]	91.05000	79.78167	71.58000	76.35417
United States Dollar (USD) [(1)]	1.22710	1.14700	1.13260	1.18156
Special Drawing Right (SDR) [(1)]	1.18400	1.18347	1.23748	1.23720

[(1)] Source: Bank of Portugal
[(2)] Source: Deutsche Bundesbank Bank

2.5 Tangible fixed assets

Tangible fixed assets are recorded at their acquisition or production cost, minus accumulated depreciation and impairment losses, where applicable. The acquisition cost includes: (i) the purchase price of the asset, (ii) the expenses directly attributable to the purchase, and (iii) the estimated costs of dismantlement or removal of the asset and restoration of the location (Notes 2.22 and 33).

The depreciation of tangible assets, minus their residual estimated value, is calculated in accordance with the straight-line method, from the month when the assets are available for use, over their useful lives, which are determined according to their expected economic utility. The depreciation rates that are applied correspond, on average, to the following estimated useful lives for the different categories of assets:

	Years of useful life
Buildings and other constructions	10 – 50
Basic equipment	4 – 10
Transport equipment	4 – 7
Tools and utensils	4
Office equipment	3 – 10
Other property, plant and equipment	5 – 10

Lands are not depreciated.

Depreciation terminates when the assets are re-classified as held for sale.

Tangible fixed assets in progress correspond to tangible fixed assets that are still under construction/ production and are recorded at acquisition or production cost. These assets are depreciated from the month when they fulfil the necessary conditions to be used for their intended purpose.

The costs related to maintenance and repair of current nature are recorded as costs in the period these are incurred. Major repairs which lead to increased benefits or increased in expected useful lives are recorded as tangible fixed assets and depreciated at the rates corresponding to their expected useful life. Any replaced component is identified and written off.

The gain or loss arising from the disposal of tangible fixed assets is defined by the difference between the sale proceeds and the carrying amount of the assets and is recorded in the consolidated income statement under the heading Gains/losses on disposal of assets.

2.6 Intangible assets

Intangible assets are registered at acquisition cost, less accumulated amortization and impairment losses, when applicable. Intangible assets are only recognized when it is probable that they will result in future economic benefits for the **Group** and the **Company**, and they can be measured reliably.

Intangible assets are essentially composed of expenses related to patents, software (whenever this is separable from the hardware and associated to projects where the generation of future economic benefits is quantifiable), licenses and other user rights. Also included the expenses related to the development of R&D projects whenever the intention and technical capacity to complete this development is demonstrated, for the purpose of the projects being available for marketing or use. Research costs incurred in the search of new technical or scientific knowledge or aimed at the search of alternative solutions, are recognized through profit or loss when incurred.

Intangible assets are amortized through the straight-line method, from the month when they are available for use, during their expected useful life, which varies between 3 and 20 years:

	Years of useful life
Development projects	3
Industrial property	3 – 20
Software	3 – 10

The exceptions to the assets related to industrial property and other rights, which are amortized over the period of time during which their exclusive use takes place and intangible assets with indefinite useful life, which are not amortized, but, rather, are subject to impairment tests on an annual basis and whenever there is indication that they might be impaired.

Gains or losses arising from the disposal of intangible assets, are determined by the difference between the sales proceeds and the respective carrying value on the date of the disposal, are recorded in the consolidated income statement under the heading Gains/losses on disposal of assets.

2.7 Investment properties

Investment properties are properties (land or buildings) held by the **Group** and the **Company** to obtain rentals or for capital appreciation or both, rather than for:

a) use in the production or supply of goods or services or for administrative purposes, or
b) sale in the ordinary course of business.

Investment properties comprise mainly properties that the **Group** and the **Company** did not affect to the rendering of services and holds to earn rentals or for capital appreciation.

An Investment property is initially measured at its acquisition or production cost, including any transaction costs which are directly attributable to it. After their initial recognition, investment properties are measured at cost less any accumulated depreciation and accumulated impairment losses, when applicable.

The depreciation rates considered are between 10 and 50 years.

The **Group** and the **Company** ensure that an annual assessment of assets qualified as investment properties is carried out in order to determine any impairment and to disclose their fair value.

Costs incurred in relation to investment properties, namely with maintenance, repairs, insurance and property taxes are recognized as costs for the period in which they are incurred. Improvements which are expected to generate additional future economic benefits are capitalized.

2.8 Impairment of tangible fixed assets and intangible assets, except goodwill

The **Group** and the **Company** carry out impairment assessments of its tangible and intangible assets, whenever any event or situation occurs, which may indicate that the amount by which the asset is recorded might not be recovered. In case of the existence of such evidence, the recoverable amount of the asset is determined in order to measure the extent of the impairment loss. When it is not possible to determinate the recoverable amount of an individual asset, then the recoverable amount of the cash generating unit to which this asset belongs is estimated.

The recoverable amount of the asset or cash generating unit is the highest value between (i) its fair value minus the costs of selling it and (ii) its value in use. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The value in use arises from the future estimated discounted cash flows of the assets during their estimated useful life. The discount rate used in the discounted cash flows reflects the current market assessments of the time value of money and the specific risk of the asset.

Whenever the carrying amount of the asset or cash generating unit is higher than its recoverable amount, an impairment loss is recognized. The impairment loss is recorded in the Consolidated and individual income statement.

The reversal of impairment losses recognized in prior years is recorded whenever there is evidence that the recognized impairment losses no longer exist or have decreased, being recognized in the Consolidated and individual income statement. However, the reversal of the impairment loss is made up to the amount that would have been recognized (net of amortization or depreciation) if the impairment loss had not been recorded in the previous years.

2.9 Goodwill

Goodwill represents the excess of the acquisition cost compared with the fair value of the identifiable assets, liabilities and contingent liabilities of each entity that is acquired and included by the full consolidation method, or subsidiary, on the respective acquisition date, in accordance with IFRS 3 (Revised) – Business Combinations.

Goodwill is not amortized, but subject to impairment tests. In the assessment of the goodwill impairment, this value is allocated to the cash generating unit or units it refers to. The value in use is determined by discounting the estimated future cash flows of the cash generating unit. The recoverable amount of the cash generating units to which the goodwill refers is determined based on the assets' value in use and is calculated using valuation methodologies which are supported by discounted cash flow techniques, considering the market conditions, the time value and business risks. The discount rate used for discounting cash flows corresponds to the WACC before taxes ("Weighted Average Cost of Capital") estimated according to the rates and capital structures of the entities sector. The impairment tests are carried out on each reporting date, or earlier if impairment risk indicators were identified.

Impairment losses related to Goodwill are not reversible.

In the sale or loss of control of a cash generating unit, the corresponding goodwill is included in the determination of the capital gain or loss.

2.10 Concentration of corporate activities

Subsidiary and Associated companies
Investments in subsidiary and associated companies are recorded in the consolidated and individual statement of financial position by the equity method (Note 10 and 11), respectively.

A subsidiary company is an entity over which the **Group** and/or the **Company** exercises control. Control is presumed to exist when the **Group** and / or the **Company** is exposed or has the right to variable returns arising from its involvement in the subsidiary relevant activities and has the ability to influence those returns due to its power over the subsidiary regardless of the percentage over its equity.

On the other hand, an associated company is an entity over which the **Group** and/or the **Company** has significant influence, through participation in decisions concerning its financial and operating policies, but where the **Group** or the **Company** does not have control or joint control, which in general happens whenever the investment is between 20% and 50% of the voting rights.

In accordance with the equity method, the investments are initially recorded at their cost and subsequently adjusted by the value corresponding to the investment in the net profit or loss of the subsidiary and associated companies against "Gain/losses in subsidiary, associated companies and joint ventures", and by other changes in equity in Other comprehensive income" and by the received dividends.

Additionally, investments in subsidiary and associated companies may also be adjusted through the recognition of impairment losses. Whenever there are indications that the assets may be impaired, an assessment is carried out and the existing impairment losses are recorded in the income statement.

The excess of the acquisition cost over the fair value of the identifiable assets and liabilities of each subsidiary and/or associated company at the date of acquisition is recognized as goodwill and presented as part of the financial investment in the caption Investments in subsidiaries and/or associates. If the difference between cost and fair value of the assets and liabilities acquired is negative, it is recognized in the income statement under "Gain/losses in subsidiary, associated companies and joint ventures", after confirmation of the fair value.

Whenever the losses in subsidiary and/or associated companies exceed the investment made in these entities, the investment carrying value is reduced to zero and the recognition of future losses will be discontinued, except in what concerns the part in which the **Group** and/or the **Company** incurs in any legal or constructive obligation of assuming all these losses on behalf of the subsidiary and/or associated company, in which case a provision is recorded (note 2.22).

With the exception of goodwill impairment, if the impairment losses recorded in previous years are no longer applicable, these are reversed.

The dividends received from subsidiary and associated companies are recorded as a decrease in the carrying value of "Investments in subsidiary companies" and "Investments in associated companies", respectively.

Unrealized gains and losses on transactions with subsidiary and associated companies are eliminated in proportion to the **Group**'s interest in the subsidiary and/or associated companies, recorded against the investment in the same entity. Unrealized losses are also eliminated but only up to the point that the losses do not reflect that the transferred asset is impaired.

Joint Ventures
Investments in joint ventures are recorded in the balance sheet by the equity method. The classification of the investments in joint ventures is determined based on the existence of a contractual agreement,

which demonstrates and rules the joint control. In accordance with the equity method, the investments are initially recorded at their cost and subsequently adjusted by the value corresponding to the investment in the net profit or loss of the joint ventures against "Gain/losses in subsidiary, associated companies and joint ventures", by other changes in equity in "Other comprehensive income" and by the received dividends.

Additionally, investments in joint ventures may also be adjusted through the recognition of impairment losses. Whenever there are indications that the assets may be impaired, an assessment is carried out and the existing impairment losses are recorded as costs in the consolidated income statement, impairment losses shown to exist.

When the share of losses attributed to the **Group** is equivalent to or exceeds the value of the financial interest in jointly controlled companies, the **Group** recognizes additional losses if it has assumed obligations, or if it has made payments for the benefit of the jointly controlled entities.

Unrealized gains and losses on transactions with joint ventures are eliminated in proportion to the **Group**'s interest in the entities, recorded against the investment in the same entity. Unrealized losses are also eliminated but only up to the point that the losses do not reflect that the transferred asset is impaired.

In the case of business combinations between entities under common control, the **Group** and the **Company** apply the Book Value Method or Predecessor Accounting Method, and no goodwill is recognized.

A business combination between entities under common control is a combination in which the acquired companies or businesses are ultimately controlled by the same entity(ies), both before and after the merger.

By applying the Book-Value Method, the acquiring entity must recognize the assets acquired and the liabilities and contingent liabilities assumed at the respective cost, not needing carry out any measurement at fair value, nor is there any recognition of goodwill (or negative goodwill) or any impact in profit or loss in the individual financial statements of both entities.

2.11 Financial assets

Classification, initial recognition and subsequent measurement

At initial recognition, financial assets are classified into one of the following categories:

i) Financial assets at amortized cost;
ii) Financial assets at fair value through other comprehensive income; or
iii) Financial assets at fair value through profit or loss.

The classification is made taking into consideration the following aspects:

i) the **Group**'s business model for financial asset management; and
ii) the characteristics of the contractual cash flows of the financial asset.

Business Model Evaluation

The **Group** carries out an evaluation of the business model in which the financial instrument is held at the portfolio level, since this approach reflects the best way assets are managed and how the information is made available to management bodies. The information considered in this evaluation included:

- the policies and objectives established for the portfolio and the practical operationality of these policies, including how the management strategy focuses on receiving contractual interest or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the **Group**'s management bodies;
- assessing the risks that affect the performance of the business model (and the financial assets held under this business model) and how these risks are managed;
- the frequency, volume and frequency of sales in previous periods, the reasons for such sales and expectations about future sales. However, sales information should not be considered in isolation but as part of an overall assessment of how the **Group** establishes financial asset management objectives and how cash flows are obtained;
  and
- Evaluation if the contractual cash flows correspond only to the receipt of principal and interest (SPPI - Solely Payments of Principal and Interest).

For the purposes of this assessment, "Principal" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the consideration for the time value of money, the credit risk associated with the amount owed over a given period of time and for other risks and costs associated with the activity (e.g., liquidity risk and administrative costs), and as a profit margin.

In the evaluation of the financial instruments in which contractual cash flows refer exclusively to the receipt of principal and interest, the **Group** considered the original contractual terms of the instrument. This evaluation included the analysis of the existence of situations where contractual terms could modify the periodicity and amount of cash flows so that they do not fulfil the SPPI condition. In the evaluation process, the **Group** took into consideration:

- contingent events that may modify the periodicity and amount of cash flows;
- characteristics that result in leverage;
- prepayment and extension of maturity clauses;
- clauses that may limit the **Group**'s right to claim cash flows in relation to specific assets (e.g., contracts with clauses that prevent access to assets in default cases); and
- characteristics that may modify the compensation for the time value of money.

In addition, an advance payment is consistent with SPPI criteria, if:

- the financial asset is acquired or originated with a premium or discount in relation to the contractual nominal value;
- prepayment represents substantially the nominal amount of the contract plus accrued but unpaid contractual interest (may include reasonable compensation for prepayment); and
- the fair value of the prepayment is insignificant at the initial recognition.

Reclassification between categories of financial instruments

If the **Group** changes its financial asset management business model, which is expected to occur not frequently and exceptionally, it reclassifies all the affected financial assets in accordance with the requirements set forth in IFRS 9 - "Financial instruments". The reclassification is applied prospectively from the date it becomes effective. Pursuant to IFRS 9 - "Financial instruments", reclassifications of equity instruments for which the option to valuation at fair value has been included by the counterpart of other comprehensive income or to financial assets and liabilities classified at fair value in the fair value option are not allowed.

2.11.1 Financial assets at amortized cost

Classification

A financial asset is classified in the category "Financial assets at amortized cost" if it meets all of the following conditions:

- the financial asset is held in a business model whose main objective is the holding of assets to collect its contractual cash flows; and
- their contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the outstanding amount (SPPI).

The "Financial assets at amortized cost" category includes investments in credit institutions, credit to clients, debt securities managed based on a business model whose purpose is to receive their contractual cash flows (government and corporate bonds) and accounts receivable.

Initial recognition and subsequent measurement

Investments in credit institutions and credit to clients are recognized at the date the funds are made available to the counterparty (settlement date). Debt securities are recognized on the trade date, that is, on the date the **Group** commits itself to acquire them.

Financial assets at amortized cost are initially recognized at fair value, plus transaction costs, and subsequently measured at amortized cost. In addition, they are subject, from their initial recognition to the measurement of impairment losses for expected credit losses, which are recorded against the caption "Impairment of other financial banking assets".

Interest on financial assets at amortized cost is recognized under the caption "Financial margin", based on the effective interest rate method and in accordance with the criteria described in note 2.23.

The gains or losses generated at the time of their derecognition are recorded under the caption "Gains/ (losses) on derecognition of financial assets and liabilities at amortized cost", under the caption "Impairment of other banking financial assets" and "Impairment of accounts receivable, net" in the case of accounts receivable.

2.11.2 Financial assets at fair value through other comprehensive income

Classification

A financial asset is classified in the category "Financial assets at fair value through other comprehensive income" if it meets all of the following conditions:

i) the financial asset is held in a business model in which the purpose is to collect its contractual cash flows and the sale of this financial asset; and
ii) their contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the outstanding amount (SPPI).

In addition, in the initial recognition of an equity instrument that is not held for trading, nor a contingent consideration recognized by a purchaser in a business combination to which IFRS 3 applies, the **Group** may irrevocably choose to classify it in the category Financial assets at fair value through other comprehensive income (FVOCI). This option is exercised on a case-by-case basis, investment for investment and is only available for financial instruments that comply with the definition of equity instruments set forth in IAS 32, not applicable to financial instruments at fair value through other comprehensive income and may be used for financial instruments whose classification as an equity instrument in the sphere of the issuer is made under the exceptions provided for in paragraphs 16A to 16D of IAS 32.

Initial recognition and subsequent measurement

Debt instruments at fair value through other comprehensive income are initially recognized at fair value, plus transaction costs, and are subsequently measured at fair value. Changes in the fair value of these financial assets are recorded against other comprehensive income and, at the time of their disposal, the respective gains or losses accumulated in other comprehensive income are reclassified to a specific line item of income designated "Net gains/(losses) of other financial assets at fair value through other comprehensive income".

Debt instruments at fair value through other comprehensive income are also subject, from their initial recognition to the measurement of impairment losses for expected credit losses. Impairment losses are recognized in the income statement under the item “Financial Margin”, in consideration of other comprehensive income, and do not reduce the carrying amount of the financial asset in the balance sheet.

Interest, premiums or discounts of financial assets at fair value through other comprehensive income are recognized under "Interest and similar income calculated through the effective rate" based on the effective interest rate method and in accordance with the criteria described in note 2.23.

Equity instruments at fair value through other comprehensive income are initially recognized at fair value plus transaction costs and subsequently measured at fair value. The changes in the fair value of these financial assets are recorded by counterpart of other comprehensive income. Dividends are recognized in income when the right to receive them is attributed.

Impairment is not recognized for equity instruments at fair value through other comprehensive income, and the respective accumulated gains or losses are recorded in changes in fair value transferred to retained earnings at the time of their derecognition.

2.11.3 Financial assets at fair value through profit and loss

A financial asset is classified in the category "Financial assets at fair value through profit and loss" if the business model defined by the **Group** for its management or the characteristics of its contractual cash flows does not meet the conditions described above to be measured at amortized cost (2.11.1) or at fair value through other comprehensive income (FVOCI) (2.11.2).

Financial assets held for trading or management and whose performance is assessed on a fair value basis are measured at fair value through profit and loss because they are neither held for the collection of contractual cash flows nor the sale of these financial assets.

In addition, the **Group** may irrevocably designate a financial asset at fair value through profit or loss that meets the criteria to be measured at amortized cost or at FVOCI at the time of its initial recognition if this eliminates or significantly reduces measurement or recognition inconsistency (accounting mismatch), that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different basis.

2.11.4 Derecognition of financial assets

i) The **Group** derecognizes a financial asset when, and only when:
   - contractual rights to cash flows arising from the financial asset expire; or
   - transfers the financial asset as defined in points ii) and iii) below and the transfer meets the conditions for derecognition in accordance with point iv).

ii) The **Group** transfers a financial asset if, and only if, one of the following occurs:
   - transfer the contractual rights to receive the cash flows resulting from the financial asset; or
   - retain the contractual rights to receive the cash flows arising from the financial asset but assume a contractual obligation to pay the cash flows to one or more recipients in an agreement that satisfies the conditions set out in point (iii).

iii) When the **Group** retains the contractual rights to receive cash flows from a financial asset (the 'original asset') but assumes a contractual obligation to pay those cash flows to one or more entities (the 'final recipients'), the **Group** treats the transaction as a transfer of a financial asset if, and only if, all three conditions are satisfied:
   - the **Group** has no obligation to pay amounts to final recipients unless it receives equivalent amounts resulting from the original asset. The short-term advances by the entity with the

right to full recovery of the amount borrowed plus interest at market rates do not violate this condition;
- the **Group** is prohibited by the terms of the transfer agreement from selling or pledging the original asset other than as a guarantee to final recipients for the obligation to pay them cash flows; and
- the **Group** has an obligation to remit any cash flow it receives on behalf of the final recipients without significant delays. In addition, you are not entitled to reinvest these cash flows, except in the case of investments in cash or cash equivalents (as defined in IAS 7 Cash Flow Statements) during the short liquidation period between the date of receipt and the date of delivery required of final recipients, and interest received as a result of such investments is passed on to final recipients.

iv) When the **Group** transfers a financial asset (see item ii above), it must assess to what extent it retains the risks and benefits arising from the ownership of that asset. In this case:
- if the **Group** transfers substantially all the risks and benefits arising from the ownership of the financial asset, it derecognizes the financial asset and separately recognizes as assets or liabilities any rights and obligations created or retained with the transfer;
- if the **Group** retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset.
- if the **Group** does not transfer or substantially retain all risks and rewards of ownership of the financial asset, it must determine whether it has retained control of the financial asset. In this case:
  - if the **Group** has not retained control, it must derecognize the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained with the transfer; and
  - if the **Group** has retained control, it must continue to recognize the financial asset to the extent of its continued involvement in the financial asset.

- The transfer of risks and benefits referred to in the previous point is assessed by comparing the **Group's** exposure, before and after the transfer, to the variability of the amounts and times of occurrence of the net cash flows resulting from the transferred asset.

- The question whether the **Group** retained the control or not (see item iv above) of the transferred asset depends on the ability of the transferee to sell the asset. If the transferee has the practical capacity to sell the asset in its entirety to an unrelated third party and is able to exercise that capacity unilaterally and without the need to impose additional restrictions on the transfer, the entity is deemed not to have retained control. In all other cases, the entity shall be deemed to have retained control.

2.11.5 Loans written off

The **Group** recognizes a credit written off when it does not have reasonable expectations to recover an asset in whole or in part. This recognition occurs after all the recovery actions developed by the **Group** prove to be fruitless. Credits written-off from assets are recorded in off-balance sheet accounts.

2.11.6 Modification of financial assets

If the conditions of a financial asset are modified, the **Group** assesses whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, the contractual rights to the cash flows of the original financial asset are considered to have expired and the principles described in note 2.11.4 Derecognition of financial assets.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in the derecognition of the financial asset, then the **Group** first recalculates the gross book value of the financial asset by applying the original effective interest rate of the asset and recognizes the resulting adjustment as gain or loss of the modification in the profit or loss statement. For variable rate financial assets, the original effective interest rate used to calculate the gain or loss of the modification is adjusted to reflect current market conditions at the time of the modification. Any costs or fees incurred, and fees received as part of the modification adjust the gross book value of the modified financial asset and are amortized over the remaining term of the modified financial asset.

2.12 Equity

As instrument is classified as an equity instrument when there is no contractual obligation for its settlement to be carried out through the delivery of cash or another financial asset, regardless of its legal form, showing a residual interest in the assets of an entity after deducting all its liabilities.

Transaction costs directly attributable to the issue of equity instruments are recognized against equity as a deduction to the value of the issue. Amounts paid or received due to sales or acquisitions of equity instruments are recorded in equity, net of transaction costs.

Costs related to an issue of equity which has not been completed are recognized as costs.

Distributions to holders of equity instruments are debited directly from the equity as dividends when declared.

Own shares are recorded at their acquisition value, as a reduction in equity, under the caption “Own shares” and the gains or losses inherent to their disposal are recorded in “Other reserves”.

When any subsidiary company acquires shares in the parent company (own shares) the payment, which includes directly attributable incremental expenses, is deducted from equity attributable to equity holders of the parent company until the shares are cancelled, reissued or disposed of.

When such shares are subsequently sold or reissued, any receipt, net of directly attributable transaction expenses and taxes, is reflected in the equity of the equity holders of the company, in other reserves.

The extinction of own shares is reflected in the financial statements as a reduction in share capital and in the caption Own shares, at nominal and acquisition value, respectively, with the difference between the two amounts recorded in Other reserves.

2.13 Financial liabilities

An instrument is classified as a financial liability when it contains a contractual obligation to transfer cash or another financial asset, independently from its legal form.

Debt

Loans are recorded as liabilities at the carrying value received, net of issuance expenses, corresponding to the respective fair value on that date. They are subsequently measured at amortized cost, with the corresponding financial costs calculated based on the effective interest rate and stated through the income statement according to the accrual basis assumption, with the due and unpaid amounts as at the reporting date being classified under the item of “Debt” (Note 31).

The effective interest rate is the rate that discounts future payments over the expected life of the financial instrument to the net carrying amount of the financial liability.

For certain suppliers and with their agreement, the **Group** resorts to the payment of the amounts due, through its partner financial institutions, in the form of confirming. Due to their nature, the balances are recognized in "Debt" until their effective settlement with the financial institution. Lines of credit and other products of a financial nature, such as confirming, represent short-term liquidity reserves.

Accounts payable

Accounts payable classified as current liabilities are registered at their nominal value, which is substantially equivalent to their fair value.

Accounts payable classified as non-current liabilities, for which there is no contractual obligation to pay interest, are initially measured at their net present value and subsequently measured at their respective amortized cost, determined in accordance with the effective interest rate method.

Accounts payable (balances of suppliers and other creditors) are liabilities related to the acquisition of goods or services, in the normal course of its business. If their payment falls due within one year or less, then they are classified as current liabilities. Otherwise, they are classified as non-current liabilities.

Derivative financial instruments

Derivative financial instruments are recorded at fair value on the date on which the Group negotiates the contracts and are subsequently measured at fair value. Fair value is obtained through quoted market prices in active markets, including recent market transactions, and valuation models, namely: discounted cash flow models and option valuation models. Derivatives are considered as assets when their fair value is positive and as liabilities when their fair value is negative. Revaluation results are recognized in "Results from assets and liabilities at fair value through profit or loss".

Certain derivatives embedded in other financial instruments, such as indexing the performance of debt instruments to the value of shares or share indices, are bifurcated and treated as separate derivatives, when their risk and economic characteristics are not clearly related to those of the contract. host and this is not measured at fair value with changes recognized in profit or loss. These embedded derivatives are measured at fair value, with subsequent changes recognized in the income statement.

Derivatives are also recorded in off-balance sheet accounts at their theoretical value (notional value).

Non- derivatives banking financial liabilities

The non-derivatives banking financial liabilities include mainly deposits from costumers. These financial liabilities are recognized (i) initially at their fair value less the transaction costs and (ii) subsequently at amortized cost, based on the effective interest rate method.

The **Group** derecognize financial liabilities when they are cancelled, extinguished or expired.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position, when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.15 Share-based payments

The benefits granted to the executive members of the Board of Directors and CTT's top management under the long-term remuneration plans are recorded in accordance with the requirements of IFRS 2 – Share-based payments.

In accordance with IFRS 2, the benefits granted to be paid on the basis of own shares (equity instruments), are recognised at fair value at the date of allocation.

Since it is not possible to estimate reliably the fair value of the services received from employees, their value is measured by reference to the fair value of equity instruments.

The fair value determined at the date of allocation of the benefit is recognised as a linear cost over the period in which it is acquired by the beneficiaries as a result of their services, with the corresponding increase in equity.

When settlement is made in cash, the value of these liabilities is determined at the time of assignment and subsequently updated, at the end of each reporting period, depending on the number of shares or stock options assigned and their fair value at the date of reporting. The liability is recorded in "Staff costs" and "Other liabilities", in a straight-line manner between the date of attribution and the maturity date, in proportion to the time elapsed between those dates.

2.16 Securitization operations

The Group has three consumer credit securitization operations in progress (Ulisses Finance No.1, Chaves Funding No.8 and Ulisses Finance No.2) and one finance lease securitization operation (Fénix 1), in which it was the originator of the securitized assets. Regarding the Ulisses Finance No.1, Chaves Funding No.8 and Ulisses Finance No.2 operations, the **Group** maintained control over the assets and liabilities to the extent that it acquired their residual tranches. These entities are consolidated in the Group's financial statements in accordance with accounting policy 2.2.

Additionally, the **Group** is the sole investor in the Next Funding No.1 securitization operation, whose underlying asset is the credit card balances originated by the Universo credit card issued by Sonae Financial Services. This entity is consolidated in the Group's financial statements in accordance with accounting policy 2.2.

2.17 Impairment of financial assets

Impairment losses

The **Group** determines the expected credit losses of each operation as a result of the deterioration of credit risk since its initial recognition. For this purpose, operations are classified in one of the following three stages:

- Stage 1: operations in which there is no significant increase in credit risk since its initial recognition are classified in this stage. Impairment losses associated with operations classified at this stage correspond to the expected credit losses that result from a default event that may occur within 12 months after the reporting date (credit losses expected to 12 months).
- Stage 2: operations in which there has been a significant increase in credit risk since its initial recognition, but which are not impaired, are classified in this stage. Impairment losses associated with operations classified at this stage correspond to the expected credit losses resulting from default events that may occur over the expected residual life of the operations (expected lifetime losses).
- Stage 3: operations in an impairment situation are classified in this stage. Impairment losses associated with operations classified at this stage correspond to expected lifetime losses.

Credit operations purchased or originated in impairment situation (Purchased or Originated Credit-Impaired – POCI) are also classified in stage 3.

Forward looking information

For models based on historical data, namely those applicable to Auto Credit, the use of a Forward-Looking component based on macroeconomic variables with historical series and projections of suitable organisms that are considered relevant for the purposes of estimating default probabilities is expected. In this case, the Gross Domestic Product, the Unemployment Rate and the Harmonized Index of Consumer Prices were selected.

At the reference date, and as a result of the last revision of the Model, this component was not being applied since there were no explanatory and intuitive statistical relationships between these variables and the behavior of the historical data used.

Significant increase in credit risk (SICR)

Banking activity

Significant increase in credit risk (SICR) is determined according to a set of mostly quantitative but also qualitative criteria, in order to detect significant increases in the Probability of Default (PD), complemented by another type of information in which it stands out the behavior of customers to entities of the financial system. However, regardless of the observation of a significant increase in credit risk in an exposure, it is classified in Stage 2 when one of the following conditions is met:

- Credit with late payment over 30 days (backstop); or
- Credit with qualitative triggers subject to risk, namely those contained in Banco de Portugal Circular Letter No. 02/2014 / DSP.

Non-banking activity

A significant increase in credit risk occurs if there is an objective evidence that the financial asset is impaired, by the existence of observable data, such as the following loss events: significant financial difficulty of the debtor; restructuring of an amount due to the **Group** in terms that it would not consider otherwise; a breach of contract, such as a default or delay in interest or principal payments; if it becoming probable that the borrower will enter bankruptcy, among others factors.

Definition of financial assets in default and in impairment

Customers who meet at least one of the following criteria are considered in default:

- Existence of installments of principal or interest overdue for more than 90 days;
- Debtors in bankruptcy, insolvency or liquidation;
- Claims in litigation;
- Cross-default credits;
- Credits restructured due to financial difficulties;
- Credits in quarantine default; and
- Claims for which there is a suspicion of fraud or confirmed fraud.

Estimates of expected credit losses - Individual analysis

Clients who meet one of the following conditions are the subject of an individual analysis:

- CTT Bank's private clients with exposures above 500,000 Euros,
- Exposures to credit institutions, sovereign entities, central banks or companies through debt securities in stages 2 or 3;
- Clients from 321 Crédito with a factoring product;
- Clients with an equipment leasing product, whose active operations have an exposure greater than 70,000 Euros;
- Clients with a real statement leasing product whose active operations have an exposure greater than 75,000 Euros or whose LTV ratio is greater than 50% or nonexistent.

Estimates of expected credit losses - Collective analysis

Transactions that are not subject to an individual impairment analysis are grouped taking into account their risk characteristics and subject to a collective impairment analysis. The **Group**'s credit portfolio is divided by internal risk grades and according to the following segments:

Financial assets

Retail Offer	**Mortgage Loans**	Consists of the Bank's mortgage lending offer which has a residential real estate property as collateral, regardless of the degree of completion of its construction
	Overdrafts	Includes the Bank's overdraft offer and credit overrunning
	Car Credit	Includes 321 Crédito's used car loan with reservation of ownership
	Credit Cards	Includes the "Universo" Credit Card offer
Sovereign debt		Eurozone public debt securities and exposures obtained through the credit assignment contract
Corporate		Deposits and investments in other credit institutions, other financing granted to other credit institutions and corporate debt securities
Other		Several legacy portfolios of 321 Credit in run-off phase

The expected credit losses are estimates of credit losses that are determined as follows:

- financial assets with no signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the **Group** expects to receive;
- financial assets with impairment at the reporting date: the difference between the gross accounting value and the current value of the estimated cash flows;
- unused credit commitments: the present value of the difference between the resulting contractual cash flows if the commitment is made and the cash flows that the **Group** expects to receive;

The main inputs used to measure expected credit losses on a collective basis include the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure at Default ("Exposure at Default").

These parameters are obtained through internal models, and other relevant historical data, taking into account already existing regulatory models adapted according to the requirements of IFRS 9.

PDs are calculated based on historical data, when available, or benchmarks, in the remaining cases. If there is a change in the degree of risk of the counterparty or exposure, the estimate of the associated PD also varies. The PDs are calculated considering the contractual maturities of exposures.

The **Group** collects performance and default indicators on its credit risk exposures with analysis by type of customers and products.

LGD is the magnitude of the loss that is expected to occur if exposure goes into default. The **Group** estimates LGD parameters based on benchmarks and based on the recovery history, for the segments that exist. In the case of contracts secured by real estate, the LTV (loan-to-value) ratios are a parameter of great relevance in determining the LGD.

The EAD represents the expected exposure if the exposure and / or customer defaults. The **Group** derives EAD values from the counterparty's current exposure and potential changes to its current value as a result of contractual conditions. For commitments, the value of the EAD considers both the amount of credit used and the expectation of future potential value that may be used according to the contract.

As described above, with the exception of financial assets that consider a 12-month PD as they do not present a significant increase in credit risk, the **Group** calculates the amount of expected credit losses taking into account the risk of default during the maximum maturity period contract, even if, for the purposes of risk management, it is considered to be a longer period. The maximum contractual period shall be considered as the period up to the date on which the **Group** has the right to demand payment or terminate the commitment or guarantee.

For financial assets "Deposits in other credit institutions", "Investments in other credit institutions" and "Investments in securities", impairments are calculated by allocating:

i) a probability of default derived from the external rating of the issuer or counterparty, respectively; and

ii) a Loss Given Default (LGD) defined by the **Group**, based on data from Moody's rating agency, and depending on whether it is a Corporate or Sovereign entity.

Estimated expected credit losses - Receivables under IFRS 15

For receivables under IFRS 15, the **Group** and the **Company** apply a simplified impairment model, applying the practical expedient foreseen in IFRS 9, whereby several matrices were applied for the expected loss calculation based on the experience of actual historical losses over the period considered to be statistically significant (2 years), estimating loss rates by company and / or customer typology for the entire asset period, and not only for 12 months. The expected credit losses also incorporate a Forward-Looking component based on macroeconomic variables with historical series and suitable organisms' projections that are considered relevant for the purposes of default probabilities estimation, in this case the Gross Domestic Product.

The **Company** and the **Group** applied several matrices to calculate the expected losses of amounts receivable under IFRS 15, segmenting the expected losses calculation according to the company and the type of customer, considering the following different matrices:

- CTT customers - general customers;
- CTT customers - foreign operators;
- CTT Contacto customers;
- CTT Expresso customers - three different head offices based on the segmentation of general customers; and
- CTT Expresso customers - foreign operators.

The historical losses incurred are reviewed in order to reflect the differences between the expected economic conditions and those of the historical period used.

The expected losses are updated whenever there is a significant change in the credit risk in the company, changes in the type of customers or changes in the business or macroeconomic environment.

2.18 Inventories

Goods and raw materials, subsidiary materials and consumables are valued at the lowest cost between the acquisition cost and net realizable value, using the weighted average cost as the costing method.

The acquisition cost includes the invoice price and transport and insurance costs.

Net realizable value corresponds to the normal selling price less costs to complete production and costs to sell.

Whenever cost exceeds net realizable value, the difference is recorded in the operating costs caption "Cost of sales".

2.19 Non-current assets held for sale and discontinued operations

Non-currents assets are classified as held for sale, if the respective carrying value is expected to be realized through their sale rather than through continued use. It is considered that this situation occurs only when: (i) the sale is highly probable and the asset is available for immediate sale in its present condition, (ii) there is a commitment to sell, and (iii) the sale is expected to be completed within a 12-month period.

Non-current assets, which are classified as held for sale, are measured at the lowest between the carrying value before this classification and fair value minus costs to sell. Whenever the fair value is less than the carrying value, the difference is recognized in the item Depreciation / amortization and impairment of investments, net in the Income statement.

Non-current assets held for sale are presented in a separate caption in the consolidated statement of financial position.

Non-current assets held for sale are not depreciated or amortized.

In the scope of the banking activity and in the course of the current activity of granting credit, the **Group** runs the risk of not being able to have all of its credit reimbursed. In the case of loans with collateral, the **Group** proceeds to execute these assets in donation / adjudication to settle the credit granted.

Pursuant to the provisions of the General Regime of Credit Institutions and Financial Companies (RGICSF), banks are prevented, unless authorized by Banco de Portugal, from acquiring properties that are not essential for their installation and operation or for the pursuit of their corporate purpose (paragraph 1 of article 112 of the RGICSF), however, being able to acquire properties by reimbursement of their own credit, and the resulting situations must be regularized within a period of 2 years which, if there is a reason, may be extended by Banco de Portugal, in conditions that it determines (article114º of the RGICSF).

These assets are recorded, at their initial recognition, at the lower of their fair value less expected costs of sale and the balance sheet value of the credit granted under recovery (credit falling due in the case of finance lease contracts). Subsequently, these assets are measured at the lower of the initial recognition value and the fair value less costs to sell and are not depreciated.

Whenever the fair value, net of sales and maintenance costs (including haircuts defined in the discount table contained in Annex II of Circular Letter No. 2018/00000062) is found to be lower than the amount for which it is recognized in the **Group**'s consolidated statement of financial position, an impairment loss is recorded in the amount of the decrease in value ascertained. Impairment losses are recorded against profit or loss of the year. If the fair value net of selling costs, after the recognition of impairments, indicates a gain, the **Group** may reflect that gain up to the maximum amount of impairment that has been recorded on that asset.

Periodic property appraisals are carried out by independent appraisers specialized in this type of services.

Earnings from discontinued operations are presented on a specific line, in the income statement, after Income tax and before Net profit for the year.

Whenever the **Group** and the **Company** are committed to a plan to sell a subsidiary, which involves the loss of control over it, all the assets and liabilities of that subsidiary are classified as held for sale, provided they meet the above requirements, even if, after the sale, the **Group** and the **Company** still keep a residual interest in the subsidiary.

2.20 Distribution of dividends

The distribution of dividends, when approved by the shareholders at the Annual General Meeting of the **Company**, is recognized as a liability.

2.21 Employee benefits

GRI 201-3

The **Group** and the **Company** adopt the accounting policy for the recognition of its responsibilities for the payment of post-retirement healthcare and other benefits, the criteria set out in IAS 19, namely using the Projected unit credit method (Note 32).

In order to obtain an estimate of the value of the liabilities (Present value of the defined benefit obligation) and the cost to be recognized in each period, an annual actuarial study is prepared by an independent entity under the assumptions considered appropriate and reasonable. The present value of the defined benefit obligation is recorded as a liability under Employee benefits.

Actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions for post-employment benefits are recorded in other comprehensive income in the period in which they occur. Actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions for other long-term benefits are recorded in the “Staff costs” caption.

The **Company** and the **Group** recognize in the "Staff Costs" caption the costs of current and past services. The net interest on the liability is recognized as a financial result in the caption “Interest expenses”.

Liabilities for Past Services are recognized immediately in the income statement.

Post-employment benefits – healthcare

- IOS Plan

Workers who are integrated in “Caixa Geral de Aposentações” ("CGA", General Retirement Pension Fund) and workers who are beneficiaries of the Portuguese state pension scheme (recruited as permanent staff of the Company after 19 May 1992 and up to 31 December 2009) are entitled to the healthcare benefits established in the CTT Social Works Regulation. These benefits are extended to all permanent workers of the company, whether they are still working, or are pensioners, or in a situation of pre-retirement or retirement.

Workers hired by the company after 31 December 2009, are only entitled to the benefits provided for in the state pension scheme while they remain bound to the Company by an individual employment contract, having no rights when they become pensioners, or in a situation of pre-retirement or retirement.

Healthcare benefits include contributions to the cost of medication, medical and surgical and nursing services, as well as auxiliary diagnostic means and hospital services, as defined in the CTT Social Works Regulation.

The financing of the post-retirement healthcare plan is ensured mostly by the Company and by the beneficiaries’ co-payment upon the use of certain services, and the remaining costs are covered by the fees paid by the beneficiaries.

The maintenance of the post-employment healthcare plan benefits requires that the beneficiaries (retirees and pensioners) pay a fee corresponding to 2.25% of their respective pension. Resulting from the amendment to the Healthcare Plan, the fee was unified, and the same fee is paid for each family member enrolled. In certain special situations, an exemption from the payment of the fee may be granted, either for the beneficiaries or for family members.

The healthcare plan is regulated by CTT's Regulation of the Social Works and the management is ensured by Social and Health Management of the People and Culture Department of CTT, which in turn, hired Médis – Companhia Portuguesa de Seguros de Saúde, S.A. (Médis - Portuguese healthcare insurance company) to provide healthcare services. The contract with Médis has been in force since 1 January 2015.

The future liabilities with post-employment benefits arising from the past services of the **Group**'s employees are reflected in the **Group**'s financial statements through the recognition of a specific liability, with no plan or funding arrangement having been constituted to cover these responsibilities, being its financing made through the **Group**'s regular activity.

- Insurance policy

Following the Human Resources Optimization Program, initiated in 2016, the Company assured the workers, as part of the incentive package, the maintenance of a Healthcare Plan through a health insurance with identical coverage and co-payments, as laid down in the Regulation of the Social Works (ROS), in accordance with the following criteria:

- Workers aged 50 and over: maintenance of healthcare benefits for themselves and their family members enrolled according to ROS, through a health insurance policy, with payment of quotas in the same amount as they were paying (2.25% of their income), or higher if the future payments (if they will exist) will be higher, with mandatory delivery of income proof;

- Workers under the age of 50: maintenance of healthcare benefits according to ROS, through a health insurance policy, for a period of two years, exempt from the payment of the quota, after which they will not benefit from any healthcare solution supported by the Company.

At present, the management of this plan is carried out by Médis - Companhia Portuguesa de Seguros de Saúde, S.A..

- Post-Retirement Medical Care– SAMS

The company 321 Crédito, S.A. is responsible for paying medical care benefits to all its employees in a situation of retirement, as well as for survival pensioniers.

The provision of this medical care is ensured by the Social Medical Assistance Service (SAMS) whose post-retirement charges, for the member, are defined in clause 92 of the ACT of the banking sector published in BTE nº 38 of 2017 of October 15.

For the liability calculation, the values of Annex III in the ACT are considered, which takes into consideration the growth rate of the salary table. For the length of service rendered, the seniority date in the group was considered.

On each reporting date, the company keeps a liability recorded based on an actuarial study prepared by a specialized and independent entity that quantifies the responsibilities for the payment of medical care charges as mentioned above.

The present value of the defined benefit obligation and the cost of current services and past services are measured using the projected unit credit method.

As at 31December 2021, there were 137 active beneficiaries and 2 pensioners, benefiting from this type of health care.

Post-employment benefits – Pension Plan

The company CTT Expresso - Serviços Postais e Logística, S.A. pays to a closed group of employees of Transporta – Transportes Porta a Porta, S.A. (which was merged into CTT Expresso during the year 2019) in retirement situation, a supplementary retirement pension over the amounts paid by the Social Security.

At each reporting date, the **Group** maintains a liability based on an actuarial study prepared by a specialized and independent entity that quantifies the liabilities for the payment of supplementary pensions to employees of the company at the time it was acquired from the Portuguese State.

The present value of the defined benefit obligation and the cost of current services and past services are measured using the projected unit credit method.

As at 31 December 2021, there were 16 beneficiaries receiving this type of Complementary Pension Benefit.

Other long-term benefits

The **Group** and the **Company** also assumed, towards certain groups of workers, a series of constructive and contractual obligations, namely:

- Suspension of contracts, redeployment, pre-retirement contracts, and release from employment

The liability for the payment of salaries to employees in the above-mentioned situations or equivalent, is fully recognized in the income statement at the time they move into these conditions.

- Telephone subscription fee

CTT has assumed the obligation of the life-long payment, to a closed group of retired workers and surviving spouses (4,050 beneficiaries as at 31 December 2020 and 4,006 beneficiaries as at 31 December 2021) to those who benefited from it as at 01/06/2004, of the telephone rental charges, to a monthly amount of 15.30 Euros. During the year ended 31 December 2013, the Board of Directors of CTT, decided to modify the economic benefit. Thus, from 1 January 2014, the cash payment was replaced by a benefit in kind.

- Pensions for work accidents

The liabilities related to the payment of pensions for work accidents is restricted to workers integrated in CGA.

According to the legislation in force concerning employees integrated in CGA, CTT is liable for the costs incurred with pensions that have been attributed for damages resulting from accidents at work, and which have resulted in permanent disability or death of the worker. The value of these pensions is updated pursuant to a legal diploma.

The liabilities incurred up to 31 December 2015 will continue to be borne by CTT. As of 1 January 2016, CTT contracted an insurance policy to cover these responsibilities, as is already the case for Social Security workers.

As at 31 December 2020 and 31 December 2021 there were 64 and 65 beneficiaries, respectively, receiving this type of pension.

- Monthly life annuity (SMV)

This is an annuity provided for in the family benefits legal system set out in Decree-Law no. 133-B/97, of 30 May, as amended by the Declaration of Rectification no. 15-F/97, of 30 September, amended by Decree-Law no. 248/99, of 2 July, no. 341/99 of 25 August, no. 250/2001, of 21 September, and no. 176/2003, of 2 August.

Beneficiaries are workers, still working or retired, who have descendants over 24 years old, with physical, organic, sensorial, motor or mental disabilities, who are in a situation that prevents them from normally providing for their subsistence through the exercise of professional activity. In the case of beneficiaries integrated in the CGA, the cost of the monthly life annuity is the responsibility of CTT.

However, the SMV has been replaced by the Social Provision for Inclusion (which is intended to support persons with disabilities with the costs due to disability), established by Decree-Law no. 126-A/2017, of 6 October and anticipates that by 31 December 2023, it will cease to exist and, therefore, be paid by CTT.

The Social Provision for Inclusion is automatically allocated to the SMV beneficiaries covered by the Social Security system. However, as regards the workers who are beneficiaries of the convergent social protection regime, beneficiaries of the SMV, the Social Inclusion Benefit is not automatic, and the workers are required to request the respective conversion of the SMV, pursuant to article 52, paragraph 2 of Decree-Law no. 126-A/2017, of 6 October.

Accordingly, in order to inform the beneficiaries of these changes, the **Company** sent a letter to the CGA subscribing workers, former CGA retirees and attorneys-in-fact who have benefited from it, informing them that they should request, from the relevant Social Security services, the conversion of the SMV.

As at 31 December 2021 there were 6 beneficiaries under these conditions (6 beneficiaries as at 31 December 2020), receiving a monthly amount of 177.64 Euros, 12 months a year until 2023, at most, date on which CTT will cease to pay this benefit. This amount is updated by an Implementing Order of the Ministry of Finance and the Ministry of Labor and Social Security.

- End of Career Awards

Under clause 69 of the ACT of the banking sector published in BTE nº 38 of 2017 of October 15th, 321 Crédito, S.A. undertook the commitment to, on the retirement date, due to disability or old age, grant the employee a premium in the amount equal to 1.5 times the effective monthly remuneration earned on that date. In the event of death on the job, a premium shall be paid in the amount equal to 1.5 times the effective monthly remuneration that the worker earned at the date of death.

For this purpose, the base salary, seniority and all extra components are considered. It is presumed that their salary growth will be higher than that of the salary table in order to consider possible progressions.

The seniority periods are calculated according to the value established in Annex II of the ACT, including the increase resulting from the number of years of service.

The liability was established based on an actuarial study prepared by a specialized and independent entity and measured using the projected credit unit method.

- Death allowance resulting from an accident at work

In the sphere of 321 Crédito, death arising from a work accident shall give rise to the payment of a capital sum – death allowance – as defined in Clause 72 of the collective bargaining agreement referred to above. For the liability related to allowances due to death arising from a work accident, the calculation uses the value established in Annex II of the collective bargaining agreement, considering the growth rate of the salary table and the probabilities of death due to a work accident.

The liability was established based on an actuarial study prepared by a specialized and independent entity and measured using the projected unit credit method.

- Defined contribution plan – Open Pension Fund or Retirement Savings Plan

Following the remuneration model of the Statutory Bodies defined by the Remuneration Committee, a fixed monthly amount was determined to be allocated to an Open Pension Fund or Retirement Savings Plan to be attributed to the executive members of the Board of Directors.

This contribution falls into the definition of a defined contribution plan. Under a defined contribution plan, fixed contributions are paid into a fund but there is no legal or constructive obligation to further payments being made if the fund does not have sufficient assets to pay all of the employees' entitlements to post-employment benefits. The obligation is therefore effectively limited to the amount agreed to be contributed to the fund and the actuarial and investment risk is effectively placed on the employee. For defined contribution plans, the amount recognized in the period is the contribution payable in exchange for services rendered by employees during the period. Contributions to a defined contribution plan which are not expected to be wholly settled within 12 months after the end of the annual reporting period in which the employee renders the related service are discounted to their present value.

2.22 Provisions and contingent liabilities

Provisions (Note 33) are recognized when, cumulatively: (i) there is a present obligation (legal or constructive) arising from a past event, (ii) it is probable that its payment will be demanded, and (iii) there is a reliable estimate of the value of this obligation.

The amount of the provisions corresponds to the present value of the obligation, with the financial updating being recorded as a financial cost under the heading Interest expenses (Note 50).

The provisions are reviewed on every reporting date and are adjusted in order to reflect the best estimate at that date.

Provision for financial investments

Whenever losses in the subsidiaries or associated companies exceed the investment made in these entities, the carrying value is reduced to zero and the recognition of future losses is discontinued, except in what concerns the part in which the **Group** or the **Company** incurs in any legal or constructive obligation to assume all these losses on behalf of the associated or subsidiary company, in which case a Provision is recorded for investments in associated companies.

Restructuring provisions

Restructuring provisions are made whenever a detailed formal restructuring plan has been approved by the **Group** and it has been launched or publicly disclosed, which identifies:

- The business or part of the business concerned;
- The main affected locations;
- The location, function and approximate number of employees who will be compensated for the cease of their services;
- The expenditures that will be undertaken;
- When the plan will be implemented; and
- It raised a valid expectation in those affected that it would carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The restructuring provision includes direct expenditures arising from the restructuring, which are those entailed by the restructuring, or not associated with the ongoing activities of the entity.

The restructuring provision does not include the costs of retraining or relocating continuing staff, marketing and investments in new systems and distribution networks and are recognized on the same basis as if they appeared independently of a restructuring in the period that they occur.

The expected gains on assets disposals are not taken into account in a restructuring provision measurement, even if the assets sale is seen as part of the restructuring.

Dismantling costs provisions

Provisions are made for dismantling costs, costs of removal of the asset and costs of restoration of the site of certain assets, when these assets are in use and it is possible to reliably estimate the respective obligation, or when there is a contractual commitment to restore the spaces rented by third parties. When the time value effect is material, the environmental liabilities that are not expected to be settled in the near future are measured at their present value.

Provisions for litigations in progress

A provision for litigation in progress is recorded when there is a reliable estimate of costs to be incurred due to legal actions brought by third parties, based on the evaluation of the probability of payment based on the opinion of the lawyers.

Provision for onerous contracts

A provision for onerous contracts is measured at the present cost whenever the unavoidable costs to satisfy the contract's obligations exceeds the expected financial benefits that will be received under the same.

Contingent assets and liabilities

Whenever any of the conditions for the recognition of provisions is not met, the events are disclosed as contingent liabilities (Note 33). Contingent liabilities are: (i) possible obligations which arise from past events and whose existence will only be confirmed by the occurrence, or not, of one or more future events that are uncertain and not fully under the **Company**'s control, or (ii) present obligations which arise from past events, but which are not recognized because it is not probable that an outflow of resources which incorporates economic benefits will be necessary to settle the obligation, or the value of the obligation cannot be measured with sufficient reliability. Contingent liabilities are disclosed unless the possibility of an outflow of resources is remote.

Contingent assets and liabilities are evaluated continuously to assure that the developments are reflected properly in the financial statements.

If it becomes probable that an outflow of future economic benefits will be demanded for an item previously treated as a contingent liability, a provision is recognized in the financial statements of the period when that change in probability occurs.

If it becomes virtually certain that an economic benefits inflow will occur, the asset and related revenue are recognized in the financial statements of the period when the change will probably occur.

The **Group** does not recognize contingent assets and liabilities.

2.23 Revenue

The revenue is measured by the amount that the entity expects to be entitled to receive under the contract entered into with the customer.

The revenue recognition model is based on five steps in order to determine when the revenue should be recognized and the amount:

1) Identify the contract with a customer;
2) Identify the performance obligations in the contract;
3) Determine the transaction price;
4) Allocate the transaction price; and
5) Recognize revenue.

The revenue is recognized only when the “performance obligation” is met and depends on whether the “performance obligations” are satisfied over the period or, on the contrary, the control of the goods or services is transferred to the customer at a given point in time.

The revenue regarding the provision of postal services, namely the sales of philatelic and pre-paid products, is recognized only when the performance obligation is satisfied, i.e., only at the moment of the effective utilization of the products for mail delivery purposes. However, as some of these products have never been used by the clients, for example the philatelic products for stamps collection, CTT performed a customer survey in order to obtain information regarding the use pattern of these products and, in this way, assess the percentage of the products that are not expected to be used. In these situations, the revenue should be recognized at the time of the sale. In the remaining situations, the revenue is deferred in accordance with the referred standard of use.

The revenue from the rendering of express services is recognized only when the performance obligation is satisfied, i.e., only when the mail or parcel is delivered to the final customer, being the revenue deferred until that moment.

The revenue from the sale of merchandising products from postal business is recognized when the products are transferred to the buyer, which usually occurs at the time of the transaction, being at that time fulfilled the "performance obligation”.

The revenue from PO Boxes is recognized over the term of the contracts. By subscribing to the “PO Boxes” service, CTT customers can receive their mail at a PO box in a CTT store instead of receiving mail at their home or company headquarters. Customers pay a single annual fee for subscribing to the service, with no additional fee being paid depending on the amount of correspondence received. Thus, a single performance obligation was identified corresponding to the provision of the PO box over the period of 1 year, with revenue fully allocated to the only performance obligation identified and recognized linearly over the contract period (1 year).

The revenue and costs relative to international mail services, estimated based on surveys and indexes agreed with the corresponding postal operators, are recognized in temporary accounts in the month that the traffic occurs. The initial revenue amount is recognized in the caption “Sales and services rendered” and accounts receivable. Thus, a temporary account is an account receivable, whose amount is the best CTT’s estimate for the amount that will be invoiced by the corresponding postal operators. This temporary amount is subject to the confirmation of the counterparties, namely the volume/ weights carried and the process is managed by a compensation camera.

At the time of the final confirmation moment, the differences between the temporary amount from account receivables and the confirmed amount is recognized in the caption “Sales and services rendered” in the income statement. Historically, these differences are not significant.

The fees from collections made and from the sale of financial products are recognized on the date that the client is charged. Only the fee from collections charged by CTT is recognized as revenue, as CTT acts as an agent. The recognized revenue corresponds only to the commission charged by CTT, which acts as an agent. The amounts are settled by offsetting accounts. Regarding this, CTT deducts to the amount delivered to its customers for the collections made on customers behalf and for the financial products sales in CTT stores, the commissions amount owed in the scope of its agent performance.

The performance obligation underlying the recognition of revenue resulting from collections made by the issuer and the sale of financial products corresponds to financial intermediation in the sale / placement / redemption of financial products and collection of invoices on behalf of counterparties in intermediation contracts. The remuneration of these contracts is variable according to IFRS 15, as CTT is entitled to receive a fixed amount as a “bonus performance” when selling / placing / redeeming financial products or collecting invoices on behalf of counterparties in intermediation contracts, considering the goals/ targets defined in the contracts. This component is estimated according to the “most likely amount”, considering the intermediation amounts of the year.

The main entities with “customer” contractual position and the frequency of the account offset are as follow:

Product/ Service	Partner/ Customer	Frequency/ account offset
Postal savings certificates/ treasury	IGCP	daily
Postal collection	All entities that request the colletion service to CTT, but essentially are the utilities companies and city councils	daily
Insurance/ RSP	Fidelidade, Mapfre and Metlife	daily
Western Union	Western Union	twice a week
Penalties	ANSR	daily
Collection titles	Unions	daily

The **Group** acts as an agent in these transactions to the extent that:

- Does not obtain control of the goods or services provided to end customers;
- It does not have any inventory risk (not applicable in this type of services);
- It is not identified by the end customer as the party responsible for fulfilling the performance obligations; and
- The price of the financial product is not defined by the **Group.**

In 2021, the prices of services provided within the scope of the Universal Postal Service concession were regulated through a price agreement signed between CTT and ICP-ANACOM.

With regard to the definition of prices for services provided within the scope of the Universal Postal Service concession for the year 2022, which will act as a transition period, the prices to be implemented by CTT must respect a maximum annual average variation of 6.80 %, which considers the drop in traffic observed in the first nine months of 2021 and the variation in the Consumer Price Index for the Transport expense class, as disclosed by INE for the month of October 2021.

In the following years, prices will be determined in accordance with the pricing criteria established by agreement between CTT, ANACOM and the Directorate-General for Consumers for periods of three years or, if there is no agreement, by the Government. This definition will take into account the sustainability and economic and financial viability of the provision of the SPU, and the variation in traffic, the variation in relevant costs, the quality of the service provided and the incentive for the efficient provision of the SPU must also be considered.

Recognition of revenue in the “business solutions” line occurs when the performance obligation is satisfied, that is, on the effective date of the provision of the service to the customer. The contracts associated with each project are broken down by task (performance obligations), and the amount to be applied to each transaction is determined and the recognition made on the date on which it is satisfied. In the case of product sales, revenue is recognized only when the product is delivered to the customer. Revenue from outsourcing projects is recognized as a single performance obligation on a straight-line basis over the period, with the exception of projects that vary depending on the service actually provided whose revenue is recognized at the time this provision occurs.

The revenue from interest is recognized using the effective interest rate method, provided that it is probable that economic benefits will flow into the **Group** and the **Company**, and their amount can be measured reliably.

The **Group** and the **Company** register a portion of the interest received from deposits in other operating income, specifically interest from short-term deposits in the Financial Services segment. The **Group** and the **Company** consider the temporary investment of funds received and to be paid to third parties as one of the main operational objectives of its Financial Services segment. In the cash flow statement, this portion of interest is recognized as operating cash flow.

Within the scope of banking activity, the income from services, fees and commissions is recognized as follows:

- Fees and commissions that are earned in the execution of a significant act, are recognized as income when the significant act has been completed;
- Fees and commissions earned over the period in which the services are provided are recognized as income in the period that the services are provided; and
- Fees and commissions that are an integral part of the effective interest rate of a financial instrument are recorded through profit or loss using the effective interest rate method.

In the banking activity, interest income and expense for financial instruments measured at amortized cost and at fair value through other comprehensive income are recognized in Financial margin, through the effective interest rate method.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, for a shorter period, to the net carrying amount of the financial asset or financial liability. The effective interest rate is established in the initial recognition of financial assets or liabilities and is not subsequently reviewed.

For calculating the effective interest rate, it is estimated future cash flows considering all contractual terms of the financial instrument but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction.

In the case of financial assets or groups of similar financial assets for which impairment losses have been recognized, interest recorded in interest and similar income is determined based on the interest rate used to measure the impairment loss.

The **Group** and the **Company** do not recognize interest for financial assets in arrears for more than 90 days.

The revenue recognition criteria associated to the provision of the insurance mediation service is presented in note 2.29.

2.24 Subsidies obtained

Subsidies are recognized when there is reasonable assurance that they will be received and that the **Group** and the **Company** will comply with the conditions required for their attribution.

Investment subsidies associated to the acquisition or production of tangible fixed assets are initially recognized in non-current liabilities and are subsequently allocated, on a systematic basis, as revenue for the period, consistent and proportional to the depreciation of the assets acquired through these subsidies.

Operating subsidies, namely those for employee training, are recognized in the income statement, within the periods necessary to match them with the expenses incurred, to the extent that these subsidies are not refundable.

2.25 Leases

The **Group** leases several buildings and vehicles. Lease contracts are usually negotiated for fixed periods, but extension options may exist, although in most contracts the renewal periods require the agreement of the lessor and lessee. Rental terms and conditions are negotiated on an individual basis.

The **Group** and the **Company** determine whether a contract is a lease or includes a lease on the contract's start date.

When it comes to a lease agreement, the **Group** and the **Company** account right-of-use (RoU) assets, which are recognized in the item of Tangible fixed assets with the corresponding lease liabilities, on the date when the control over the use of the asset leased is transferred to the **Group** or the **Company.**

The **Group** and the **Company** do not use the practical expedients permitted by IFRS 16 of not considering short-term leases (12 months or less) or leases of low-value underlying assets, and the respective payments are considered for the determination of the right-of-use assets.

The **Group** and the **Company** use the practical expedient allowed by IFRS 16 to not separate the lease and non-lease components.

Lease liabilities are initially measured at the present value of the lease payments that fall due after the lease comes into effect, discounted at the implied interest rate of the contract. When this rate cannot be determined, the **Group'**s incremental interest rate is used, corresponding to the interest rate that the lessee would have to pay to obtain an asset of similar value in an economic environment with comparable terms and conditions.

Lease payments included in the measurement of lease liabilities include: fixed payments, less lease incentives receivable; variable payments that depend on an index or rate; amounts expected to be paid by the lessee as guarantees of residual value; the exercise price of a call option if the lessee is reasonably certain to exercise that option; penalty payments to terminate the lease, if the lease term reflects the exercise of the termination option.

The lease liability is measured at amortized cost, using the effective interest method and is remeasured when there are changes to future payments resulting from the application of indexes or rates or if there are other changes such as the change in the lease term, change in expectation about exercising a purchase option, renewing the term or terminating the contract. In these cases, the **Group** and the **Company** recognize the amount of the remeasurement of the Lease Liability as an adjustment to the Assets under the Right- of-Use.

For the lease term determination, the **Group** and the **Company** consider:

- the broader economics of the contract, and not only contractual termination payments, evaluating if either a party has an economic incentive not to terminate the lease such that it would incur a penalty on termination that is more than insignificant, the contract is considered enforceable beyond the date on which the contract can be terminated; and

- whether each of the parties has the right to terminate the lease without permission from the other party with no more than an insignificant penalty, a lease is no longer enforceable only when both parties have such a right. Consequently, if only one party has the right to terminate the lease without permission from the other party with no more than an insignificant penalty, the **Group** and the **Company** consider that the contract is enforceable beyond the date on which the contract can be terminated by that party.

The Rights-of-Use assets are presented in an isolated class, integrating the item of Tangible fixed assets, initially measured at the cost model, which comprises the initial value of the lease liability, adjusted for any payment made before the start date of the contract. lease, plus any initial costs incurred and an estimate for costs of dismantlement (when applicable), less any incentives received. The Right-to-Use asset is subsequently depreciated using the straight-line method in accordance with the lease term. The Right-of-Use is periodically adjusted by certain remeasurements to the Lease liabilities, namely by updating indexes or price renegotiations, and by impairment losses (if any).

Variable rents that do not depend on an index or rate are not included in the measurement of the Lease Liability or the Right-of-Use asset. Such payments are recognized as expenses in the period in which the event or condition giving rise to payments occurs.

When the **Group** or the **Company** transfers an asset to a third party, and simultaneously enters into a lease agreement for the same asset with that third party, the **Group** and the **Company** apply the requirements of IFRS 15 to determine whether the transfer qualifies as a sale of the asset.

If the transfer qualifies as a sale transaction, the **Group** and the **Company** will measure the Right-of-Use asset of the leaseback as a proportion of the previous net book value that relates to the Right-of-Use retained by the **Group** or **Company**, recording a gain or loss in proportion to the rights transferred to the third party.

If the fair value of the sale’s retribution of the asset is not equivalent to its fair value, or if the lease payments do not correspond to market values, the **Group** or **Company** will make the following adjustments to measure the results of the sale at fair value: Any terms below the market will be recorded as prepayment of the lease; and any terms above market will be accounted as an additional financing provided by the third party to the **Group** or **Company.**

When the **Group** or **Company** subleases part of the Right-of-Use asset to another entity, it starts to act as lessee in relation to the main lessor and as sublease in relation to the sublease.

As a sublease, the **Group** and the **Company** determine at the lease start date, whether the lease qualifies as financial or operational, considering: i) as the underlying asset of the sublease contract, the Right-of-Use asset recognized in the main lease agreement ; and ii) as the discount interest rate, the interest rate implicit in the sublease or the incremental interest rate of the main lease.

When the sublease contract qualifies as a finance lease, the **Group** and the **Company** derecognize the Right-of-Use asset, and record a balance receivable from the sub-leaseholder, which is subsequently settled by recording accrued interest and repayments made by the sub-leaseholder.

2.26 Borrowing costs

Financial charges related to loans are recognized in net profit, when incurred. However, interest expenses are capitalized when loans are directly attributable to the acquisition or construction of an asset that requires a substantial period of time (over one year) to reach its intended use.

Financial charges on loans obtained are recorded as financial expenses in accordance with the effective interest rate method.

2.27 Taxes

Corporate income tax (“IRC”)

Corporate income tax corresponds to the sum of current taxes and deferred taxes. Current taxes and deferred taxes are recorded under net income, unless they refer to items recorded directly in equity. In these cases, deferred taxes are also recorded under equity.

Current tax payable is based on the taxable income for the period of the **Group** companies included in the consolidation, calculated in accordance with the tax criteria prevailing at the financial reporting date. Taxable income differs from accounting income, since it excludes various costs and revenues which will only be deductible or taxable in other financial years. Taxable income also excludes costs and revenues which will never be deductible or taxable. The amount of current tax payable or receivable is the best estimate of the amount expected to be paid, reflecting the existence of uncertainty about the tax treatment of income taxes, if any, according to IFRIC 23 - Uncertainty about tax treatment of income tax. The estimate is made based on the most likely method, or, if the resolution can dictate ranges of values in question, use the expected value method.

Deferred taxes refer to temporary differences between the amounts of assets and liabilities for accounting purposes and the corresponding amounts for tax purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences. However, this recognition only takes place when there are reasonable expectations of sufficient future taxable profits to use these deferred tax assets, or when there are deferred tax liabilities whose reversal is expected in the same period that the deferred tax assets may be used. On each reporting date, a review is made of these deferred tax assets, which are adjusted according to expectations on their future use.

Deferred tax assets and liabilities are measured using the tax rates which are in force on the date of the reversal of the corresponding temporary differences, based on the taxation rates (and tax legislation) which are enacted, formally or substantially, on the reporting date, reflecting the existence of uncertainty about the tax treatment of income taxes.

CTT is covered by the special regime applicable to the taxation of groups of companies, which includes all companies in which CTT holds, directly or indirectly, at least 75% of the share capital and which are simultaneously resident in Portugal and taxed under IRC except HCCM - Outsourcing Investment, S.A., NewSpring Services, S.A., CTT IMO - Sociedade Imobiliária, S.A. and Fundo TechTree. The remaining companies are taxed individually according to their respective taxable income at the applicable tax rates.

Until 2020 inclusive, Banco CTT and its subsidiaries, eligible to be part of the RETGS, receive from CTT the amount referring to the tax loss with which it contributes to the consolidated IRC of the CTT group and, in the same way, pay CTT the amount referring to the its positive contribution to the consolidated IRC of the CTT group. As of 2021, Banco CTT Group is considered to be a “tax sub-consolidated” within the regime in which CTT – Correios de Portugal, S.A. are the dominant society. In this way, the subsidiaries of Banco CTT carry out the IRC settlements to Banco CTT, and the this pays or receives the net amount calculated for Grupo Banco CTT to the aforementioned parent company. In the event that there are historical amounts receivable from CTT by the Bank, any IRC payments to CTT are settled through the use/reduction of the amount receivable, with effective payment only taking place after there are no historical amounts receivable. The accounts payable by the parent company are currently a remunerated debt to the subsidiary.

Value Added Tax ("VAT")

For purposes of VAT, the **Company** follows the normal monthly regime, in accordance with the provisions of paragraph 1(a) of article 41 of the Portuguese VAT Code, having various exempted operations in its activity that fall under the provisions of article 9 of the Portuguese VAT Code, as well as to other non-exempted operations which are subject to VAT, and for this reason, using the effective allocation method and the pro rata method. In a similar situation is also Banco CTT, which due to the nature of its operations, essentially financial operations, also uses the pro rata method for VAT purposes. The other **Group** companies, with fiscal residence in Portugal, also follow the normal monthly regime, in accordance with the provisions of paragraph 1(a) of article 41 of the Portuguese VAT Code, performing mostly non-exempted operations, thus being subject to VAT.

2.28 Accrual basis

The revenues and costs are recorded according to the accrual basis, and therefore, are recognized as they are generated, regardless of the time they are received or paid. Differences between the revenues and costs generated and the corresponding amounts invoiced are recorded in "Other current assets" or in "Other current liabilities". Prepaid revenues and costs paid in advance are recorded under the heading Prepayments, under liabilities and assets, respectively.

2.29 Provision of the insurance mediation service

CTT, S.A. and Banco CTT Group subsidiaries namely 321 Crédito are entities authorized by the Insurance and Pension Funds Supervisory Authority ("ASF") to practice insurance mediation, in the category of Linked Insurance Mediator, according to the article 8, subparagraph a), subparagraph i), of Decree-Law no. 144/2006, of July 31, developing the activity of insurance mediation in the life and non-life lines.

Within the scope of insurance mediation services, the **Group** sells insurance contracts. As remuneration for insurance brokerage services, the **Group** receives insurance contract brokerage commissions, which are defined in agreements / protocols established with Insurance Companies.

Commissions received by insurance mediation services are recognized in accordance with the principle of accrual basis, so commissions whose receipt occurs at a different time in the period to which they refer are recorded as an amount receivable under an "Other Assets" item.

2.30 Judgements and estimates

In the preparation of the consolidated and individual financial statements, judgements and estimates were used which affect the reported amounts of assets and liabilities, as well as the reported amounts of revenues and costs during the reporting period. The estimates and assumptions are determined based on the best existing knowledge and on the experience of past and/or current events considering certain assumptions relative to future events. However, situations might occur in subsequent periods which, due to not having been predictable on the date of approval of the financial statements, were not considered in these estimates. Changes to estimates which occur after the date of the financial statements will be corrected prospectively. For this reason and in view of the associated degree of uncertainty, the real outcome of the situations in question might differ from their corresponding estimates.

The main judgements and estimates made in the preparation of the financial statements arise in the following areas:

i) Tangible fixed and intangible assets / estimated useful lives

Depreciation/amortization is calculated on the acquisition cost using the straight-line method, from the month when the asset is available for use. The depreciation/amortization rates that are applied reflect the best knowledge on the estimated useful life of the assets. The residual values of the assets and their respective useful lives are reviewed and adjusted, when deemed necessary.

ii) Impairment of Goodwill and investment in subsidiaries, associated companies and joint ventures

Goodwill and Investments in subsidiaries, associated and joint ventures are tested at least once a year, with the purpose of verifying if they are impaired, in accordance with the policy referred to in Note 2.9. The calculation of the recoverable amounts of the cash generating units involves a judgment and substantially relies on the analysis of the Management related to the future developments of the respective subsidiary. The assessment underlying the calculations that have been made uses assumptions based on the available information, both concerning the business and macro-economic environment. The variations of these assumptions can influence the results and consequent recording of impairments.

iii) Impairment of accounts receivable

The **Group** and the **Company** record expected credit losses of each operation as a result of the deterioration of the credit risk since its initial recognition. In case of expected losses in account receivables in the scope of IFRS 15 the **Group** and the **Company** applied the simplified method calculating expected credit losses until maturity for all account receivables based on past records of credit losses throughout the period considered statistically relevant, estimating the rate of expected losses by companies and customer typology.

iv) Financial instruments – IFRS 9

Classification and measurement

The classification and measurement of financial assets depends on the results of the SPPI test (analysis of the characteristics of the contractual cash flows, to conclude on whether they correspond only to payments of principal and interest on the principal in debt) and the business model test.

The **Group** determine the business model taking into account the manner in which the groups of financial assets are managed as a whole to achieve a specific business goal. This assessment requires judgement, as the following aspects must be considered, among others: the way that asset performance is assessed; and the risks that affect the performance of the assets and how these risks are managed.

The **Group** monitors the financial assets measured at amortized cost and at fair value through other comprehensive income that are derecognized before their maturity, in order to understand the reasons underlying their divestment and to determine if they are consistent with the objective of the business model defined for these assets. This monitoring is inserted within the **Group'**s process of continuous assessment of the business model of the financial assets that remain in the portfolio, in order to determine whether it is appropriate, and if it not, whether there has been a change of the business model and consequently a prospective change of the classification of these financial assets.

Impairment losses in financial assets at amortized cost and debt instruments at fair value through other comprehensive income

The determination of the impairment losses of financial instruments involves judgements and estimates relative to the following aspects, among others:
Significant increase of credit risk: Impairment losses correspond to the expected losses in case of default over a time horizon of 12 months for assets at stage 1, or estimated maturity if lower, and the expected losses considering the probability of occurrence of a default event any time up to the maturity date of the financial instrument for assets at stage 2 and 3. An asset is classified at stage 2 whenever there has not been a significant increase in its credit risk since its initial recognition. The **Group'**s assessment of the existence of a significant increase of credit risk considers qualitative and quantitative information, reasonable and sustainable.
Definition of group of assets with common credit risk features: When the expected loan losses are measured on a collective basis, the financial instruments are grouped together based on common risk features. This procedure is necessary to ensure that, in case there is a change of the credit risk features, the segmentation of the assets is reviewed. This review can give rise to the creation of new portfolios or to the transfer of the assets to existing portfolios, which better reflect their credit risk features.
Probability of default: The probability of default represents a determinant factor in the measurement of the expected loan losses. The probability of default corresponds to an estimate of the probability of default in a particular time period, calculated based on benchmarks or using market data.
Loss given default: Corresponds to an estimated loss in a default scenario. This is based on the difference between the contractual cash flows and those that the **Group** expects to receive, via cash flows generated by the business of the client or credit collateral. Loss given default is calculated based on, among other aspects, the different scenarios of recovery, historical information, market information, the costs involved in the recovery process and the estimated valuation of the collateral associated to credit operations.

v) Deferred taxes

The recognition of deferred tax assets assumes the existence of future net profit and taxable income. The deferred tax assets and liabilities were determined based on the tax legislation currently in force, or on legislation that has already been published for future application. Amendments to tax legislation may influence the value of the deferred taxes.

vi) Employee benefits

The determination of the liabilities related to the payment of post-employment benefits, namely with healthcare plans, requires the use of assumptions and estimates, including the use of actuarial projections, discount rates and other factors that could have an impact on the costs and liabilities associated to these benefits. Any changes in the assumptions used, which are described in Note 32, will have an impact in the carrying amount of the employees' benefits. CTT has a policy of periodically reviewing the major actuarial assumptions.

vii) Provisions

The **Group** and the **Company** exercise considerable judgement in the measurement and recognition of provisions. Judgement is required in order to assess the probability of litigation having a successful outcome. Provisions are recorded when the current lawsuits are expected to lead to the outflow of funds, the loss is probable and may be estimated reasonably. Due to the uncertainties inherent to the process of assessment, actual losses might be different from those originally estimated in the provision. These estimates are subject to changes as new information becomes available. Reviews to the estimates of these losses might affect future results.

viii) Lease liabilities

The lease liabilities amount calculation requires the determination of the lease enforceable period, considering the lease economic aspects, and not just the termination payments, namely the existence of economic incentive from either party not to terminate the lease . Any changes in the lease term will have an impact on the lease liabilities book value. CTT periodically review the lease terms.

Sources of estimation uncertainty:

The main sources of uncertainties in the estimates performed are detailed below:

i) Evolution of the COVID-19 Virus situation

The general spread of vaccination in the second half of 2021 allowed a gradual lifting of the restriction measures that were being imposed throughout 2021. Problems have currently been seen in global supply chains, caused by the previously imposed restrictions related to the COVID-19 pandemic. Additionally, it is assumed that these disturbances, which have been reflected in the scarcity of raw materials and other goods and an increase in their costs, will dissipate from the second half of 2022. In view of the provisions, management will continue to monitor the impacts of the COVID-19 pandemic on the business and provide all the necessary information to its stakeholders and act in accordance with the recommendations issued by the World Health Organization and the public entities responsible for the area of health.

ii) Energy transition

Climate change and the energy transition will impact Group activities in a variety of ways. The Integrated Annual Report provided an extensive discussion of the Group's approach to identifying, assessing and managing the risks and opportunities associated with climate change. The energy transition is also based on the progressive and expansive development of digital tools, as digitization is essential to responding to multiple external forces and making informed and well-considered decisions at every level within the Group.

The Group is moving forward in its commitment to lead the energy transition being one of the signatory companies of "BCSD - Business Council for Sustainable Development Portugal" and UNGC - United Nations Global Compact, in line with our Policy on Energy and Carbon Management and Climate Change and the Sustainable Development Goals set by the United Nations. In particular, the Group is fully committed to the development of a long-term sustainable business model to achieve a reduction in CO2 emissions.

The Group has considered the risks related to climate change and the Sustainable Development Goals set by the United Nations in the preparation of the consolidated financial statements at 31 December 2021, which appropriately reflect the effect of these goals on assets, liabilities, profits and losses, incorporating if necessary the material and foreseeable impacts as required under the Framework of the IFRS.

The Group has also carefully assessed whether climate change issues have affected the reasonable and supportable assumption used to estimate expected cash flows. When necessary, the Group has also taken account of the long-term impact of climate change.

2.31 Cash Flow Statement

The Cash Flow Statement is prepared according to the direct method, through which cash receipts and payments relative to operating, investment and financing activities are disclosed.

Operating activities cover receipts from customers, payments to suppliers, payments to staff and other related to operating activity, namely income tax.

Investment activities namely include acquisitions and disposals in participated companies, payments and receipts arising from the purchase and sale of assets, and receipts of interest and dividends. Financing activities include payments and receipts relative to loans received, financial lease contracts, interest paid and payments of dividends.

Cash and cash equivalents

Cash and cash equivalents include the amounts recorded in the statement of financial position with a maturity less than three months from the balance sheet date, which includes cash and cash equivalents at credit institutions. It also includes other short-term investments, of high liquidity, insignificant risk of amount changes and convertible into cash, and also mandatory sight deposits with Banco de Portugal in order to satisfy the minimum cash reserves legal requirements (nota 23).

2.32 Subsequent events

Events occurring after the closing date until the date of approval of the financial statements by the Board of Directors, and which provide additional information about conditions existing at the date of the financial reporting, are reflected in the financial statements. Events occurring after the closing date, which indicate conditions arising after the date of the financial reporting, are disclosed in the notes to the financial statements, if considered relevant.

3. Changes to accounting policies, Errors and Estimates

In the year ended 31 December 2021, no accounting policy changes and no prior year's material errors were recognized in the preparation of the financial statements. The accounting policies have been consistently applied in all the present periods and for all **Group** companies.

The underlying estimates and assumptions were determined based on the best knowledge of the on-going events and transactions, at the time the financial statements were approved, as well as on the experience of past and/or current events. However, situations might occur in subsequent periods which, due to not having been predictable on the date of approval of the financial statements, were not considered in these estimates. Changes to estimates which occur after the date of the financial statements will be corrected prospectively. For this reason and in view of the associated degree of uncertainty, the real outcome of the transactions in question might differ from their corresponding estimates.

The **Group** and the **Company** recognized the following change in estimate in the preparation of the financial statements:

- The **Group** and the **Company** reviewed the useful lives of some intangible assets' classes, standing out the application software, belonging to computer software class, extending them from 3 to 6 years. The review of the useful life was carried out based on the analysis of the historical effective average use of the assets assigned to the underlying class, considering its current estimated economic life. Changes in useful lives are booked prospectively. The impact of this change results in a decrease in the amortization for the year 2021 of 5,886 thousand Euros (note 6).

- The **Group** and the **Company** also reviewed the useful lives of some tangible fixed assets' classes, standing out the computer equipment from office equipment class, extending them, essentially, from 3 to 6 years. Similar to the intangible assets, the review of the useful life was carried out based on the analysis of the historical effective average use of the assets assigned to the underlying class, considering its current estimated economic life. Changes in useful lives are booked prospectively. The impact of this change results in a decrease in the depreciation for the year 2021 of 881 thousand Euros (note 5).

4. Segment reporting

In accordance with IFRS 8, the **Group** discloses the segment financial reporting.

The Board of Directors regularly reviews segmental reports, using them to assess and communicate each segment performance, as well as to decide on how to allocate resources.

Since 2021, in the segment reporting, the calculation of EBITDA was simplified with the inclusion of impairments and provisions and with the leases impact covered by IFRS 16. Accordingly, the only difference between EBITDA and EBIT is depreciation and amortization and specific items.

The business of CTT is organized in the following segments:

- **Mail** – CTT Contacto, S.A., CTT Soluções Empresariais, S.A., New Spring Services S.A., HCCM - Outsourcing Investment, CTT IMO - Sociedade Imobiliaria, S.A. and CTT, S.A. excluding:
    - Business related to postal financial services and retail products - Financial Services & Retail;
    - The business of payments related with collection of invoices and fines, Western Union transfers, integrated solutions and tolls – Bank.

- **Express & Parcels** – includes CTT Expresso S.A., CORRE S.A., Fundo Inovação Techtree and Open Lockers, S.A.;

- **Financial Services & Retail** - Postal Financial Services and the sale of products and services in the retail network of CTT, S.A.;

- **Bank** – Banco CTT S.A., S.A., Payshop S.A., 321 Crédito S.A. and CTT’s payment business (mentioned above).

The business segregation by segment is based on management information produced internally and presented to the “chief operating decision maker”.

The segments cover the three CTT business areas, as follows:

- Postal Market, covered by the Mail segment;
- Express and Parcels Markets, covered by the Express & Parcels segment; and
- Financial Market, covered by the Financial Services and Bank segments.

The amounts reported in each business segment result from the aggregation of the subsidiaries and business units defined in each segment perimeter and the elimination of transactions between companies of the same segment.

The statement of financial position of each subsidiary and business unit is determined based on the amounts booked directly in the companies that compose the segment, including the elimination of balances between companies of the same segment, and excluding the allocation in the segments of the adjustments between segments.

The income statement for each business segment is based on the amounts booked directly in the companies’ financial statements and related business units, adjusted by the elimination of transactions between companies of the same segment.

However, as CTT, S.A. has assets in more than one segment it was necessary to split its income and costs by the various operating segments. The Internal Services Rendered refer to services provided across the different CTT, S.A. business areas, and the income is calculated according to standard activities valued through internally set transfer prices. The Mail segment provides internal services essentially related to the retail network (included in the Mail segment). Additionally, the Financial Services Segment uses the Retail network to sell its products. The use of the Retail network by other segments, as Express & Parcels and CTT Bank is, equally, presented in the line "Internal Services Rendered".

Initially, CTT, S.A. operating costs are allocated to the different segments by charging the internal transactions for the services mentioned above. After this initial allocation, costs relating to corporate and support areas (CTT Central Structure) are allocated by nature to the Mail segment and others.

The consolidated income statement by nature and segment of 2020 and 2021 are as follows:

Thousand Euros	31.12.2020				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Revenues	**426,096**	**193,000**	**44,043**	**82,102**	**745,240**
Sales and services rendered	420,200	192,272	43,413	16,969	672,854
Sales	*13,875*	*620*	*10,052*	—	*24,547*
Services rendered	*406,326*	*191,652*	*33,361*	*16,969*	*648,307*
Financial Margin	—	—	—	44,637	44,637
Other operating income	5,895	728	630	20,497	27,749
Operating costs - EBITDA	**364,620**	**183,072**	**23,248**	**70,672**	**641,613**
Staff costs	287,898	26,587	1,822	22,322	338,630
External supplies and services	67,908	154,005	2,663	29,523	254,099
Other costs	15,853	1,766	8,596	7,350	33,565
Impairment and provisions	3,041	3,023	—	9,255	15,319
Internal services rendered	(10,080)	(2,309)	10,167	2,222	—
EBITDA	**61,475**	**9,928**	**20,796**	**11,430**	**103,628**
Depreciation/amortization and impairment of investments, net	45,473	9,731	304	6,628	62,136
EBIT recurring	**16,002**	**197**	**20,491**	**4,802**	**41,492**
Specific itens	6,053	698	3	231	6,984
Business restructurings	2,909	376	—	—	3,285
Strategic estudies and projects costs	887	54	—	—	941
Other non-recurring income and expenses	2,257	268	3	231	2,758
EBIT	**9,950**	**(501)**	**20,488**	**4,571**	**34,507**
Financial results					(11,382)
Interest expenses					*(9,660)*
Interest income					*20*
Gains/losses in subsidiary, associated companies and joint ventures					*(1,742)*
Earnings before taxes (EBT)					**23,126**
Income tax for the period					(6,359)
Net profit for the period					**16,767**
Non-controlling interests					(97)
Equity holders of parent company					**16,669**

Thousand Euros	31.12.2020 Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Revenues	**444,438**	**255,688**	**48,877**	**98,867**	**847,870**
Sales and services rendered	437,500	255,017	48,338	16,873	757,727
Sales	*15,006*	*215*	*14,264*	*—*	*29,485*
Services rendered	*422,494*	*254,802*	*34,074*	*16,873*	*728,243*
Financial Margin	—	—	—	55,776	55,776
Other operating income	6,938	671	540	26,218	34,366
Operating costs - EBITDA	**387,912**	**231,857**	**26,969**	**83,034**	**729,772**
Staff costs	290,134	29,927	1,041	25,756	346,859
External supplies and services	89,165	201,373	2,476	34,364	327,378
Other costs	20,292	1,554	13,408	8,866	44,120
Impairment and provisions	(1,831)	1,030	—	12,216	11,415
Internal services rendered	(9,847)	(2,027)	10,044	1,831	—
EBITDA	**56,526**	**23,830**	**21,909**	**15,834**	**118,099**
Depreciation/amortization and impairment of investments, net	38,826	11,410	100	7,670	58,006
EBIT recurring	**17,700**	**12,420**	**21,809**	**8,163**	**60,092**
Specific itens	13,672	876	1	(16,329)	(1,780)
Business restructurings	10,669	441	—	—	11,111
Strategic estudies and projects costs	1,063	124	—	413	1,600
Other non-recurring income and expenses	1,940	311	1	(16,741)	(14,490)
EBIT	**4,029**	**11,544**	**21,808**	**24,492**	**61,872**
Financial results					(11,065)
Interest expenses					*(8,532)*
Interest income					*25*
Gains/losses in subsidiary, associated companies and joint ventures					*(2,557)*
Earnings before taxes (EBT)					**50,808**
Income tax for the period					12,216
Net profit for the period					**38,591**
Non-controlling interests					187
Equity holders of parent company					**38,404**

As at 31 December 2021, the specific items amounted to due to: (i) a capital gain of 17.8 million euros booked in connection with the sale of public debt securities to optimize Banco CTT's balance sheet against a backdrop of the rollout of the partnership with Sonae; (ii) a net capital gain of 1.0 million euros booked essentially in connection with the sale of real estate; (iii) restructuring costs of 11.1 million euros, primarily corresponding to suspension agreements of employment contracts, (iv) an impairment loss of 1.4 million euros related with the initial IFRS 9 adjustment with the acquisition of the credit stock of Cartão Universo, (v) recording of an impairment for a 2.2 million euros investment in the entity Mktplace, and (vi) 2.3 million euros of other costs related to the COVID-19 pandemic and one-off projects.

As at 31 December 2021, the revenue of “Mail”, “Express & Parcels” and “Bank” segments represented 52%, 30% and 12%, respectively, of the consolidated revenue. However, the external supplies and services costs allocated to those segments amounted to 27%, 62% and 10%, respectively, and the Staff costs amounted to 84%, 9% and 7%, respectively. The income statement captions for each segment have the underlying amounts booked directly in the companies' financial statements and related business units, adjusted by the elimination of transactions between companies of the same segment.

Therefore, the distribution of external supplies and services caption by each business areas results directly from the cost structure and resources effectively consumed by each entity of the related segment. For example, CTT Expresso has a cost structure with increased use of internal labor (Staff costs). The differences in the business of the several segments, namely, the subcontracting or use of internal labor, explain the difference between the weighting of each segment for the revenue and the services and external supplies and staff costs, namely in the Mail and Express & Parcels segments. Additionally, these differences are explained either by the expense's allocation mechanism related to corporate areas and supporting to the several segments through the internal services rendered previously mentioned.

The revenues are detailed as follows:

Thousand Euros	2020	2021
Mail	**426,096**	**444,438**
Transactional mail	358,886	361,244
Editorial mail	12,771	12,963
Parcels (USO)	7,356	7,903
Advertising mail	18,394	19,044
Philately	5,576	5,415
Business Solutions	15,878	29,023
Other	7,235	8,847
Express & Parcels	**193,000**	**255,688**
Portugal	118,007	135,139
Parcels	96,509	118,471
Cargo	11,408	8,177
Banking network	6,559	4,427
Logistics	2,407	3,153
Other	1,124	911
Spain	72,286	117,329
Mozambique	2,707	3,220
Financial Services & Retail	**44,043**	**48,877**
Savings & Insurance	23,166	23,931
Money orders	5,982	5,465
Payments	1,529	1,558
Retail	13,003	17,574
Other	364	350
Bank	**82,102**	**98,867**
Net interest income	44,637	55,776
Interest income (+)	45,962	57,948
Interest expense (-)	(1,325)	(2,171)
Fees & commissions income (+)	34,132	40,203
Credits	3,748	3,953
Savings & Insurance	4,304	5,963
Accounts and Cards	8,448	11,831
Payments	17,631	18,410
Other comissions received	1	46
Other	3,334	**2,888**
	745,240	**847,870**

The main changes in the **Group's** revenue compared with the previous year, are explained as follows:

- The 4% increase in the "Mail" segment was driven by new business solutions businesses including the acquisition of NewSpring Services.

- The "Express & Parcels" segment observed an increase of 32% over the same period last year. Stands out the performance of the CEP product line in the Iberian market, driven by the good performance of the Spanish operation and the growth of e-commerce (B2C) in the Iberian Peninsula.

- The “Financial Services & Retail” segment observed an increase of 11%, partly explained by the increase in income from public debt securities, as a result of greater commercial dynamism, with the recapture of overdue amounts of securities.

- The “Bank” segment saw a 20% increase in revenue. This growth was driven by the partnership with Sonae Financial Services, which began in April 2021, with Banco CTT becoming the only creditor in relation to the Universo Card credit portfolio. The growth in income was supported by the positive performance of net interest income, as well as interest received on consumer credit and commissions received. Interest received on mortgage loans fell by 3.9%.

The revenue detail for the year ended 31 December 2020 and 31 December 2021, by the revenue’s sources identified in note 2.23 – Revenue, are detailed as follows:

	31.12.2020				
Nature	**Mail**	**Express & Parcels**	**Financial Services & Retail**	**Bank**	**Total**
Postal Services	382,483,522	—	—	—	382,483,522
Express services	—	192,271,712	—	—	192,271,712
Merchandising products sales	—	—	3,130,311	—	3,130,311
PO Boxes	—	—	1,451,326	—	1,451,326
International mail services (*)	37,716,902	—	—	—	37,716,902
Financial Services fees	—	—	38,831,551	61,605,607	100,437,158
"Sales and Services rendered" and "Financial Margin" total	**420,200,424**	**192,271,712**	**43,413,188**	**61,605,607**	**717,490,931**

(*) Inbound Mail

	31.12.2021				
Nature	**Mail**	**Express & Parcels**	**Financial Services & Retail**	**Bank**	**Total**
Postal Services	408,677,229	—	—	—	408,677,229
Express services	—	255,016,463	—	—	255,016,463
Merchandising products sales	—	—	2,262,918	—	2,262,918
PO Boxes	—	—	1,700,741	—	1,700,741
International mail services (*)	28,822,897	—	—	—	28,822,897
Financial Services fees	—	—	44,373,771	72,649,693	117,023,464
"Sales and Services rendered" and "Financial Margin" total	**437,500,125**	**255,016,463**	**48,337,430**	**72,649,693**	**813,503,712**

(*) Inbound Mail

The assets by segment are detailed as follows:

Assets (Euros)	2020					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intangible assets	19,192,607	5,634,469	166,504	28,879,018	4,144,364	58,016,961
Tangible fixed assets	239,053,222	48,425,431	74,351	3,151,484	4,284,888	294,989,377
Investment properties	—	—	—	—	7,075,908	7,075,908
Goodwill	6,161,326	2,955,753	—	61,084,749	—	70,201,828
Deferred tax assets	—	—	—	—	87,891,868	87,891,868
Accounts receivable	—	—	—	—	153,616,009	153,616,009
Credit to bank clients	—	—	—	1,093,281,532	—	1,093,281,532
Financial assets at fair value through profit or loss	—	—	—	2,107	—	2,107
Debt securities at fair value through other comprehensive income	—	—	—	19,554,830	—	19,554,830
Debt securities at amortized cost	—	—	—	498,250,574	—	498,250,574
Other banking financial assets	—	—	—	40,877,290	—	40,877,290
Other assets	6,137,166	7,559,469	17,349,976	4,973,905	14,804,590	50,825,106
Cash and cash equivalents	—	12,543,023	—	231,741,308	273,895,841	518,180,171
Non-current assets held for sale	—	—	—	2,139,065	—	2,139,065
	270,544,321	**77,118,145**	**17,590,831**	**1,983,935,861**	**545,713,468**	**2,894,902,626**

Assets (Euros)	2021					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intangible assets	21,289,971	6,849,250	174,038	26,927,847	8,266,141	63,507,247
Tangible fixed assets	227,402,730	62,708,795	64,571	4,227,555	1,883,926	296,287,578
Investment properties	—	—	—	—	6,327,424	6,327,424
Goodwill	17,430,813	2,955,753	—	61,084,749	—	81,471,314
Deferred tax assets	—	—	—	—	87,255,087	87,255,087
Accounts receivable	—	—	—	—	160,930,050	160,930,050
Credit to bank clients	—	—	—	1,541,908,493	—	1,541,908,493
Financial assets at fair value through profit or loss	—	—	—	27,261,085	—	27,261,085
Debt securities at fair value through other comprehensive income	—	—	—	6,094,910	—	6,094,910
Debt securities at amortized cost				334,160,519		334,160,519
Other banking financial assets	—	—	—	14,959,246	—	14,959,246
Other assets	14,891,188	17,690,710	34,608,628	6,739,026	12,627,597	86,557,151
Cash and cash equivalents	—	15,590,602	—	662,721,068	199,561,026	877,872,696
Non-current assets held for sale	—	—	—	605,798	—	605,798
	281,014,703	**105,795,111**	**34,847,237**	**2,686,690,296**	**476,851,252**	**3,585,198,598**

The non-current assets acquisitions by segment, are detailed as follows:

	2020					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intagible assets	5,530,649	2,385,548	25,062	6,028,632	—	13,969,891
Tangible fixed assets	27,883,190	18,892,388	26,759	829,679	488,906	48,120,922
	33,413,839	**21,277,937**	**51,821**	**6,858,311**	**488,906**	**62,090,814**

	2021					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intagible assets	10,687,971	3,967,727	125,669	3,897,385	—	18,678,753
Tangible fixed assets	20,153,598	23,903,875	—	1,561,666	458,948	46,078,087
	30,841,569	**27,871,602**	**125,669**	**5,459,051**	**458,948**	**64,756,839**

The detail of the underlying reasons to the non-allocation of the following assets to any segment, is as follows:

- “Intangible assets” (8,266,141 Euros): the unallocated amount is related to the intangible assets in progress, which have been allocated to the underlying segment in the moment they become firm assets;
- “Tangible fixed assets” (1,883,926 Euros): This amount corresponds to tangible fixed assets in progress and advances payments to suppliers, which will be allocated to the respective segment at the time of the transfer to firm assets;
- “Investment properties” (6,327,424 Euros): These assets are not allocated to the operating activity, which is why they are not allocated to any segment;

- “Deferred tax assets” (87,255,087 Euros): These assets are mainly comprised of deferred tax assets associated with employee benefits, being those related to the CTT, S.A. Health Plan the most relevant amount, as detailed in note 51 - Income tax for the period. Bearing in mind that CTT, S.A. is allocated to different segments, as already mentioned, the allocation of these assets to the different segments does not seem possible to be carried out reliably;
- “Accounts receivables” (160,930,050 Euros): This amount cannot be allocated, due to the existence of multi-products customers, whose receivable amounts correspond to more than one segment;
- “Other assets” (12,627,597 Euros): This amount is mainly related to investments in associated companies and investments in joint ventures, that are not allocated to the operating activity, which is why they are not allocated to any segment, as well as some captions of prepayments and other current and non-current assets, mostly related to CTT S.A., which are allocated to different segments and this allocation is not possible to be carried out reliably;
- “Cash and cash equivalents (204,164,150 Euros): the unallocated amount is related, essentially, to the cash and cash equivalents of CTT S.A., as this company concentrates the business segments’ Mail, Financial Services & Retail and Bank, and it is not possible to split the amounts of cash and bank deposits by each CTT’s businesses.

Debt by segment is detailed as follows:

	2020				
Other information (Euros)	**Mail**	**Express & Parcels**	**Financial Services & Retail**	**Bank**	**Total**
Non-current debt	**135,280,954**	**27,330,780**	**45,727**	**1,376,666**	**164,034,127**
Bank loans	74,799,925	—	—	—	74,799,925
Lease liabilities	60,481,029	27,330,780	45,727	1,376,666	89,234,203
Current debt	**27,225,711**	**14,773,659**	**25,114**	**808,142**	**42,832,626**
Bank loans	7,125,000	9,731,747	—	—	16,856,747
Lease liabilities	20,100,711	5,041,912	25,114	808,142	25,975,879
	162,506,664	**42,104,439**	**70,841**	**2,184,808**	**206,866,753**

	2021				
Other information (Euros)	**Mail**	**Express & Parcels**	**Financial Services & Retail**	**Bank**	**Total**
Non-current debt	**114,127,927**	**33,250,570**	**34,807**	**1,923,133**	**149,336,438**
Bank loans	62,161,852	—	—	—	62,161,852
Lease liabilities	51,966,076	33,250,570	34,807	1,923,133	87,174,586
Current debt	**35,785,578**	**15,240,151**	**27,024**	**730,259**	**51,783,012**
Bank loans	14,436,742	7,732,258	—	—	22,169,000
Confirming	—	1,500,152	—	—	1,500,152
Lease liabilities	21,348,836	6,007,741	27,024	730,259	28,113,860
	149,913,506	**48,490,722**	**61,831**	**2,653,392**	**201,119,450**

The **Group** is domiciled in Portugal. The result of its Sales and services rendered by geographical segment is disclosed below:

Thousand Euros	2020	2021
Revenue - Portugal	541,319	576,756
Revenue - other countries	131,535	180,971
	672,854	757,727

The revenue rendered in other countries, includes the revenue from the Express & Parcels rendered in Spain by CTT Expresso branch in this country, in the amount of 114,900 thousand Euros.

5. Tangible fixed assets

During the years ended 31 December 2020 and 31 December 2021, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, regarding the **Group** were as follows:

Group	2020									
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
Tangible fixed assets										
Opening balance	35,580,031	338,964,540	156,184,436	3,603,651	69,355,884	29,646,684	3,491,573	2,414,000	179,623,789	818,864,586
Acquisitions	—	504,793	5,889,978	18,383	1,360,619	1,017,256	9,231,168	1,445,666	—	19,467,863
New contracts	—	—	—	—	—	—	—	—	28,653,059	28,653,059
Disposals	(8,099)	(149,792)	(698,530)	(11,218)	(11,852)	—	—	—	—	(879,492)
Transfers and write-offs	(92,105)	(198,094)	7,218,821	(4,359)	(30,807)	(5,366,247)	(6,703,094)	(2,621,849)	(35,817)	(7,833,550)
Terminated contracts	—	—	—	—	—	—	—	—	(4,765,898)	(4,765,898)
Remeasurements	—	—	—	—	—	—	—	—	8,401,849	8,401,849
Adjustments	—	(5,565)	(142,681)	(3,553)	(32,734)	795,215	—	—	—	610,682
Remeasurements lease terms	—	—	—	—	—	—	—	—	19,301,526	19,301,526
Closing balance	35,479,827	339,115,881	168,452,024	3,602,903	70,641,110	26,092,908	6,019,646	1,237,817	231,178,507	881,820,624
Accumulated depreciation										
Opening balance	3,737,406	219,979,639	132,705,076	3,356,342	62,408,163	24,278,473	—	—	108,932,275	555,397,374
Depreciation for the period	—	9,351,195	6,428,855	58,602	2,588,994	1,316,488			24,474,381	44,218,515
Disposals	(460)	(95,058)	(680,459)	(11,218)	(11,275)	—			—	(798,470)
Transfers and write-offs	(13,188)	(1,687,893)	(50,136)	(4,359)	405	(5,357,759)			(26,863)	(7,139,794)
Terminated contracts	—	—	—	—	—	—	—	—	(4,765,898)	(4,765,898)
Adjustments	—	(1,504)	(79,048)	(4,276)	(8,975)	(6,138)	—	—	—	(99,940)
Closing balance	3,723,758	227,546,378	138,324,287	3,395,091	64,977,312	20,231,065	—	—	128,613,895	586,811,787
Accumulated impairment										
Opening balance	—	—	—	—	—	24,172	—	—	—	24,172
Other variations	—	—	—	—	—	(4,712)	—	—	—	(4,712)
Closing balance	—	—	—	—	—	19,460	—	—	—	19,460
Net Tangible fixed assets	**31,756,069**	**111,569,503**	**30,127,737**	**207,812**	**5,663,798**	**5,842,383**	**6,019,646**	**1,237,817**	**102,564,612**	**294,989,377**

	2021									
Group	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
Tangible fixed assets										
Opening balance	35,479,827	339,115,881	168,452,024	3,602,903	70,641,110	26,092,908	6,019,646	1,237,818	231,178,507	881,820,624
Acquisitions	90,151	1,147,764	4,148,073	13,168	1,139,994	1,524,618	5,878,872	3,525,258	—	17,467,898
New contracts	—	—	—	—	—	—	—	—	28,610,189	28,610,189
Disposals	(222,547)	(7,914,602)	(7,094,964)	(21,041)	(1,742)	—	—	—	—	(15,254,896)
Transfers and write-offs	275,780	7,653,725	2,551,680	—	(126,872)	(311,937)	(8,287,534)	—	(6,528,059)	(4,773,218)
Remeasurements	—	—	—	—	—	—	—	—	1,179,139	1,179,139
Adjustments	—	4,652	158,587	8,868	9,590	5,727	1,918	—	(558,663)	(369,322)
Remeasurements lease terms	—	—	—	—	—	—	—	—	600,570	600,570
Change in the consolidation perimeter	—	469,081	868,215	3,500	393,551	58,375	—	—	2,189,935	3,982,657
Closing balance	35,623,210	340,476,500	169,083,615	3,607,398	72,055,630	27,369,691	3,612,902	4,763,076	256,671,618	913,263,640
Accumulated depreciation										
Opening balance	3,723,758	227,546,379	138,324,288	3,395,091	64,977,312	20,231,064	—	—	128,613,895	586,811,787
Depreciation for the period	—	8,880,869	6,507,580	60,416	1,685,243	1,310,469	—	—	26,397,955	44,842,534
Disposals	(203,240)	(8,423,387)	(6,925,351)	(20,498)	(1,465)	—	—	—	—	(15,573,941)
Transfers and write-offs	42,108	1,588,052	7,155	—	(126,338)	(285,824)	—	—	(2,996,447)	(1,771,295)
Adjustments	—	1,640	79,391	4,395	7,848	5,347	—	—	—	98,621
Change in the consolidation perimeter	—	264,751	859,406	2,139	247,118	5,949	—	—	1,169,535	2,548,897
Closing balance	3,562,627	229,858,304	138,852,469	3,441,543	66,789,717	21,267,005	—	—	153,184,938	616,956,602
Accumulated impairment										
Opening balance	—	—	—	—	—	19,460	—	—	—	19,460
Closing balance	—	—	—	—	—	19,460	—	—	—	19,460
Net Tangible fixed assets	**32,060,584**	**110,618,196**	**30,231,146**	**165,855**	**5,265,913**	**6,083,227**	**3,612,902**	**4,763,076**	**103,486,680**	**296,287,578**

The depreciation recorded in the **Group** amounting to 44,842,534 Euros (44,218,515 Euros on 31 December 2020), is booked under the heading Depreciation/amortization and impairment of investments, net (Note 46).

In the **Group**, in the period ended 31 December 2021, the caption “Changes in the consolidation perimeter” refers to the balances of the companies HCCM - Outsourcing Investment, S.A. and NewSpring Services, S.A. on the date of its acquisition, as explained in note 8.

During the years ended 31 December 2020 and 31 December 2021, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, regarding the **Company** were as follows:

Company	2020									
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
Tangible fixed assets										
Opening balance	33,755,677	321,807,672	127,889,963	2,524,183	61,141,762	27,805,443	1,927,665	2,414,000	142,963,827	722,230,194
Acquisitions	—	—	4,679,117	18,382	915,317	896,331	4,083,377	488,906	—	11,081,429
New contracts	—	—	—	—	—	—	—	—	17,285,195	17,285,195
Disposals	(8,099)	(149,792)	(621,950)	(11,218)	(10,171)	—	—	—	—	(801,231)
Transfers and write-offs	(92,105)	(194,592)	2,561,046	(4,359)	1,102	(5,340,605)	(2,007,211)	(2,621,849)	—	(7,698,573)
Terminated contracts	—	—	—	—	—	—	—	—	(1,981,534)	(1,981,534)
Remeasurements	—	—	—	—	—	—	—	—	6,916,678	6,916,678
Adjustments	—	—	(6,569)	(506)	(22,285)	779,731	—	—	—	750,371
Remeasurements lease terms	—	—	—	—	—	—	—	—	17,180,678	17,180,678
Closing balance	33,655,473	321,463,288	134,501,607	2,526,483	62,025,725	24,140,900	4,003,831	281,057	182,364,844	764,963,208
Accumulated depreciation										
Opening balance	3,737,406	210,496,407	108,963,087	2,482,723	55,347,029	23,007,033	—	—	91,691,711	495,725,395
Depreciation for the period	—	8,777,627	4,880,049	12,026	2,096,156	1,212,266	—	—	18,735,488	35,713,613
Disposals	(460)	(95,058)	(621,950)	(11,218)	(9,594)	—	—	—	—	(738,281)
Transfers and write-offs	(13,188)	(1,687,648)	(41,393)	(4,359)	32,314	(5,332,117)	—	—	—	(7,046,391)
Terminated contracts	—	—	—	—	—	—	—	—	(1,981,534)	(1,981,534)
Closing balance	3,723,758	217,491,329	113,179,793	2,479,172	57,465,905	18,887,182	—	—	108,445,665	521,672,803
Accumulated impairment										
Opening balance	—	—	—	—	—	24,172	—	—	—	24,172
Other variations	—	—	—	—	—	(4,712)	—	—	—	(4,712)
Closing balance	—	—	—	—	—	19,460	—	—	—	19,460
Net Tangible fixed assets	**29,931,715**	**103,971,959**	**21,321,814**	**47,311**	**4,559,820**	**5,234,258**	**4,003,831**	**281,057**	**73,919,179**	**243,270,945**

Company	2021									
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
Tangible fixed assets										
Opening balance	33,655,473	321,463,288	134,501,607	2,526,483	62,025,725	24,140,900	4,003,831	281,057	182,364,844	764,963,208
Acquisitions	—	—	1,381,225	1,036	729,906	827,303	2,561,892	458,948	—	5,960,310
New contracts	—	—	—	—	—	—	—	—	14,633,447	14,633,447
Disposals	(1,394,521)	(11,430,523)	(7,015,266)	(20,111)	(1,742)	—	—	—	—	(19,862,162)
Transfers and write-offs	275,780	7,343,054	7,064		270,939	(280,529)	(5,419,275)		(3,925,941)	(1,728,909)
Remeasurements	—	—	—	—	—	—	—	—	973,235	973,235
Adjustments	—	—	—	—	—	—	—	—	(103,073)	(103,073)
Other movements						40,970			—	40,970
Closing balance	32,536,732	317,375,819	128,874,630	2,507,407	63,024,828	24,728,644	1,146,447	740,005	193,942,512	764,877,025
Accumulated depreciation										
Opening balance	3,723,758	217,491,329	113,179,793	2,479,172	57,465,905	18,887,182	—	—	108,445,665	521,672,803
Depreciation for the period		8,152,295	4,223,497	10,884	1,155,935	1,191,200			19,952,128	34,685,940
Disposals	(203,240)	(8,423,387)	(6,877,036)	(20,110)	(1,465)				—	(15,525,238)
Transfers and write-offs	42,108	1,623,764	7,064		270,939	(278,003)			(1,178,979)	486,894
Closing balance	3,562,627	218,844,001	110,533,318	2,469,945	58,891,314	19,800,379	—	—	127,218,814	541,320,399
Accumulated impairment										
Opening balance	—	—	—	—	—	19,460	—	—	—	19,460
Other variations	—	—	—	—	—	—	—	—	—	—
Closing balance	—	—	—	—	—	19,460	—	—	—	19,460
Net Tangible fixed assets	**28,974,105**	**98,531,818**	**18,341,312**	**37,462**	**4,133,514**	**4,908,805**	**1,146,447**	**740,005**	**66,723,697**	**223,537,166**

The depreciation recorded in the **Company** amounting to 34,685,940 Euros (35,713,613 Euros on 31 December 2020), is booked under the heading Depreciation/amortization and impairment of investments, net (Note 46).

In the **Group** and the **Company,** as at 31 December 2021, Land and natural resources and Buildings and other constructions include 490,537 Euros (552,634 Euros as at 31 December 2020), related to land and property in co-ownership with the company MEO – Serviços de Comunicações e Multimédia, S.A..

According to the concession contract in force (Note 1) at the end of the concession, the assets included in the public and private domain of the State revert automatically, at no cost, to the conceding entity. As the postal network belongs exclusively to CTT, not being a public domain asset, only the assets that belong to the State revert to it, and as such, at the end of the concession CTT will continue to own its assets. The Board of Directors, supported by CTT's accounting records and the statement of Directorate General of Treasury and Finance ("Direção Geral do Tesouro e Finanças"), the entity responsible for the Information System of Public Buildings ("Sistema de Informação de Imóveis do Estado" – SIIE) concludes that CTT's assets do not include any public or private domain assets of the Portuguese State.

As under the concession contract, the grantor does not control any significant residual interest in CTT's postal network and CTT being free to dispose of, replace or encumber the assets that integrate the postal network, IFRIC 12 - Service Concession Agreements is not applicable to the universal postal service concession contract.

During the period ended 31 December 2021, the **Group** and the **Company** reviewed the useful lives of some tangible fixed assets' classes, standing out the computer equipment from office equipment class, extending them, essentially, from 3 to 6 years. The review of the useful life was carried out based on the analysis of the historical effective average use of the assets assigned to the underlying class, considering its current estimated economic life. Changes in useful lives are booked prospectively. The impact of this change results in a decrease in the depreciation for the year 2021 of 881 thousand Euros.

During the year ended 31 December 2021, the most significant movements in Tangible Fixed Assets were the following:

Buildings and other constructions:
The movements associated to acquisitions and transfers relate mostly to the capitalization of repairs in own and third parties' buildings of CTT and CTT Expresso.

The caption Transfers and Write-offs includes the amount of 2,201,564 Euros related to the transfer from Investment Properties, as well as the respective accumulated depreciations of 1,666,925 Euros, regarding a group of properties that were again assigned to the operational activity of the **Group**.

Basic equipment:
The amount of acquisitions mainly refers to the acquisition of several postal equipment for an approximate amount of 272 thousand Euros, motorcycles for an approximate amount of 911 thousand Euros at CTT, the acquisition of mail handling machines for an approximate amount of 1,198 thousand Euros, in CTT Expresso and the acquisition of terminals and scanners in the amount of 295 thousand Euros by Payshop.

Office equipment:
The amount related to acquisitions mainly concerns to the acquisition of several microcomputer equipment in the amount of approximately 492 thousand Euros, at CTT, the acquisition of several microcomputer equipment in the amount of approximately 160 thousand Euros and the acquisition of furniture in the amount of approximately 139 thousand Euros at CTT Express.

Other tangible fixed assets:

In acquisitions caption are essentially booked the prevention and security equipment in the approximately amount of 325 thousand Euros at CTT and the acquisition of ATMs for an approximate amount of 347 thousand Euros at Banco CTT.

Rights of Use

Following the adoption of IFRS 16 the **Group** and **Company** recognized rights of use, detailed by type of asset, as follows:

Group	2020			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	157,442,425	20,652,319	1,529,045	179,623,789
New contracts	15,254,946	13,349,576	48,537	28,653,059
Transfers and write-offs	(35,817)	—	—	(35,817)
Terminated contracts	(2,344,761)	(2,318,583)	(102,554)	(4,765,898)
Remeasurements	8,401,849	—	—	8,401,849
Remeasurements lease terms	19,301,526	—	—	19,301,526
Closing balance	198,020,167	31,683,313	1,475,027	231,178,507
Accumulated depreciation				
Opening balance	101,657,089	6,678,395	596,791	108,932,275
Depreciation for the period	18,004,732	6,150,313	319,337	24,474,381
Transfers and write-offs	(26,863)	—	—	(26,863)
Terminated contracts	(2,344,761)	(2,318,583)	(102,554)	(4,765,898)
Closing balance	117,290,196	10,510,125	813,574	128,613,895
Net Tangible fixed assets	**80,729,971**	**21,173,188**	**661,454**	**102,564,612**

Group	2021			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	198,020,167	31,683,313	1,475,027	231,178,507
New contracts	25,753,442	2,720,633	136,114	28,610,189
Transfers and write-offs	(5,941,969)	(586,090)	—	(6,528,059)
Remeasurements	1,779,709	—	—	1,779,709
Regularizations	(557,788)	(876)	—	(558,663)
Changes in the consolidation perimeter	2,096,605	93,330	—	2,189,935
Closing balance	221,150,166	33,910,310	1,611,141	256,671,618
Accumulated depreciation				
Opening balance	117,290,196	10,510,125	813,574	128,613,895
Depreciation for the period	19,348,499	6,835,484	213,973	26,397,955
Transfers and write-offs	(2,614,116)	(382,331)	—	(2,996,447)
Changes in the consolidation perimeter	1,117,563	51,971	—	1,169,535
Closing balance	135,142,142	17,015,249	1,027,547	153,184,938
Net Tangible fixed assets	**86,008,024**	**16,895,061**	**583,595**	**103,486,680**

As at 31 December 2020, the Remeasurements lease terms caption is related to the application of the new interpretation issued by IFRIC Committee, that changed the understanding of the lease-term definition.

The depreciation recorded, in the **Group,** in the amount of 26,397,955 Euros (24,474,381 Euros on 31 December 2020), is booked under the heading Depreciation/amortization and impairment of investments, net.

As at 31 December 2021, the amounts related to changes in the consolidation perimeter refer to the incorporation of New Spring Services and HCCM - Outsourcing Investment.

Company	2020			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	124,599,364	17,261,493	1,102,970	142,963,827
New contracts	5,220,068	12,065,127	—	17,285,195
Terminated contracts	(750,171)	(1,231,363)	—	(1,981,534)
Remeasurements	6,916,678	—	—	6,916,678
Remeasurements lease terms	17,180,678	—	—	17,180,678
Closing balance	153,166,617	28,095,257	1,102,970	182,364,844
Accumulated depreciation				
Opening balance	86,129,156	5,220,349	342,205	91,691,711
Depreciation for the period	13,269,895	5,306,845	158,748	18,735,488
Terminated contracts	(750,171)	(1,231,363)	—	(1,981,534)
Closing balance	98,648,880	9,295,832	500,953	108,445,665
Net Tangible fixed assets	**54,517,737**	**18,799,426**	**602,017**	**73,919,179**

Company	2021			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	153,166,617	28,095,257	1,102,970	182,364,844
New contracts	12,755,684	1,877,763	—	14,633,447
Transfers and write-offs	(3,595,527)	(330,414)	—	(3,925,941)
Remeasurements	973,235	—	—	973,235
Adjustments	(103,073)	—	—	(103,073)
Closing balance	163,196,935	29,642,606	1,102,970	193,942,512
Accumulated depreciation				
Opening balance	98,648,880	9,295,832	500,953	108,445,665
Depreciation for the period	13,849,801	5,953,042	149,285	19,952,128
Transfers and write-offs	(1,038,989)	(139,989)	—	(1,178,979)
Closing balance	111,459,692	15,108,885	650,238	127,218,814
Net Tangible fixed assets	**51,737,243**	**14,533,722**	**452,732**	**66,723,697**

As mentioned previously, the Remeasurements lease terms caption is related to the application of the new interpretation issued by IFRIC Committee, that changed the understanding of the lease-term definition.

The depreciation recorded, in the **Company**, in the amount of 19,952,128 Euros (18,735,488 Euros on 31 December 2020), is booked under the heading Depreciation/amortization and impairment of investments, net.

The information on the liabilities associated with these leases as well as the interest expenses can be found disclosed on Debt (Note 31) and Interest expenses and income (Note 50), respectively.

In 2021, no interest on loans was capitalized, in the **Group** and in the **Company**, as no loans were directly identified attributable to the acquisition or construction of an asset that requires a substantial period of time (greater than one year) to reach its status of use.

The **Group** and the **Company** assessed the existence of impairment indicators of tangible and intangible assets allocated to each segment as of 31 December 2021.

The tangible and intangible assets impairment allocated to the cash-generating unit Mailtec, Transporta, Tourline and 321 Crédito was assessed together with the impairment tests on Goodwill and investments (Note 9).

Regarding the tangible and intangible assets associated with the mail business developed by CTT and the business developed by Banco CTT, the Group assessed the existence of signs of impairment, comparing the value of non-current assets allocated to the respective businesses with the respective operating results, not indications of impairment were identified in the aforementioned segments.

The **Group** did not also identify any impairment indicators in tangible and intangible assets of the Express & Parcels business in CTT Expresso, whose ratio compared to the related operating profit improved in the current year.

According to the impairment tests performed and analysis of impairment signs, no events or circumstances were identified that indicate that the amount for which the **Group'**s and the **Company'**s tangible fixed assets are recorded may not be recovered.

The **Company** has in progress an analysis for the possible constitution of a real estate investment fund for its real estate fixed assets profitability. The final and updated market evaluations, according to current market conditions corresponding to these assets, will only be carried out after the decision to implement this initiative, and will determine the selection of the assets to be part of the fund.

There are no tangible fixed assets with restricted ownership or any carrying value relative to any tangible fixed assets which have been given as a guarantee of liabilities.

The **Group** and the **Company** contractual commitments, related to Tangible fixed assets at 31 December 2021, amount to 620,690 Euros and 134,472 Euros, respectively.

6. Intangible assets

During the years ended 31 December 2020 and 31 December 2021, the movements which occurred in the main categories of the **Group** Intangible assets, as well as the respective accumulated amortization, were as follows:

Group	2020 Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,380,552	113,876,654	16,848,440	444,739	16,088,740	151,639,125
Acquisitions	—	1,918,046	580,006	—	11,471,839	13,969,891
Transfers and write-offs	—	17,921,450	(50,300)	—	(18,271,063)	(399,913)
Adjustments	—		(102,410)	—	(80,876)	(183,287)
Closing balance	4,380,552	133,716,151	17,275,736	444,739	9,208,639	165,025,816
Accumulated amortization						
Opening balance	4,376,994	74,396,033	10,408,714	444,739	—	89,626,480
Amortization for the period	1,273	16,684,697	1,201,314	—	—	17,887,283
Transfers and write-offs	—	(404,012)	(50,300)	—	—	(454,312)
Adjustments	—	—	(50,597)	—	—	(50,597)
Closing balance	4,378,267	90,676,717	11,509,131	444,739	—	107,008,855
Net intangible assets	**2,285**	**43,039,433**	**5,766,604**	**—**	**9,208,639**	**58,016,961**

Group	2021 Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,380,552	133,716,151	17,275,736	444,739	9,208,639	165,025,816
Acquisitions	—	2,269,684	1,129,377	—	15,279,692	18,678,753
Disposals	—	(255,750)	—	—	—	(255,750)
Transfers and write-offs	—	12,620,694	(102,919)	—	(12,621,044)	(103,269)
Adjustments	—	—	85,168	—	—	85,168
Changes in the consolidation perimeter	—	—	432,868	1,053,154	—	1,486,022
Closing balance	4,380,552	148,350,779	18,820,229	1,497,893	11,867,286	184,916,739
Accumulated amortization						
Opening balance	4,378,267	90,676,717	11,509,131	444,739	—	107,008,855
Amortization for the period	1,272	11,694,901	1,366,535	—	—	13,062,708
Transfers and write-offs	—	(59)	(102,919)	—	—	(102,978)
Adjustments	—	—	45,958	—	—	45,958
Changes in the consolidation perimeter	—	—	281,178	1,053,154	—	1,334,332
Closing balance	4,379,539	102,371,559	13,099,884	1,497,893	—	121,348,875
Accumulated impairment						
Opening balance	—	—	—	—	—	—
Impairment losses for the period	—	—	—	—	60,617	60,617
Closing balance	—	—	—	—	60,617	60,617
Net intangible assets	**1,013**	**45,979,220**	**5,720,345**	**—**	**11,806,669**	**63,507,247**

The amortization in the **Group** for the year ended 31 December 2021, amounting to 13,062,708 Euros (17,887,284 Euros as at 31 December 2020) was recorded under Depreciation / amortization and impairment of investments, net (Note 46).

In the **Group**, in the period ended 31 December 2021, the caption "Changes in the consolidation perimeter" refers to the balances of the companies HCCM - Outsourcing Investment, S.A. and NewSpring Services, S.A. . on the date of its acquisition (note 8).

During the years ended 31 December 2020 and 31 December 2021, the movements which occurred in the main categories of the **Company** Intangible assets, as well as the respective accumulated amortization, were as follows:

Company	2020				
	Development projects	Computer Software	Industrial property	Intangible assets in progress	Total
Intangible assets					
Opening balance	3,717,326	65,749,586	8,110,162	8,188,816	85,765,890
Acquisitions	—	177,087	552,826	4,798,788	5,528,701
Transfers and write-offs	—	8,900,869	—	(8,843,240)	57,630
Adjustments	—	—	(546)	—	(546)
Closing balance	3,717,326	74,827,542	8,662,441	4,144,364	91,351,674
Accumulated amortization					
Opening balance	3,717,326	50,374,820	4,033,723	—	58,125,869
Amortization for the period	—	10,004,268	948,088	—	10,952,356
Disposals	—	—	—	—	—
Transfers and write-offs	—	3,230	—	—	3,230
Closing balance	3,717,326	60,382,318	4,981,811	—	69,081,455
Net intangible assets	**—**	**14,445,224**	**3,680,631**	**4,144,364**	**22,270,219**

Company	2021				
	Development projects	Computer Software	Industrial property	Intangible assets in progress	Total
Intangible assets					
Opening balance	3,717,326	74,827,542	8,662,441	4,144,364	91,351,674
Acquisitions	—	410,800	1,119,430	9,123,539	10,653,769
Transfers and write-offs	—	5,001,762	—	(5,001,762)	—
Closing balance	3,717,326	80,240,104	9,781,872	8,266,141	102,005,443
Accumulated amortization					
Opening balance	3,717,326	60,382,318	4,981,811	—	69,081,455
Amortization for the period	—	3,508,960	1,162,589	—	4,671,549
Closing balance	3,717,326	63,891,279	6,144,400	—	73,753,005
Net intangible assets	**—**	**16,348,825**	**3,637,472**	**8,266,141**	**28,252,438**

The amortization in the **Company,** for the year ended 31 December 2021, amounting to 4,671,549 Euros (10,952,356 Euros as at 31 December 2020) was recorded under Depreciation / amortization and impairment of investments, net (Note 46).

During the period ended 31 December 2021, the **Group** and the **Company** reviewed the useful lives of some intangible assets' classes, standing out the application software, belonging to computer software class, extending them from 3 to 6 years. The review of the useful life was carried out based on the analysis of the historical effective average use of the assets assigned to the underlying class, considering its current estimated economic life. Changes in useful lives are booked prospectively. The impact of this change results in a decrease in the amortization for the year 2021 of 5,886 thousand Euros.

The caption Industrial property in the **Group** includes the license of the trademark "Payshop International" of CTT Contacto, S.A., in the amount of 1,200,000 Euros. This license has an indefinite useful life, therefore it is not amortized, being subject to impairment tests on a minimum annual basis or when there are indications of impairment. See the main assumptions of the impairment test in note 9.

The transfers occurred in the year ended 31 December 2021 from Intangible assets in progress to Computer software refer to IT projects, which were completed during the year.

The amounts of 770,903 Euros and 1,186,512 Euros were capitalized in computer software or in Intangible assets in progress as at 31 December 2020 and 31 December 2021, respectively, related to **Company** staff costs incurred in the development of these projects.

During the year ended 31 December 2021, the most significant movements of the **Group** companies in Intangible assets were the following:

Computer software:
The acquisitions caption essentially includes the acquisitions, by CTT Expresso, of the "Microserv/ Minerva" software, in the amount of approximately 371 thousand Euros, of the Cloud software, in the approximate amount of 136 thousand Euros, of the "SalesForce" software, in the approximate amount of 166 thousand Euros and the software "Integration and Processes" amounts to approximately 181 thousand Euros.

Industrial property:
The acquisitions caption essentially includes the acquisitions, by CTT, of "Citrix" licenses in the amount of 321 thousand Euros, "Desk Management" licenses in the amount of approximately 163 thousand Euros, "CMR Oracle" licenses in the amount of approximately 374 thousand Euros and "Security & performance analytics" licenses in the amount of 169 thousand Euros.

As at 31 December 2021 the **Group** and the **Company** Intangible assets in progress, relate to IT projects which are under development, of which the most relevant are:

	Group	Company
Demiminis - software	1,903,236	1,903,236
Digital Factory - software	1,801,063	1,801,063
CRM - software	1,177,131	897,779
OneBiller Solution	850,927	—
Digitization Services - Software	365,194	365,194
New Ecosystem Operations - Software	332,242	—
SAP Hana & Hybris Billing	272,332	272,332
Analytics & Reporting - Software	260,156	260,156
Gateway	249,545	—
Mailmanager - software	245,216	245,216
	7,457,043	**5,744,976**

The **Group** and the **Company** have not identified any relevant uncertainties regarding the conclusion of ongoing projects, nor about their recoverability. Even so, the recoverability of the values of intangible assets in progress was tested in the scope of impairment tests of the assets of the Cash Generating Unit to which they belong, with particularly emphasis on the assets related to the **Group**'s businesses (Note 9).

As mentioned in note 5, according to the impairment tests performed and impairment indicators analysis, no events or circumstances were identified that indicate that the carrying amount of **Group**'s and **Company**'s intangible assets may not recovered.

Most of the projects are expected to be completed in 2022.

Regarding the economic period of 2021, the **Group** and the **Company** are still identifying and quantifying the expenses incurred, as disclosed in Note 51.

There are no Intangible assets with restricted ownership or any carrying value relative to any Intangible assets which have been given as a guarantee of liabilities.

In 2021, no interest on loans was capitalized, in the **Group** and in the **Company**, as no loans were directly identified attributable to the acquisition or construction of an asset that requires a substantial period of time (greater than one year) to reach its status of use.

Contractual commitments relative to the **Group** and the **Company,** at 31 December 2021, amount to 3,850,509 Euros and 226,747 Euros, respectively.

7. Investment properties

As at 31 December 2020 and 31 December 2021, the **Group** and the **Company** have the following assets classified as investment properties:

	2020		
Group and Company	**Land and natural resources**	**Buildings and other constructions**	**Total**
Investment properties			
Opening balance	3,312,358	15,009,771	18,322,129
Additions	—	—	—
Disposals	(15,801)	(66,406)	(82,207)
Transfers and write-offs	(104,524)	(1,660,814)	(1,765,338)
Closing balance	**3,192,033**	**13,282,551**	**16,474,584**
Accumulated depreciation			
Opening balance	213,853	9,706,133	9,919,985
Depreciation for the period	—	235,404	235,404
Disposals	(85)	(21,759)	(21,844)
Transfers and write-offs	(11,259)	(1,173,919)	(1,185,178)
Closing balance	**202,509**	**8,745,858**	**8,948,368**
Accumulated impairment			
Opening balance	—	749,144	749,144
Impairment for the period	—	(298,836)	(298,836)
Closing balance	—	450,308	450,308
Net Investment properties	**2,989,524**	**4,086,384**	**7,075,908**

Group and Company	2021		
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	3,192,033	13,282,551	16,474,584
Disposals	(26,832)	(126,599)	(153,431)
Transfers and write-offs	(275,780)	(1,925,784)	(2,201,564)
Closing balance	**2,889,422**	**11,230,168**	**14,119,589**
Accumulated depreciation			
Opening balance	202,509	8,745,858	8,948,368
Depreciation for the period	—	216,293	216,293
Disposals	(1,752)	(96,754)	(98,505)
Transfers and write-offs	(42,108)	(1,624,817)	(1,666,925)
Closing balance	**158,649**	**7,240,580**	**7,399,229**
Accumulated impairment			
Opening balance	—	450,308	450,308
Impairment for the period	—	(57,372)	(57,372)
Closing balance	—	392,936	392,936
Net Investment properties	**2,730,773**	**3,596,652**	**6,327,424**

These assets are not allocated to the **Group** and the **Company** operating activities, being in the market available for lease.

The market value of these assets, which are classified as investment property, in accordance with the valuations obtained at the end of the fiscal year 2021 which were conducted by independent entities, amounts to 10,345,517 Euros (11,956,192 Euros as at 31 December 2020).

On 31 December 2021, the caption Transfers and Write-offs includes the amount of 2,201,564 (2020: 1,765,338 Euros) related to the transfer from Investment Properties, as well as the corresponding accumulated depreciations of 1,666,925 (2020: 1,185,178 Euros) of a group of properties that were again assigned to the operational activity of the **Group**.

Depreciation for the year ended on 31 December 2021, of 216,293 Euros (235,404 Euros on 31 December 2020) was recorded in the caption Depreciation/amortization and impairment of investments, net (Note 46).

As at 31 December 2021, the rents amount charged by the **Group** and **Company** for properties and equipment leases classified as investment properties was 32,367 Euros (2020: 48,416 Euros).

For the year ended 31 December 2020, impairment losses, amounting to (298,836) Euros, were recorded in the caption “Depreciation/amortization and impairment of investments, net” and are explained by the market value increase observed in some buildings and the properties transferred to tangible fixed assets, as mentioned above.

For the period ended 31 December 2021, impairment losses, amounting to (57,372) Euros, were recorded in the caption “Depreciation/amortization and impairment of investments, net” and are explained by the properties transferred to tangible fixed assets.

8. Companies included in the consolidation

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Subsidiary companies

As at 31 December 2020 and 31 December 2021, the parent company, CTT - Correios de Portugal, S.A. and the following subsidiaries were included in the consolidation:

Company name	Place of business	Head office	2020			2021		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Parent company:								
CTT - Correios de Portugal, S.A.	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	—	—	—	—	—	—
Subsidiaries:								
CTT Expresso - Serviços Postais e Logística, S.A. ("CTT Expresso")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	—	100	100	—	100
Payshop Portugal, S.A. ("Payshop")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	—	100	100	—	100	100
CTT Contacto, S.A. ("CTT Con")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	—	100	100	—	100
CTT Soluções Empresariais, S.A. ("CTT Sol")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	—	100	100	—	100
Correio Expresso de Moçambique, S.A. ("CORRE")	Mozambique	Av. 24 de Julho, Edificio 24, n.º 1097, 3.º Piso, Bairro da Polana Maputo - Moçambique	50	—	50	50	—	50
Banco CTT, S.A. ("BancoCTT")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	—	100	100	—	100
Fundo Inovação TechTree ("TechTree")	Portugal	Av Conselheiro Fernando de Sousa, 19 13º Esq 1070-072 Lisboa	25	75	100	60	40	100
321 Crédito - Instituição Financeira de Crédito, S.A. ("321 Crédito")	Portugal	Av. Duque d'Ávila, 46, 7º B 1050-083 Lisboa	—	100	100	—	100	100
HCCM - Outsourcing Investiment, S.A. ("HCCM")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	—	—	—	—	100	100
NewSpring Services, S.A. ("NSS")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	—	—	—	—	100	100
CTT IMO - Sociedade Imobiliária, S.A. ("CTTi")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	—	—	—	100	—	100
Open Lockers, S.A. ("Lock")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	—	—	—	26	41	66

In relation to the company CORRE, as the **Group** has the right to variable returns arising from its involvement and the ability to affect those returns, it is included in the consolidation.

On 9 October 2020, the **Group** established the entity CTT – Soluções Empresariais, S.A., operating in the area of providing advisory services for business and supporting companies' management and administration and was included in the consolidation perimeter since 2020.

In December 2020, CTT and a group of its subsidiaries subscribed participation units of an investment and innovation fund, Tech Tree. The subscribing entities of the fund have the possibility of benefit from the Tax Incentive System for Research & Business Development (SIFIDE), through the participation units subscription of this investment fund, intended to finance companies dedicated mainly to research and development. Techtree fund is included in the consolidation perimeter since 2020.

On 25 January 2021, CTT - Correios de Portugal, S.A. subscribed a share capital increase in the subsidiary Banco CTT, S.A., with a cash contribution in the amount of 10,000,000 Euros and with the issue of 10,000,000 new shares with no par value, ordinary, nominative and with an issue value of 1 Euro each. Banco CTT, S.A.'s share capital amounting to 286,400,000 Euros increased to 296,400,000 Euros.

On 30 August 2021, the total share capital of NewSpring Services, S.A. ("NewSpring Services") and its holding HCCM - Outsourcing Investment, S.A. ("HCCM – Outsourcing Investment"), companies operating in the Business Process Outsourcing (BPO) and Contact Center market were acquired for an amount of 10,573,344 Euros, which amount was fully satisfied by financial settlement on that date.

On 22 December 2021, the entity CTT IMO - Sociedade Imobiliária, S.A., was established with the purpose of the purchase, exchange, sale and lease of real estate, and resale of the acquired assets for this purpose.

On 30 December 2021, the company Open Lockers, S.A was established. This company is the result of a partnership agreement between CTT and YunExpress, the logistics business unit of the Chinese company Zongteng Group, which resulted in the creation of this partnership that aims to manage the business of a locker network for parcel pick-up in Portugal and Spain. CTT holds a 66% majority stake in the new company and YunExpress holds a 34% stake.

This partnership aims to develop CTT's leading network of lockers for e-commerce in Portugal, which will be open to any carriers. CTT plans to install 1,000 lockers by the end of 2022, thus offering the largest and most widespread national network of lockers that will be part of the current network of more than 2,000 CTT Pick-up Points where clients can collect their parcels.

This business will represent a joint investment of around 8 million Euros over a 3-year period.

YunExpress is a CTT customer and partner, being a cross-border aggregator from Asia, with strong logistics expertise. The locker network will also be supported by a group of different national suppliers, from metal work to software, allowing greater autonomy and technological agility.

As a solution of enormous convenience for both those who sell and those who buy online, the lockers will also complement the CTT pick-up point network, with an innovative solution, strengthening CTT's differentiated positioning in the entire e-commerce value chain and reinforcing CTT's close connection with its customers.

Joint ventures

As at 31 December 2020 and 31 December 2021, the **Group** held the following interests in joint ventures, registered through the equity method:

Company name	Place of business	Head office	2020			2021		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
NewPost, ACE	Portugal	Av. Fontes Pereira de Melo, 40 Lisboa	49	—	49	49	—	49
PTP & F, ACE	Portugal	Estrada Casal do Canas Amadora	51	—	51	51	—	51
Wolfspring, ACE	Portugal	Urbanização do Passil, nº100-A 2890-852 Alcochete	—	—	—	—	50	50
MKTPlace - Comércio Eletrónico, S.A ("MKTP")	Portugal	Rua Eng.º Ferreira Dias 924 Esc. 5 Porto	50	—	50	50	—	50

The entity Mktplace - Comércio Eletrónico, S.A., a partnership with Sonae - SGPS, S.A., is an e-commerce platform that provides integrated services for the intermediation of commercial relations between sellers and consumers. Each shareholder, CTT and Sonae, owns 50% of the share capital of the referred entity.

On 31 March 2021, the entity MKTPlace – Comércio Eletrónico, S.A. was subject to a capital increase in the form of supplementary capital, with an approved amount of 2,305,562 Euros. On 12 April 2021, the amount of 767,956 Euros was paid, on 1 July 2021, the amount of 621,069 Euros, and the remaining would take place in October 2021 in the amount of e 916,537 Euros. However, the General Meeting decided to reduce the amount of the last portion to 400,503 Euros, which took effect on 25 November 2021.

As of 31 December 2021, the entity Wolfspring ACE became part of the joint ventures whose interests are held by the Group. The interest in this entity is held by New Spring Services (entity that integrated the consolidation perimeter in this period) and results from a partnership with Reisswolf – Tratamento confidencial e reciclagem de dados e serviços, S.A. for the provision of services in the custody and management archive area.

Associated companies

As at 31 December 2020 and 31 December 2021, the **Group** held the following interests in associated companies accounted for by the equity method:

Company name	Place of business	Head office	2020			2021		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Mafelosa, SL [(a)]	Espanha	Castellon - Espanha	—	25	25	—	25	25
Urpacksur, SL [(a)]	Espanha	Málaga - Espanha	—	30	30	—	30	30

[(a)] Company held by CTT Expresso - Serviços Postais e Logística, S.A., branch in Spain (until 2018 was held by Tourline Mensajeria, SLU), which currently has no activity.

Structured entities

Additionally, considering the requirements of IFRS 10, the **Group's** consolidation perimeter includes the following structured entities:

Name	Constitution Year	Place of issue	% Economic Interest	Consolidation Method
Ulisses Finance No.1 (*)	2017	Portugal	30.2 %	Full
Ulisses Finance No.2 (*)	2021	Portugal	0.00040 %	Full
Chaves Funding No.8 (*)	2019	Portugal	100 %	Full
Next Funding No.1 (*)	2021	Portugal	100 %	Full

(*) Entities incorporated in the scope of securitisation operations, recorded in the consolidated financial statements in accordance with the Group's continued involvement, determined based on the percentage held in the residual interests (equity piece) of the respective vehicles and to the extent that the Group substantially owns the risks and rewards associated with the underlying assets and has the ability to affect these same risks and rewards

In the consolidated financial statements at 30 December 2021, the structured entity Next Funding No.1 was included for the first time. This entity is the result of a partnership between Banco CTT and Sonae Financial Services for the financing of the Universo card and the related management of credit risk exposure. The underlying assets of the Next Funding No.1 operation were consolidated and recognized in Banco CTT's consolidated accounts, considering that Banco CTT is i) responsible for all relevant activities inherent to the management of the underlying assets, ii) has exposure to variable income and iii) has the ability to affect its variable returns through the power to manage the relevant activities.

During the third quarter of 2021, the CTT Bank Group issued a new securitization operation (Ulisses Finance No. 2) related to the auto loan portfolio originated by 321 Crédito in the amount of 250 million Euros. Considering IFRS10, this operation became part of the Group's consolidation perimeter.

The main impacts of the consolidation of these structured entities on the **Group'**s accounts are the following:

	31.12.2020	31.12.2021
Cash and cash equivalents	9,896,409	20,092,235
Financial assets at amortized cost - Credit to Banking clients (Note 20)	—	298,716,076
Other banking financial liabilities (Debt securities issued) - note 16	44,517,924	277,795,753

<u>Changes in the consolidation perimeter</u>

In 2020, the consolidation perimeter includes the entity CTT – Soluções Empresariais, S.A., established on 9 October 2020, and the Investment Fund Techtree whose shares were subscribed by CTT, CTT Expresso, CTT Contacto and CTT Soluções empresariais, in equal parts at the end of 2020.

During the period ended 31 December 2021, the structured entities Next Funding No.1 and Ulisses Finance No.2 was included in the consolidation perimeter.

During the period ended 31 December 2021, the consolidation perimeter was also changed following the acquisition of NewSpring Services and its holding HCCM - Outsourcing Investment. On 16 June 2021, CTT through its subsidiary CTT Soluções Empresariais, S.A. entered into a purchase agreement for the acquisition of the total share capital of these companies, operating in the Business Process Outsourcing (BPO) and Contact Center market.

The acquisition was carried out on 30 August 2021 (transaction closing date), for an initial fixed price of 7,000,000 Euros, subject to adjustments, based on the accounts prepared at the transaction close, related to the net financial debt and working capital of the acquired companies, with the acquisition price of 10,573,344 Euros. Additionally, earnouts were agreed depending on the company's activity over the 2 years following the closing date, based on the achievement of pre-defined objectives for NewSpring Services, including EBITDA targets.

The Group incurred in expenses related to the acquisition of NewSpring Services of 190.716 Euros related to the transaction, namely financial advice and legal costs. These expenses were recorded in the External Supplies and Services item.

The Purchase Price Allocation (PPA) is ongoing and the Group is still evaluating the assumptions and criteria for the fair value assessment of the assets acquired and the liabilities assumed and will be concluded within the 12 months after the acquisition date as required by IFRS 3 – Business Combinations.

Therefore, the initial Goodwill assessed on the date of the acquisition of HCCM - Outsourcing Investment and NewSpring Services is as follow:

	Initial recognition
Assets acquired (HCCM)	5,887,230
Liabilities acquired (HCCM)	50,992
Net assets acquired (HCCM)	**5,836,238**
Assets acquired (NSS)	9,875,561
Assets acquired (NSS)	6,995,252
Net assets acquired (NSS)	**2,880,309**
Net assets acquired (NSS) - CTT-SE Participation (*)	**139,292**
Goodwill	**9,097,814**
Fair Value of contingent components	**4,500,000**
Acquisition Price	**10,573,344**

(*) Acquistion by CTT-SE of 4,84% of the share capital of NSS, with the remaining 95,16% belonging to HCCM.

The contingent components are related to the earnouts described above, and their fair value is determined based on the best estimate at the operation closing date, subject to revaluation at each reporting date.

It should be noted that the calculated Goodwill was fully allocated to the NewSpring Services Cash Generating Unit, since HCCM – Outsourcing investment has as its sole activity the shareholding management in this entity.

The assets acquired from HCCM – Outsourcing investment and NewSpring Services are detailed as follows:

HCCM	Initial recognition
Non current assets	
Tangible fixed assets	54,118
Goodwill	2,171,673
Intangible assets	70
Investments in subsidiaries	2,736,914
Other investments	4,121
Non current assets	**4,966,896**
Current assets	
Income yax receivables	7,498
Other current assets	1,091
Prepayments	3,798
Cash and cash equivalents	907,947
Current assets	**920,334**
Assets acquired (HCCM)	**5,887,230**

NSS	Initial recognition
Non current assets	
Tangible fixed assets	1,337,688
Intangible assets	151,620
Investments in joint ventures	54,045
Other investments	221,726
Non current assets	**1,765,079**
Current assets	
Account receivables	2,487,856
Other current assets	1,488,112
Prepayments	126,647
Cash and cash equivalents	4,007,867
Current assets	**8,110,482**
Assets acquired (NSS)	**9,875,561**

The detail of accounts receivable from NewSpring Services is detailed as follows:

	Initial Recognition
Accounts receivables - National	2,487,856
Doubtful debts	51,648
Accumulated Impairment Losses	(51,648)
Total	**2,487,856**

As previously mentioned, the Purchase Price Allocation (PPA) is in progress. The net book value of accounts receivable on the acquisition date amounts to 2,487,856 Euros, with no differences in relation to their fair value within the scope of IFRS 3.

NewSpring Services results are presented as follows (related to the period September to December 2021):

Income Statement - from 01.09.2021 until 31.12.2021

Caption	Amount
Sales and service rendered	7,946,137
Other operating income	86,400
	8,032,536
External services and services	(2,768,571)
Staff Costs	(3,817,770)
Depreciation/ amortization and impairment of investment, net	(250,071)
Other operating costs	(140,002)
	(6,976,414)
Interest expenses	(13,201)
Gains/ losses in subsidiary, associated companies and joint ventures	(36,053)
Earning before taxes	**1,006,868**
Income tax for the period	(156,220)
Net profit for the period	**850,648**

On 22 December 2021, the entity CTT IMO - Sociedade Imobiliária, SA was established and on 30 December 2021 the company Open Lockers, S.A was established, which results from a partnership agreement between CTT and YunExpress, in which CTT holds a 66% majority stake in the new company and YunExpress, a 34% participation.

9. Goodwill

As at 31 December 2020 and 31 December 2021, the **Group** Goodwill was made up as follows:

Group	Year of acquisition	2020	2021
Mailtec Comunicação, S.A.	2004	6,161,326	6,161,326
Payshop Portugal, S.A.	2004	406,101	406,101
321 Crédito - Instituição Financeira de Crédito, S.A.	2019	60,678,648	60,678,648
Transporta, S.A.	2017	2,955,753	2,955,753
HCCM - Outsourcing Investment, S.A./ New Spring Services S.A.	2021	—	11,269,486
		70,201,828	**81,471,314**

During the years ended 31 December 2020 and 31 December 2021, the movements in Goodwill were as follows:

Group	2020	2021
Opening balance	70,201,828	70,201,828
Acquisitions	—	9,097,814
Changes in the consolidation perimeter	—	2,171,673
Closing balance	**70,201,828**	**81,471,314**

The acquisitions occurred in the period ended 31 December 2021 are related with the acquisition of the company NewSpring Services, with a Goodwill of 9,097,814 Euros being booked (note 8). The changes in the consolidation perimeter are related with the Goodwill booked in the company HCCM - Outsourcing Investment in previous periods related to NewSpring Services.

Goodwill impairment assessment

The recoverable amount of Goodwill is assessed annually or whenever there is indication of a possible loss of value. The recoverable amount is determined based on the value in use of the assets, computed using calculation methodologies supported by discounted cash flow techniques, considering the market conditions, the time value and business risks.

During the current year, in order to determine the recoverable amount of its investments, the **Group** performed impairment tests as at 31 December 2020 and 31 December 2021 based on the following assumptions:

		2020				
Company name	**Activity**	**Base for determining the recoverable amount**	**Explicit period for cash flows**	**Discount rate (WACC)**	**Discount rate (Cost of Equity)**	**Perpetutiy rate growth**
Mailtec Comunicação, S.A.	Documental services	Equity Value/DCF	5 years	9.70%	—	1.5%
Transporta - Transportes Porta a Porta, S.A.	Cargo and Logistics	Equity Value/DCF	5 years	9.70%	—	1.0%
CTT Expresso, Sucursal em Espanha	Cargo and Logistics	Equity Value/DCF	6 years	9.60%	—	1.6%
Payshop (Portugal), S.A.	Payment network management	Equity Value/DCF	10 years	—	10.00%	1.5%
321 Crédito - Instituição Financeira de Crédito, S.A.	Consumer Credit	Equity Value/DCF	10 years	—	10.00%	1.5%

		2021				
Company name	**Activity**	**Base for determining the recoverable amount**	**Explicit period for cash flows**	**Discount rate (WACC)**	**Discount rate (Cost of Equity)**	**Perpetutiy rate growth**
Mailtec Comunicação, S.A.	Documental services	Equity Value/DCF	5 years	8.00%	—%	1.4%
Transporta - Transportes Porta a Porta, S.A.	Cargo and Logistics	Equity Value/DCF	5 years	8.20%	—%	1.4%
CTT Expresso, Sucursal em Espanha	Cargo and Logistics	Equity Value/DCF	5 years	8.20%	—%	1.4%
Payshop (Portugal), S.A.	Payment network management	Equity Value/DCF	5 years	7.60 %	—%	1.4%
321 Crédito - Instituição Financeira de Crédito, S.A.	Consumer Credit	Equity Value/DCF	9 years	— %	10.00%	1.5%
New Spring Services, S.A.	Back office technical services	Equity Value/DCF	5 years	8.00 %	—%	1.4%

The generalized decrease in the discount rate (WACC) in the period ended 31 December 2021 resulted mainly from the decrease in the “Country Risk Premium” and “Market Risk Premium”, due to the general improvement in the macroeconomic scenario in 2021 compared to 2020 .

The cash flow projections were based on historical performance and 5-year business plans, approved by the Board of Directors, except for 321 Crédito, as given the recent acquisition of this entity in 2019, according to the business plan, the cash flows stability will only be achieved in a longer time frame.

In the case of 321 Crédito, the cash flows were estimated based on projections of results and the evolution of activity based on the entity's business plan. This business plan covers a period until 2030, and considers, over this period, a compound annual growth rate of 7.5% of the assets.

Based on this analysis and the perspectives of future evolution, it was concluded that there are no signs of impairment related to the goodwill allocated to this cash-generating unit.

The assets carrying amount assessed in the impairment tests includes, in addition to goodwill, the amounts of tangible and intangible assets allocated to the related cash-generating units with reference to 31 December 2021.

As a consequence of this impairment analysis, the **Group** concluded that as at 31 December 2021 there were no indications of impairment losses to be recognized.

As at 31 December 2020 and 31 December 2021, the impairment losses registered in the **Group** are as follows:

	2020			
	Year of acquisition	Initial value of Goodwill	Accumulated impairment losses	Carrying value
Tourline Express Mensajería, SLU	2005	20,671,985	20,671,985	—
Mailtec Comunicação, S.A.	2004	7,294,638	1,133,312	6,161,326
		27,966,623	**21,805,297**	**6,161,326**

	2021			
	Year of acquisition	Initial value of Goodwill	Accumulated impairment losses	Carrying value
Tourline Express Mensajería, SLU	2005	20,671,985	20,671,985	—
Mailtec Comunicação, S.A.	2004	7,294,638	1,133,312	6,161,326
		27,966,623	**21,805,297**	**6,161,326**

Sensitivity analyzes were performed on the results of the impairment tests, namely the following key assumptions: (i) reduction of 50 basis points in the growth rate in perpetuity and (ii) increase of 50 points in the different discount rates used.

In the case of 321 Crédito, sensitivity analyzes were carried out on the results of the impairment tests, namely the following key variables: (i) reduction/increase of 0.5% in the CET1 ratio target (ii) increase of 50 points in the different interest rates discount used.

The results of the sensitivity analyze carried out do not determine the existence of signs of impairment in Goodwill.

10. Investments in subsidiary companies

During the years ended 31 December 2020 and 31 December 2021, the movements occurred in the **Company** in Investments in subsidiary companies were as follows:

	2020			2021		
	Investments in subsidiary companies	Provisions for investments in subsidiary companies	Total	Investments in subsidiary companies	Provisions for investments in subsidiary companies	Total
Opening balance	233,475,030	—	233,475,030	235,531,801	—	235,531,801
Equity method	790,022	—	790,022	24,588,398	—	24,588,398
Equity Method Adjustements (intra-group)	(6,941)	—	(6,941)	1,976	—	1,976
Distribution of dividends	—	—	—	(750,000)	—	(750,000)
Share capital increase	—	—	—	12,000,000	—	12,000,000
New Shares	1,250,000	—	1,250,000	275,500	—	275,500
Other	23,689	—	23,689	55,224	—	55,224
Closing balance	**235,531,801**	**—**	**235,531,801**	**271,702,900**	**—**	**271,702,900**

As at 31 December 2020, the caption “New Shares” increase includes the share capital subscription of the subsidiary CTT Soluções Empresariais, established in the current year, in the amount of 250,000 Euros and the subscription of 25% of FCR TechTree shares, in the total amount of 1,000,000 Euros.

On 31 December 2021, the caption “Share Capital increase” includes the capital increase of Banco CTT, S.A. which occurred on 25 January 2021, in the amount of 10,000,000 Euros and the subscription of participation units of Fundo TechTree in the amount of 2,000,000 Euros at 29 December 2021. The **Company**'s interest in the entity changed from 25% to 60%.

On 1 December 2021, a decision to distribute dividends in the amount of 750,000 Euros was taken by CTT Contacto.

As at 31 December 2021, the caption “New shares” includes the subscription of the share capital of the subsidiary CTT IMO, constituted in the current year, in the amount of 250,000 Euros and the subscription of the share capital of the subsidiary Open Lockers in the amount of 25,500 Euros.

As at 31 December 2020 and 31 December 2021, the detail by **Company** of Investments in subsidiaries of the Company was as follows:

Company	2020							
	% held	Assets	Liabilities	Equity	Net profit	Goodwill (nota 9)	Investments	Proportion of net profit
CTT Expresso,S.A.	100%	145,468,865	138,960,853	6,508,011	(1,903,514)	2,955,753	6,508,386	(1,903,514)
CTT Contacto, S.A.	100%	6,962,138	1,187,116	5,775,022	1,482,447	—	5,775,017	1,482,447
CORRE - Correio Expresso Moçambique, S.A.	50%	1,611,955	1,183,802	428,153	194,451	—	323,675	97,225
Banco CTT, S.A.	100%	1,930,219,326	1,718,494,360	211,724,966	285,011	—	211,728,793	285,011
FCR TECHTREE	25%	4,000,000	—	4,000,000	—	—	1,000,000	—
CTT Soluções Empresariais, S.A.	100%	2,146,352	1,067,500	1,078,852	828,852	—	1,078,852	828,852
Mailtec Comunicação S.A.		—	—	—	—	6,161,326	—	—
						9,117,079	**226,414,722**	**790,022**

Company	2021							
	% held	Assets	Liabilities	Equity	Net profit	Goodwill (nota 9)	Investments	Proportion of net profit
CTT Expresso,S.A.	100%	184,126,919	169,073,533	15,053,386	8,520,403	2,955,753	15,054,183	8,520,403
CTT Contacto, S.A.	100%	7,290,992	1,465,070	5,825,922	800,900	—	5,825,917	800,900
CORRE - Correio Expresso Moçambique, S.A.	50%	2,462,169	1,403,935	1,058,234	374,401	—	529,106	187,190
Banco CTT, S.A.	100%	2,393,023,938	2,155,866,804	237,157,134	15,424,262	—	237,162,515	15,424,262
FCR TECHTREE	60%	4,906,324	15,191	4,891,134	(136,766)	—	2,927,240	(72,760)
CTT Soluções Empresariais, S.A.	100%	24,250,673	23,392,984	857,689	225,266	—	857,689	(225,266)
CTT IMO - Sociedade Imobiliária, S.A.	100%	7,371,610	7,156,181	215,428	(34,572)	—	203,670	(46,330)
Open Lockers, S.A.	26%	100,000	—	100,000	—	—	25,500	—
Mailtec Comunicação S.A.	— %	—	—	—	—	6,161,326	—	—
						9,117,079	**262,585,820**	**24,588,398**

The investments in subsidiaries amount is assessed whenever there are indications of an eventual amount loss. The recoverable amount is determined using methodologies based on discounted cash flow techniques, considering market conditions, time value and business risks.

For the years ended 31 December 2020 and 31 December 2021, the net income in subsidiary companies arising from the application of the equity method, and stated under Gains/losses in subsidiaries, associated companies and joint ventures in the Income statement were recognized against the following items on the balance sheet:

Company	2020	2021
Investment in subsidiaries		
CTT Expresso,S.A.	(1,903,514)	8,520,403
CTT Contacto, S.A.	1,482,447	800,900
CORRE - Correio Expresso Moçambique, S.A.	97,225	187,190
Banco CTT, S.A.	285,011	15,424,262
FCR TECHTREE	—	(72,760)
CTT Solucões Empresariais, S.A.	828,852	(225,266)
CTT IMO - Sociedade Imobiliária, S.A.	—	(46,330)
Open Lockers, S.A.	—	—
	790,022	**24,588,398**

CTT Expresso, S.A. includes CTT Expresso Portugal and its branch in Spain (previously designated as Tourline).

The companies 321 Crédito – Instituição Financeira de Crédito, S.A. and Payshop Portugal, S.A. are owned by CTT Bank, and the bank's financial investment amount includes the gains and losses of these companies.

The entities HCCM - Outsourcing Investment, S.A. and NewSpring Services are owned by CTT Soluções Empresariais. Open Lockers is 25.5% owned by the **Company**, with the remaining of the group's share held by CTT Expresso and CTT Soluções Empresariais. Thus, the amount of the financial investment of CTT Soluções Empresariais and CTT Expresso includes the gains and losses of these companies.

11. Investments in associated companies

For the years ended 31 December 2020 and 31 December 2021, the **Group** and the **Company** investments in associated companies had the following movements:

	Group		Company	
	2020	2021	2020	2021
Gross carrying value				
Opening balance	293,434	481	292,953	—
Equity method - proportion of net income	—	—	—	—
Other	(292,953)	—	(292,953)	—
Closing balance	**481**	**481**	**—**	**—**

As at 31 December 2020 and 31 December 2021, the detail by company of the **Group** and the **Company** investments in associated companies were as follows:

	Group		Company	
	2020	2021	2020	2021
Multicert, S.A.	—	—	—	—
Urpacksur, S.L.	481	481	—	—
	481	**481**	**—**	**—**

In August 2020, the investment in Multicert - Serviços de Certificação Electrónica, S.A. was sold, resulting in a capital gain of 707,047 Euros, recorded in the caption Gains/losses in subsidiary, associated companies and joint ventures.

Group	2020						
	% held	Assets	Liabilities	Equity	Net profit	Investments	Proportion of net profit
Mafelosa, SL [(a) (b)]	25%	n.d.	n.d.	n.d.	n.d.	—	n.d.
Urpacksur [(a) (b)]	30%	n.d.	n.d.	n.d.	n.d.	481	n.d.
						481	**—**

[(a)] Company held by CTT Expresso - Serviços Postais e Logística, S.A., branch in Spain (until 2018 held by Tourline Mensajeria, SLU).
[(b)] Companies without activity

Group	2021						
	% held	Assets	Liabilities	Equity	Net profit	Investments	Proportion of net profit
Mafelosa, SL [(a) (b)]	25%	n.d.	n.d.	n.d.	n.d.	—	n.d.
Urpacksur [(a) (b)]	30%	n.d.	n.d.	n.d.	n.d.	481	n.d.
						481	**—**

[(a)] Company held by CTT Expresso - Serviços Postais e Logística, S.A., branch in Spain (until 2018 held by Tourline Mensajeria, SLU).
[(b)] Companies without activity

12. Investments in joint ventures

As at 31 December 2020 and 31 December 2021, the detail of the **Group** and the **Company** investments in joint ventures were as follows:

Group and Company	2020								
	% held	Assets	Liabilities	Equity	Net profit	Investment	Impairment	Book Value	Proportion of net profit
MKTPlace - Comércio Electrónico, S.A.	50%	9,564,986	3,608,053	5,956,933	(4,633,969)	2,925,100	—	2,925,100	(2,477,083)
PTP & F, ACE	51%	—	—	—	—	—	—	—	—
NewPost, ACE	49%	—	—	—	—	—	—	—	—
						2,925,100	**—**	**2,925,100**	**(2,477,083)**

Group and Company	% held	Assets	Liabilities	Equity	Net profit	Investment	Impairment	Book Value	Proportion of net profit
	2021								
MKTPlace - Comércio Electrónico, S.A.	50%	8,157,626	2,403,242	5,754,384	(4,096,254)	2,193,233	(2,193,233)	—	(2,521,396)
Wolfpring, ACE	50%	233,880	185,813	48,067	41,668	17,992	—	17,992	20,834
PTP & F, ACE	51%	—	—	—	—	—	—	—	—
NewPost, ACE	49%	—	—	—	—	—	—	—	—
						2,211,225	**(2,193,233)**	**17,992**	**(2,500,562)**

As at 31 December 2021, an impairment charge was recognized for the investment in the entity MKT Place in the amount of 2,193,233 Euros, which represents 100% of the financial investment. Given the company's history of losses and the non-achievement of the previously approved business plan, the **Group** understood that the amount would not be recoverable.

13. Other investments

The amount of Other investments as at 31 December 2020 and 31 December 2021, in the **Group** and the **Company**, were as follows:

Entity	Head office	Group	
		2020	**2021**
IPC-International Post Corporation	Brussels - Belgium	6,157	6,157
Lisgarante - SGM, S.A.	Lisbon - Portugal	—	5,000
Garval - SGM, S.A.	Lisbon - Portugal	—	290
KIT-AR LIMITED	London - UK	—	300,000
CEPT	Copenhagen - Denmark	237	237
		6,394	**311,684**

Entity	Head office	Company	
		2020	**2021**
IPC-International Post Corporation	Brussels - Belgium	6,157	6,157
CEPT	Copenhagen - Denmark	237	237
		6,394	**6,394**

During the year, no impairment loss was recognized in these investments.

There are no market prices available for the mentioned investments and it is not possible to determine fair value in the period using comparable transactions. These instruments were not measured through discounted cash flows since these could not be reliably determined.

14. Debt securities

As at 31 December 2020 and 31 December 2021, the caption Debt securities, in the Group, showed the following composition:

	31.12.2020	31.12.2021
Non-current		
Financial assets at fair value through other comprehensive income [1]		
Government bonds	860,281	—
Bonds issued by other entities	11,413,276	4,906,841
	12,273,557	**4,906,841**
Financial assets at amortized cost		
Government bonds	450,600,878	295,098,611
Bonds issued by other entities	2,665,125	—
Impairment	(175,486)	(111,953)
	453,090,517	**294,986,658**
	465,364,074	**299,893,499**
Current		
Financial assets at fair value through other comprehensive income [1]		
Government bonds	6,760,199	849,374
Bonds issued by other entities	521,074	338,695
	7,281,273	**1,188,069**
Financial assets at amortized cost		
Government bonds	39,973,188	38,795,904
Bonds issued by other entities	5,193,374	386,509
Impairment	(6,505)	(8,552)
	45,160,057	**39,173,861**
	52,441,330	**40,361,930**
	517,805,404	**340,255,429**

[1] As at 31 December 2020 and 31 December 2021 includes the amount of 9,429 Euros and 3,194 Euros, respectively, regarding Accumulated impairment losses.

During 2021, there were carried out sales of debt securities at amortized cost in the amount of 204 million Euros (nominal value) which resulted in a gain of 17,777 thousand Euros (note 47).

For “Financial assets at fair value through other comprehensive income”, the changes in fair value are reflected in other comprehensive income, as described in note 2.11.2. (note 27).

The analysis of the Financial assets at fair Value through other comprehensive income and the Financial assets at amortized cost, by remaining maturity, as at 31 December 2020 and 31 December 2021 is detailed as follows:

	31.12.2020						
	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Financial assets at fair value through other comprehensive income [(1)]							
Government bonds							
National	45,271	6,714,928	6,760,199	860,281	—	860,281	7,620,481
Bonds issued by other entities							
National	521,074	—	521,074	11,413,276	—	11,413,276	11,934,350
	566,345	**6,714,928**	**7,281,273**	**12,273,557**	**—**	**12,273,557**	**19,554,830**

[(1)] As at 31 December 2020 includes the amount of 9,429 Euros regarding Accumulated impairment losses.

	31.12.2020						
	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Financial assets at amortized cost							
Government bonds							
National	4,492,510	13,931,350	18,423,860	60,600,346	209,854,020	270,454,366	288,878,226
Foreign	993,484	20,555,844	21,549,328	24,543,252	155,603,260	180,146,511	201,695,839
Bonds issued by other entities							
National	5,193,374	—	5,193,374	2,665,125	—	2,665,125	7,858,500
	10,679,369	**34,487,193**	**45,166,562**	**87,808,724**	**365,457,279**	**453,266,003**	**498,432,565**

	31.12.2021						
	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Financial assets at fair value through other comprehensive income [(1)]							
Government bonds							
National	4,384	844,990	849,374	—	—	—	849,374
Bonds issued by other entities							
National	338,695	—	338,695	4,906,841	—	4,906,841	5,245,536
	343,079	**844,990**	**1,188,069**	**4,906,841**	**—**	**4,906,841**	**6,094,910**

[(1)] As at 31 December 2021 includes the amount of 3,194 Euros regarding Accumulated impairment losses.

	31.12.2021						
	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Financial assets at amortized cost							
Government bonds							
National	2,521,147	22,264,251	24,785,398	38,565,156	122,194,456	160,759,612	185,545,010
Foreign	1,013,181	12,997,325	14,010,506	11,098,271	123,240,728	134,338,999	148,349,505
Bonds issued by other entities							
National	386,509	—	386,509	—	—	—	386,509
	3,920,837	**35,261,576**	**39,182,413**	**49,663,427**	**245,435,184**	**295,098,611**	**334,281,023**

The impairment losses, for the period ended 31 December 2020 and 31 December 2021, are detailed as follows:

	2020					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current assets						
Financial assets at fair value through other comprehensive income	225	5,878	(101)	—	(84)	5,918
Financial assets at amortized cost	169,217	23,878	(15,549)	—	(2,060)	175,486
	169,442	29,756	(15,650)	—	(2,144)	181,404
Current assets						
Financial assets at fair value through other comprehensive income	—	3,487	(60)	—	84	3,511
Financial assets at amortized cost	4,136	885	(576)	—	2,060	6,505
	4,136	**4,372**	**(636)**	**—**	**2,144**	**10,016**
Financial assets at fair value through other comprehensive income	***225***	***9,365***	***(161)***	***—***	***—***	***9,429***
Financial assets at amortized cost	***173,353***	***24,763***	***(16,125)***	***—***	***—***	***181,991***
	173,578	**34,128**	**(16,286)**	**—**	**—**	**191,420**

	2021					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current assets						
Financial assets at fair value through other comprehensive income	5,918	—	(5,019)	—	1,673	2,572
Financial assets at amortized cost	175,486	32,617	(89,741)	—	(6,410)	111,952
	181,404	32,617	(94,760)	—	(4,737)	114,524
Current assets						
Financial assets at fair value through other comprehensive income	3,511	—	(1,215)	—	(1,673)	623
Financial assets at amortized cost	6,505	2,492	(6,855)	—	6,410	8,552
	10,016	**2,492**	**(8,070)**	**—**	**4,737**	**9,175**
Financial assets at fair value through other comprehensive income	***9,429***	***—***	***(6,235)***	***—***	***—***	***3,194***
Financial assets at amortized cost	***181,991***	***35,109***	***(96,595)***	***—***	***—***	***120,505***
	191,420	**35,109**	**(102,830)**	**—**	**—**	**123,699**

Regarding the movements in impairment losses of Financial assets at fair value through other comprehensive income by stages, in the periods ended on 31 December 2020 and 31 December 2021, they are detailed as follows:

	2020	2021
	Stage 1	Stage 1
Opening balance	**225**	**9,429**
Change in period:		
Increases due to origination and acquisition	9,365	—
Changes due to change in credit risk	(161)	(4,090)
Decrease due to derecognition repayments and disposals	—	(2,145)
Impairment - Financial assets at fair value through other comprehensive income	**9,429**	**3,194**

The reconciliation of accounting movements related to impairment losses is presented below:

	2020	2021
	Stage 1	Stage 1
Opening balance	**225**	**9,429**
Change in period:		
ECL income statement change for the period	9,204	(6,235)
Impairment - Financial assets at fair value through other comprehensive income	**9,429**	**3,194**

For the impairment losses of Financial assets at amortized cost, the movements by stages, in the periods ended on 31 December 2020 and 31 December 2021, they are detailed as follows:

	2020	2021
	Stage 1	Stage 1
Opening balance	**173,353**	**181,991**
Change in period:		
Increases due to origination and acquisition	11,139	35,109
Changes due to change in credit risk	1,636	(78,141)
Decrease due to derecognition repayments and disposals	(4,136)	(18,455)
Impairment - Financial assets at amortized cost	**181,991**	**120,505**

The reconciliation of accounting movements related to impairment losses is presented below:

	2020	2021
	Stage 1	Stage 1
Opening balance	**173,353**	**181,991**
Change in period:		
ECL income statement change for the period	8,639	(61,487)
Impairment - Financial assets at amortized cost	**181,991**	**120,505**

According to the accounting policy described in Note 2.11, the **Group** regularly assesses whether there is objective evidence of impairment in its financial asset portfolios at fair value through other comprehensive income and other financial assets at amortized cost, following the criteria described in Note 2.30.

15. Financial Assets at fair value through profit and loss

As at 31 December 2020 and 31 December 2021, in the Group, the caption "Financial Assets at fair value through profit and loss" showed the following composition:

	31.12.2020	31.12.2021
Non current assets		
Derivative	2,107	2,261,947
	2,107	**2,261,947**
Current assets		
Shares - Real Estate Investment Fund	—	24,999,138
	—	**24,999,138**
	2,107	**27,261,085**

The Derivatives item represents the fair value of derivative financial instruments whose purpose is to mitigate interest rate risk for securitization operations and their investors, as detailed in note 16.

The caption Real Estate Investment Funds in the amount of 24,999 thousand euros refers to an investment in an open real estate investment fund domiciled in Portugal, representing 10.7% of the total investment units issued on 31 December 2021.

16. Other banking financial assets and liabilities

As at 31 December 2020 and 31 December 2021, the **Group** headings Other banking financial assets and Other banking financial liabilities showed the following composition:

	31.12.2020	31.12.2021
Non-current assets		
Loans to credit institutions	11,424,488	5,239,419
Impairment	(3,712)	(1,709)
	11,420,776	**5,237,710**
Current assets		
Investments in credit institutions	20,000,635	2,350,000
Loans to credit institutions	7,504,875	6,185,069
Impairment	(23,980)	(2,197)
Other	5,213,955	2,988,970
Impairment	(3,238,971)	(1,800,306)
	29,456,514	**9,721,536**
	40,877,290	**14,959,246**
Non-current liabilities		
Debt securities issued	44,506,988	277,760,616
	44,506,988	**277,760,616**
Current liabilities		
Debt securities issued	10,936	35,137
Other	21,475,716	26,987,725
	21,486,652	**27,022,862**
	65,993,640	**304,783,478**

Investments in credit institutions and Loans to credit institutions

Regarding the above-mentioned captions, the scheduling by maturity is as follows:

	31.12.2020	31.12.2021
Up to 3 months	12,872,862	2,337,172
From 3 to 12 months	14,632,648	6,197,897
From 1 to 3 years	10,462,768	5,239,419
Over 3 years	961,721	—
	38,929,999	**13,774,489**

The heading "Investments at credit institutions" showed an annual average rate of 1.191% in 2021 (2020: 1.179%).

Impairment

The impairment losses, for the period ended 31 December 2020 and 31 December 2021, are detailed as follows:

	2020					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current assets						
Investments and loans in credit institutions	166,249	3,071	(27,984)	—	(137,625)	3,712
	166,249	**3,071**	**(27,984)**	**—**	**(137,625)**	**3,712**
Current assets						
Investments and loans in credit institutions	47,303	19,840	(180,787)	—	137,625	23,980
Other	4,182,457	32,889	(976,375)	—	—	3,238,971
	4,229,760	**52,729**	**(1,157,162)**	**—**	**137,625**	**3,262,951**
	4,396,009	**55,800**	**(1,185,146)**	**—**	**—**	**3,266,663**

	2021					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current assets						
Investments and loans in credit institutions	3,712	555	(10,964)	—	8,406	1,709
	3,712	**555**	**(10,964)**	**—**	**8,406**	**1,709**
Current assets						
Investments and loans in credit institutions	23,980	713	(14,090)	—	(8,406)	2,197
Other	3,238,971	30,268	(22,533)	(1,446,399)	—	1,800,307
	3,262,951	**30,981**	**(36,623)**	**(1,446,399)**	**(8,406)**	**1,802,504**
	3,266,663	**31,536**	**(47,587)**	**(1,446,399)**	**—**	**1,804,213**

Regarding the movements in impairment losses on investments and loans to credit institutions by stages, in the periods ended on 31 December 2020 and 31 December 2021, they are detailed as follows:

	2020	2021
	Stage 1	Stage 1
Opening balance	**213,552**	**27,692**
Change in period:		
Increases due to origination and acquisition	22,911	1,261
Changes due to change in credit risk	(161,468)	(1,067)
Decrease due to derecognition repayments and disposals	(47,303)	(23,980)
Impairment	**27,692**	**3,906**

The reconciliation of accounting movements related to impairment losses is presented below:

	2020	2021
	Stage 1	Stage 1
Opening balance	**213,552**	**27,692**
Change in period:		
ECL income statement change for the period	(185,860)	(23,786)
Impairment	**27,692**	**3,906**

Debt securities issued

This caption showed the following composition:

	31.12.2020	31.12.2021
Securitizations	44,517,924	277,795,753
	44,517,924	**277,795,753**

As at 31 December 2020 and 31 December 2021, the Debt securities issued are analyzed as follows:

31.12.2020

Issue	Issue date	Maturity date	Remuneration	Nominal value	Book value
Ulisses Finance No.1 – Class A	July 2017	March 2033	Euribor 1M + 85 b.p.	30,401,824	30,429,037
Ulisses Finance No.1 – Class B	July 2017	March 2033	Euribor 1M + 160 b.p.	7,000,000	6,992,378
Ulisses Finance No.1 – Class C	July 2017	March 2033	Euribor 1M + 375 b.p.	7,100,000	7,096,509
				44,501,824	**44,517,924**

31.12.2021

Issue	Issue date	Maturity date	Remuneration	Nominal value	Book value
Ulisses Finance No.1 – Class A	July 2017	March 2033	Euribor 1M + 85 b.p.	10,421,009	10,424,113
Ulisses Finance No.1 – Class B	July 2017	March 2033	Euribor 1M + 160 b.p.	7,000,000	7,001,507
Ulisses Finance No.1 – Class C	July 2017	March 2033	Euribor 1M + 375 b.p.	7,100,000	7,106,617
Ulisses Finance No.2 – Class A	September 2021	September 2038	Euribor 1M + 70 b.p.	203,700,000	205,737,929
Ulisses Finance No.2 – Class B	September 2021	September 2038	Euribor 1M + 80 b.p.	10,000,000	9,986,657
Ulisses Finance No.2 – Class C	September 2021	September 2038	Euribor 1M + 135 b.p.	20,000,000	19,976,063
Ulisses Finance No.2 – Class D	September 2021	September 2038	Euribor 1M + 285 b.p.	11,300,000	11,290,713
Ulisses Finance No.2 – Class E	September 2021	September 2038	Euribor 1M + 368 b.p.	3,700,000	3,697,727
Ulisses Finance No.2 – Class F	September 2021	September 2038	Euribor 1M + 549 b.p.	1,300,000	1,299,790
Ulisses Finance No.2 – Class G	September 2021	September 2038	Euribor 1M + 500 b.p.	1,275,000	1,274,637
				275,796,009	**277,795,753**

During the period ended at 31 December 2020 and 31 December 2021, the movement of this item is as follows:

2020

	Opening balance	Issues	Repayments	Other movements	Closing balance
Ulisses Finance No.1	76,077,368	—	(31,148,098)	(411,346)	44,517,924
	76,077,368	**—**	**(31,148,098)**	**(411,346)**	**44,517,924**

2021	Opening balance	Issues	Repayments	Other movements	Closing balance
Ulisses Finance No.1	44,517,924	—	(19,980,815)	(4,872)	24,532,237
Ulisses Finance No.2	—	251,500,000	(225,000)	1,988,517	253,263,517
	44,517,924	**251,500,000**	**(20,205,815)**	**1,983,644**	**277,795,753**

During the period ended 31 December 2021, the movements recorded in "Issues" caption are related with a new securitization operation (Ulisses Finance No. 2) on the auto loan portfolio originated by 321 Crédito. The caption "other movements" includes an amount of 2,314,824 Euros related to the issue premium of Note Class A of Ulisses Finance No.2 and an amount of 350,486 Euros of assembly cost at the amortized cost of Ulisses Finance No.2.

The scheduling by maturity regarding this caption is as follows:

31.12.2020	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Securitisations	10,936	—	10,936	—	44,506,988	44,506,988	44,517,924
	10,936	**—**	**10,936**	**—**	**44,506,988**	**44,506,988**	**44,517,924**

31.12.2021	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Securitisations	35,137	—	35,137	—	277,760,616	277,760,616	277,795,753
	35,137	**—**	**35,137**	**—**	**277,760,616**	**277,760,616**	**277,795,753**

Asset securitization

Ulisses Finance No.1

The underlying assets of Ulisses Finance No.1 operations were not derecognised from the balance sheet as the **Group** substantially maintained the risks and rewards associated with their holding.

The **Group** guarantees the debt service (servicer) of traditional securitization operations, taking over the collection of assigned credits and channelling the amounts received, for the respective deposit to the credit securitization company.

The Ulisses Finance No.1 operation has an interest rate cap, an interest rate risk mitigation mechanism for the operation and its investors, including the **Group**, but which was not contracted directly by the **Group** , but by the issuer of the securitization operation (Sagres – STC, S.A.).

Ulisses Finance No.2

The underlying assets of the Ulisses Finance No.2 operation were not derecognised from the balance sheet as the Group substantially maintained the risks and rewards associated with their holding.

The Group guarantees the debt service (servicer) of traditional securitization operations, taking over the collection of assigned credits and channelling the amounts received, for the respective deposit to the credit securitization company.

The Ulisses Finance No.2 operation incorporates an interest rate cap, an interest rate risk mitigation mechanism for the operation and its investors, including the Group, but which was not contracted directly by the Group. , but by the issuer of the securitization transaction (Tagus – STC, S.A.).

Chaves Funding No.8

The underlying assets of the Chaves Funding No.8 operation were not derecognised from the balance sheet as the Group substantially maintained the risks and rewards associated with their holding, insofar as this operation was fully subscribed by the **Group**.

The Group guarantees the debt service (servicer) of traditional securitization operations, taking over the collection of assigned credits and channelling the amounts received, for the respective deposit to the credit securitization company.

Next Funding No.1

The Next Funding No.1 operation, issued by Tagus – STC, SA in April 2021 and in which Banco CTT is a single investor, has as its underlying asset the credit card balances originated by the Universo credit card issued by Sonae Financial Services . Additionally, Banco CTT grants the operation an overdraft facility (Liquidity Facility) with the sole purpose of acquiring receivables (credit card balances) between the interest payment dates. On each interest payment date (IPD) the balance of the Liquidity Facility will be settled by converting it into the note value.

In the consolidated accounts, taking into account the conditions set out in IFRS 10 (Consolidated Financial Statements), the securitization operation is consolidated, insofar as the **Group** substantially holds the risks and benefits associated with the underlying assets and is able to affect these same risks and benefits.

The caption other current liabilities primarily record the banking operations' balances pending of financial settlement.

17. Financial risk management

The **Group** and the **Company** activities imply exposure to financial risks. Financial risk is defined as the probability of obtaining results that are different from those expected, whether positive or negative, thus changing the net worth of the **Group** in a material and unexpected way. Risk management focuses on the unpredictability of financial markets and seeks to mitigate the adverse effects arising from this unpredictability on the **Group** and the **Company'**s financial performance. Financial risks include credit risk, interest rate risk, exchange rate risk, liquidity risk, market risk, operational risk and capital risk.

Under the non-banking activity, financial risk management integrates the Risk Management System of the **Group** and the **Company** reporting directly to the Executive Committee. The Finance and Risk Management Office and the Accounting and Tax department ensure the centralized management of financing operations, investment of surplus liquidity, exchange transactions as well as the counterparty risk management of the **Group** and the monitoring of the foreign currency exchange rate risk, according to the policies approved by the Executive Committee. Additionally, they are responsible for the identification, assessment, proposal and implementation of mitigating measures of financial risks that the **Group** and the **Company** are exposed to. The **Group** and the **Company** are developing an integrated risk management system.

Under the banking activity, Banco CTT has an independent risk management system, based on a set of concepts, principles, rules and on an organizational model applicable and adjusted to the specificities and to the regulatory framework of its activity.

Banco CTT's risk management and internal control policy aims to maintain an adequate relationship between its equity and the activity developed, as well as the corresponding risk profile assessment/ return per business line. It also aims to support the decision-making process, being able to enhance, both in the short and long term, the ability to manage the risks to which Banco CTT is exposed and allow clear communication of the ways in which the risks arising from the business must be managed in order to create the basis for a solid operating environment. In this context, monitoring and control of the main types of risks to which the Bank's activity is subject becomes relevant.

Credit risk

Credit risk essentially refers to the risk that a third party fails on its contractual obligations, resulting in financial losses to the **Group** and the **Company**. Thus, credit risk basically resides in the accounts receivable from customers and other debtors, related to its operating and treasury activities.

The credit risk management is based on a set of standards and guidelines, part of the CTT’s Group Credit Regulation (“Regulamento de Crédito Grupo CTT”) and comprises the processes of credit granting, monitoring and debt recovery.

Considering the guiding principles of the **Group** and the **Company** Risk Management, a methodology of credit risk assessment is defined which allows, a priori, and based on the information available at the time, to evaluate the Customer’s capacity to comply with all its obligations on time and within the conditions established. Based on this evaluation, a credit limit is defined for the customer, whose progress is regularly monitored.

The credit risk in the accounts receivable is monitored on a regular basis by each business of the **Group** companies and monthly monitored by the Credit Committee with the purpose of limiting the credit granted to Customers, considering the respective profile and the ageing of receivable of each customer, ensuring the follow-up of the evolution of credit that has been granted and analyzing the recoverability of the receivables.

Under the non-banking activity, the deterioration of economic conditions or adversities which affect economies may lead to difficulty or incapacity of customers to pay their liabilities, with consequent negative effects on the net income of the **Group** companies. For this purpose, an effort has been made to reduce the average receivable term and amount of credit granted to clients.

Banking activity

Regarding the banking activity, credit risk reflects the degree of uncertainty of the expected returns, due to the inability either of the borrower, or of the counterpart of a contract, to comply with the respective obligations.

Since its main activity is the commercial banking business, with special emphasis on the retail segment, in a first phase, Banco CTT offers simple credit products – mortgage loans and bank overdraft facilities associated with a current account with domiciled salary/ pension and, through the acquisition of 321 Crédito, the offer of specialized credit at the point of sale.

At Banco CTT, credit risk management includes the identification, measurement, assessment and monitoring of the different credit exposures, ensuring risk management throughout the successive phases of the life of the credit process.

The control and mitigation of credit risk are carried out through the early detection of signs of deterioration in the portfolio, namely through early warning systems and the pursuit of appropriate actions to prevent the risk of default, to regularize the effective default and to create conditions that maximize recovery results.

The **Group** considers that there is a concentration of risk when various counterparts are in a common geographic region, develop activities or have economic features that are similar which affect their capacity to comply with contractual obligations in the event of significant changes in macroeconomic conditions or other relevant changes for the activities carried out by the counterparts. Banco CTT has defined and implemented limits of concentration to mitigate this risk.

The analysis of risk concentration is essentially based on geographic concentration and concentration in the economic sector in which the counterparts operate.

The exposure subject to credit risk by country and risk class are detailed in this section, portraying the increased geographic diversification of the **Group'**s investments.

The activities developed by the counterparts show some level of concentration in investment in public debt products, namely in eurozone countries. However, this concentration is in accordance with the **Group'**s policy and is part of the liquidity risk management performed by the **Group**.

The quantification / measurement of credit risk is carried out on a monthly basis, through the assessment of the necessary impairment to cover credit to customers, resulting from the application of a collective and individual impairment model.

The monitoring of the Group credit risk profile, in particular with regard to the evolution of credit exposures and the monitoring of losses, is carried out on a regular basis by the Capital and Risk Committee, by the Audit Committee and the Board of Directors. Compliance with approved credit requirements and limits are also subject to review on a regular basis.

In the first quarter of 2017, the Bank launched the commercialization of the mortgage loan product. As at 31 December 2021, the exposures (net of impairment and including off-balance exposures) to this type of loan of credit stood at 611,167 thousand Euros (537,956 thousand Euros as at 31 December 2020).

The retail segment credit, more specifically in auto loans at point of sale, is of 653,782 thousand Euros of exposures (net of impairment and including off-balance exposures) compare with 553,863 thousand Euros of 2020.

The bank is currently exposed to credit risk in other areas of its business activity. These necessarily include direct exposure to credit risk associated to investments and deposits at other credit institutions (counterpart risk), to public debt securities issues by eurozone countries (Portugal, Italy and Spain), debt instruments of other issuers (credit institutions and companies), securitization operations relative to the tariff deficit and other portfolios of 321 Crédito that are essentially at a run-off stage.

In order to mitigate credit risk, the mortgage lending operations have associated collateral, namely mortgages.

Except in situations of default, the Bank, under its activity, does not have permission to sell or pledge this collateral. The fair value of this collateral is determined as at the date of the granting of the loan, with its value being checked periodically.

Auto loans' operations are made with reservation of ownership, and the value of the vehicle is assessed at the time of granting the credit.

The acceptance of collateral to secure credit operations requires the need to define and implement techniques to mitigate the risks to which this collateral is exposed. Thus, and as an approach to this matter, the **Group** has stipulated a series of procedures applicable to collateral (namely real estate properties), that hedge, among others, the volatility of the value of the collateral.

The gross value of the loans and respective fair value of the collateral, in which the collateral is limited to the value of the associated loan, are presented below:

	2020		2021	
	Loans and advances to customers	Fair value of the collateral	Loans and advances to customers	Fair value of the collateral
Mortgage loans	520,339,595	879,528,009	595,419,629	1,021,370,923
Auto loans	538,971,473	561,938,120	670,594,052	713,327,844
Credit Card	—	—	298,716,076	—
Other	50,635,546	27,384,162	8,269,127	23,764,487
	1,109,946,614	**1,468,850,291**	**1,572,998,884**	**1,758,463,254**

Impairment
The impairment losses for accounts receivable are calculated considering essentially: (i) the ageing of the accounts receivable; (ii) the risk profile of each client; and (iii) the financial situation of the client. The amounts of accounts receivable were adjusted for bank guarantees and advance deposits for the purpose of calculating expected losses.

In the case of customers in the Mail, Express and Parcels and Financial Services segments, the existence of a reduced probability that the customer will pay in full its credit obligations is essentially determined based on the following criteria:

- Overdue credits with high seniority;
- Clients in bankruptcy, insolvency or liquidation; and
- Credits in litigation.

Regarding banking clients, those who meet at least one of the following criteria are considered to be default:

- Existence of payments of capital or interest overdue for more than 90 days;
- Debtors in bankruptcy, insolvency or liquidation;
- Credits in litigation;
- Cross-default credits;
- Restructured credits due to financial difficulties;
- Default quarantined credits; and
- Credits for which there is a suspected fraud or confirmed fraud.

Significant increase in credit risk (SICR) is determined according to a set of mostly quantitative but also qualitative criteria, to detect significant increases in the Probability of Default (PD), complemented by another type of information in which it stands out the behavior of customers to entities of the financial system. However, regardless of the observation of a significant increase in credit risk in an exposure, it is classified in Stage 2 when one of the following conditions is met:

- Credit with late payment over 30 days (backstop);

- Credit with qualitative triggers subject to risk, namely those contained in Banco de Portugal Circular Letter No. 02/2014 / DSP.

The movement of impairment losses of accounts receivable is disclosed in Notes 25 and 45.

The impairment losses movements by financial instrument category, stage and movement type, are disclosed in each note, such as, Note 14 – Debt securities, Note 16 – Other banking financial assets and liabilities and Note 20 – Credit to banking clients.

As at 31 December 2021, the **Group** and the **Company** believe that impairment losses in accounts receivable are adequately estimated and recorded in the financial statements.

In addition, within the scope of treasury activities, the credit risk essentially results from the cash deposits investments made both by the **Group** and the **Company**. With the purpose of reducing that risk, the **Group** and the **Company** policy is to invest in short/medium-term periods negotiated with several financial institutions, all with a relatively high credit rating (considering the rating of the Portuguese Republic).

The **Group** and the **Company** credit risk quality, as at 31 December 2021, related to these types of assets (Cash and cash equivalents as stated in Note 23, excluding the cash value) whose counterparties are financial institutions are detailed as follows:

Rating (1)	2021	
	Group	Company
A2	17,955,550	148,261
A3	19,787,794	14,636,963
Aa3	2,347,642	3,692
B1	2,672,631	2,499,334
B2	28,996	—
Ba2	5,682,454	379,037
Ba2 (2)	24	24
Ba2u	68,528	—
Baa1	94,331	1,732
Baa2	650,732,472	32,035,117
Baa3	97,677	—
Caa2	74,675,152	71,630,774
Others (3)	7,791,357	870,081
	781,934,608	**122,205,014**

(1) Rating assigned by Moody's.
(2) Conversion of BB rating by Standard & Poor's
(3) Others with no rating.

As at 31 December 2021, the **Group** and the **Company** caption Cash and cash equivalents included term deposits, net of impairments, of 67,522,764 Euros and 66,286,478 Euros, respectively (55,843,177 Euros and 53,108,141 Euros as at 31 December 2020) (Note 23).

Due to the activity developed by CTT, namely, the requirements related to the Financial Services segment business, CTT are required to work with the majority of the financial institutions operating in Portugal, so the bank deposit amounts are spread over a wide range of financial institutions, some of which presenting a lower rate than the Portuguese Republic (Baa3). The assigned rating to the instruments rated below the Portuguese Republic was considered in the determination of Probability of Default ("PD") used to calculate the Expected Credit Loss ("ELC") as required by IFRS 9.

The following table includes the maximum exposure to credit risk associated with financial assets held by the **Group** and the **Company**. These amounts include only financial assets subject to credit risk and do not reconcile with the consolidated and individual balance sheet:

	Group		Company	
	2020	2021	2020	2021
Non-current				
Financial assets at fair value through profit or loss	2,107	2,261,947	—	—
Debt securities at fair value through other comprehensive income	12,273,557	4,906,841	—	—
Debt securities at amortized cost	453,090,517	294,986,658	—	—
Accounts receivable	—	—	495,932	587,308
Other assets	1,063,789	1,772,136	635,508	1,144,290
Credit to bank clients	985,355,687	1,125,984,322	—	—
Other banking financial assets	11,420,777	5,237,710	—	—
Current				
Accounts receivable	153,616,009	160,930,050	111,665,473	112,775,176
Credit to bank clients	107,925,845	415,924,171	—	—
Financial assets at fair value through profit or loss	—	24,999,138	—	—
Debt securities at fair value through other comprehensive income	7,281,273	1,188,069	—	—
Debt securities at amortized cost	45,160,057	39,173,861	—	—
Other assets	33,728,584	21,014,450	12,234,425	16,121,401
Other banking financial assets	27,504,441	8,550,155	—	—
Cash and cash equivalents	440,616,809	781,934,608	211,927,460	122,205,014
	2,279,039,450	**2,888,864,116**	**336,958,799**	**252,833,190**

The main changes in financial assets subject to credit risk are explained as follows:

- The increase in current and non-current bank credit to customers is mainly explained by the new partnership with Sonae for the management of the Universo credit card, as explained in note 4.
- The debt securities portfolio is mainly composed for sovereign debt securities in the Eurozone. The decrease in the portfolio is explained by the sale of securities to optimize Banco CTT's financial position in the context of the launch of the partnership with Sonae; and
- The increase in "Cash and cash equivalents" is explained in detail in note 23.

The following table presents information on credit risk exposures of the banking activity (net of impairment and including off-balance exposures), on 31 December 2020 and 31 December 2021:

	2020	2021
Central administrations or Central banks	660,474,176	927,783,512
Regional governments or Local authorities	5,042,760	—
Credit Instituitions	92,084,675	32,519,979
Companies	25,886,076	322,643,359
Retail Clients	546,767,855	627,929,128
Real estate secured loans	537,959,391	610,487,985
Loans in default	16,689,600	27,271,784
Claims in the form of CIU	—	24,999,138
Other elements	69,223,492	71,645,360
Risk items	**1,954,128,025**	**2,645,280,247**

As mentioned before, the analysis of risk concentration is essentially based on geographic concentration and concentration in the economic sector in which the counterparts operate, so the respective details are as follows:

2020									
	Central Authorities or Central Banks	Regional governments or Local authorities	Credit institutions	Companies	Retail customers	Loans secured by immovable assets	Non-performing loans	Other Items	Total
Portugal	458,834,378	5,042,760	69,986,059	25,886,076	546,767,855	537,959,391	16,689,600	69,223,492	1,730,389,610
Spain	94,406,927	—	33	—	—	—	—	—	94,406,960
France	6,434,289	—	9,029,045	—	—	—	—	—	15,463,334
Italy	95,233,489	—	—	—	—	—	—	—	95,233,489
Austria	—	—	9,986,432	—	—	—	—	—	9,986,432
Irland	5,565,094	—	—	—	—	—	—	—	5,565,094
United Kingdom	—	—	2,738,433	—	—	—	—	—	2,738,433
Germany	—	—	344,673	—	—	—	—	—	344,673
Total	**660,474,177**	**5,042,760**	**92,084,675**	**25,886,076**	**546,767,855**	**537,959,391**	**16,689,600**	**69,223,492**	**1,954,128,025**

2021									
	Central Authorities or Central Banks	Credit institutions	Companies	Retail customers	Loans secured by immovable assets	Non-performing loans	Claims in the form of CIU	Other Items	Total
Portugal	779,478,124	34,929,339	322,646,371	627,392,979	610,487,985	27,807,933	24,999,138	71,645,360	2,499,387,230
Spain	75,162,739	15	—	—	—	—	—	—	75,162,754
France	—	546	—	—	—	—	—	—	546
Italy	73,142,831	—	—	—	—	—	—	—	73,142,831
United Kingdom	—	4,590,063	—	—	—	—		—	4,590,063
Total	**927,783,694**	**39,519,962**	**322,646,371**	**627,392,979**	**610,487,985**	**27,807,933**	**24,999,138**	**71,645,360**	**2,652,283,424**

The gross credit exposure and related impairment detail for banking activity, by stages (excluding off-balance exposures) is as follows:

2020

		Central Authorities or Central Banks	Credit institutions	Other securities	Credit Portfolio					Total
					Mortage Loans	Overdrafts	Car Credit	Credit Card	Others	
Stage 1	Gross Exposure	665,668,736	63,092,736	19,792,849	517,064,646	935,443	502,336,467	—	5,978,269	1,774,869,146
	Impairment Losses	(182,329)	(28,033)	(9,123)	(444,620)	(164,225)	(3,500,851)	—	(51,983)	(4,381,166)
	Net exposure	665,486,407	63,064,702	19,783,726	516,620,025	771,218	498,835,616	—	5,926,286	1,770,487,981
Stage 2	Gross Exposure	—	—	—	3,763,813	194,658	47,747,935	—	338,279	52,044,686
	Impairment Losses	—	—	—	(44,244)	(42,703)	(2,076,668)	—	(60,960)	(2,224,575)
	Net exposure	—	—	—	3,719,570	151,955	45,671,267	—	277,318	49,820,110
Stage 3	Gross Exposure	—	—	—	34,133	1,063,186	20,935,084	—	95,614	22,128,017
	Impairment Losses	—	—	—	(9,899)	(898,208)	(8,421,490)	—	(26,909)	(9,356,506)
	Net exposure	—	—	—	24,234	164,978	12,513,593	—	68,705	12,771,511
POCI (Stage 3)	Gross Exposure	—	—	—	—	—	3,877,899	—	1,360,936	5,238,835
	Impairment Losses	—	—	—	—	—	(658,197)	—	(264,124)	(922,321)
	Net exposure	—	—	—	—	—	3,219,702	—	1,096,812	4,316,515
Total	Gross Exposure	665,668,736	63,092,736	19,792,849	520,862,592	2,193,288	574,897,385	—	7,773,098	1,854,280,684
	Impairment Losses	(182,329)	(28,033)	(9,123)	(498,762)	(1,105,137)	(14,657,206)	—	(403,977)	(16,884,568)
	Net exposure	665,486,407	63,064,702	19,783,726	520,363,829	1,088,151	560,240,179	—	7,369,121	1,837,396,116

2021

		Central Authorities or Central Banks	Credit institutions	Other securities	Credit Portfolio					Total
					Mortage Loans	Overdrafts	Car Credit	Credit Card	Others	
Stage 1	Gross Exposure	927,904,466	48,026,077	5,635,058	593,851,532	1,063,058	573,014,633	262,587,449	4,246,157	2,416,328,429
	Impairment Losses	(120,772)	(3,911)	(3,040)	(568,962)	(24,375)	(3,444,368)	(2,378,112)	(57,802)	(6,601,341)
	Net exposure	927,783,694	48,022,166	5,632,017	593,282,570	1,038,683	569,570,264	260,209,337	4,188,355	2,409,727,087
Stage 2	Gross Exposure	—	—	—	1,533,943	224,711	53,541,147	31,813,102	53,745	87,166,648
	Impairment Losses	—	—	—	(16,398)	(40,890)	(2,245,718)	(2,297,423)	(2,147)	(4,602,577)
	Net exposure	—	—	—	1,517,545	183,821	51,295,429	29,515,678	51,598	82,564,071
Stage 3	Gross Exposure	—	—	—	34,154	1,323,622	40,987,875	4,315,525	234,935	46,896,110
	Impairment Losses	—	—	—	(10,921)	(1,083,316)	(15,483,758)	(1,942,043)	(31,315)	(18,551,353)
	Net exposure	—	—	—	23,232	240,306	25,504,117	2,373,482	203,620	28,344,757
POCI (Stage 3)	Gross Exposure	—	—	—	—	—	3,050,397	—	1,122,899	4,173,296
	Impairment Losses	—	—	—	—	—	(850,249)	—	(612,592)	(1,462,841)
	Net exposure	—	—	—	—	—	2,200,148	—	510,307	2,710,455
Total	Gross Exposure	927,904,466	48,026,077	5,635,058	595,419,629	2,611,391	670,594,052	298,716,076	5,657,736	2,554,564,483
	Impairment Losses	(120,772)	(3,911)	(3,040)	(596,281)	(1,148,581)	(22,024,094)	(6,617,578)	(703,856)	(31,218,113)
	Net exposure	927,783,694	48,022,166	5,632,017	594,823,348	1,462,810	648,569,958	292,098,497	4,953,880	2,523,346,371

Banco CTT uses an impairment model that is based on IFRS 9 and the respective reference criteria of Bank of Portugal defined in Circular Letter nº62 / 2018. In addition, the model considers the definitions and criteria that have been published by European Banking Authority (EBA).

The exposure to public debt, net of impairment, of eurozone countries is detailed as follows:

	2020			2021		
	Other financial assets at fair value through other comprehensive income	Other financial assets at amortized cost	Total	Other financial assets at fair value through other comprehensive income	Other financial assets at amortized cost	Total
Portugal	7,620,481	288,754,314	296,374,795	849,374	185,468,467	186,317,841
Spain	—	94,406,927	94,406,927	—	75,162,739	75,162,739
Italy	—	95,233,489	95,233,489	—	73,142,831	73,142,831
France	—	6,434,289	6,434,289	—	—	—
Ireland	—	5,565,094	5,565,094	—	—	—
	7,620,481	**490,394,113**	**498,014,594**	**849,374**	**333,774,037**	**334,623,411**

Interest rate risk

Changes in interest rates have a direct impact on the financial results of the **Group** and the **Company**. The interest rate risk manifests itself in three forms: (i) through the remuneration obtained with the application of the surplus liquidity, (ii) by the amount of the charges with the bank loans obtained and (iii) with the determination, through the impact on the discount rate, the estimate of liabilities with benefits to employees.

In order to reduce the impact of interest rate risk, the **Group** and the **Company** monitor market trends on a regular and systematic basis, with a view to leveraging the term/rate ratio on the one hand and risk/yield on the other.

The **Group** and the **Company** generally negotiate their deposits at fixed rates, while loans are negotiated at variable rates.

The application of surpluses liquidity follows criteria of diversification of financial risks, both in terms of terms and institutions, which are regularly reviewed and updated.

In the **Group** the investment of surplus liquidity, on 31 December 2020 and 31 December 2021, generated interest income of 20,091 Euros and 19,048 Euros, respectively (Note 50). Additionally, interest income is recorded for financial services in the caption Other operating income, in the years of 2020 and 2021, amounting to 20,832 Euros and 9,832 Euros, respectively (Note 42).

In the **Company** the investment of surplus liquidity, on 31 December 2020 and 31 December 2021, generated interest income of 3,393 Euros and 116 Euros, respectively (Note 50). Additionally, interest income is recorded for financial services in the caption Other operating income, in the years of 2020 and 2021, amounting to 20,823 Euros and 9,832 Euros, respectively (Note 42).

The prospects for the evolution of the money market do not point to an increase in the reference rates of the Eurozone, in the next year, so it is expected that they will remain in negative territory. In this scenario, the **Group** and the **Company** believe that the resulting differential between fixed rate financial assets and variable rate financial liabilities represents a potentially minor impact on the income statement.

Under the non-banking activity, if the interest rates had a variation of 0.25 b.p., during the year ended 31 December 2021, the effect in the interest would have been 103 thousand Euros in the **Group** and 156 thousand Euros in the **Company** (15 thousand Euros and 155 thousand Euros as at 31 December 2020, respectively).

In the scope of banking activity, Banco CTT manages the interest rate risk on a continuous basis and within the specific tolerance limits defined by its Board of Directors. Until now, Banco CTT has been managing interest rate risk in its balance sheet structurally by using natural hedges in the composition of the investment portfolio, without recourse to derivative instruments.

In the banking activity, as at 31 December 2021, one of the main instruments in the monitoring of balance sheet interest rate risk is based on the Banco de Portugal Instruction 34/2018. This model groups variation-sensitive assets and liabilities into 19 fixed timeframes (maturity dates or date of first review of interest rates, when indexed), from which a potential impact on economic value is calculated. Economic value is calculated by the sum of the net present value of the discounted cash flows. This discount is based on an interest rate curve not subject to any type of shock, in which, for discount purposes, the average periods of the timeframes are assumed. As presented in the table below, the two standard scenarios that correspond to a positive and negative shock of 200 basis points are applied to the baseline scenario.

As at 31 December 2020 and 31 December 2021, the distribution of assets, liabilities and off-balance sheet items sensitive to the interest rate, according to the 19 timeframes and respective impact on economic value, are as follows:

2020 *(amounts in thousand Euros)*

Timeframe	Assets	Liabilities	Off-balance Sheet	Net position	Economic Value Delta (+200 bps)	Economic Value Delta (-200 bps)
At sight	306,048	294,927	(49,951)	(38,830)	2	(1)
At sight – 1 month	107,392	98,774	7,022	15,640	(14)	3
1 – 3 months	108,765	67,037	66	41,794	(139)	32
3 – 6 months	160,359	86,225	157	74,291	(554)	126
6 – 9 months	170,258	68,865	136	101,529	(1,260)	283
9 – 12 months	202,972	73,019	546	130,499	(2,265)	478
1 – 1,5 years	67,983	87,644	10,564	(9,097)	225	(47)
1,5 – 2 years	78,555	87,644	—	(9,089)	314	(65)
2 – 3 years	134,743	172,257	—	(37,514)	1,843	(372)
3 – 4 years	119,503	154,121	—	(34,618)	2,365	(468)
4 – 5 years	98,388	151,089	—	(52,701)	4,590	(944)
5 – 6 years	86,877	108,633	—	(21,756)	2,291	(510)
6 – 7 years	82,037	96,563	—	(14,526)	1,783	(448)
7 – 8 years	69,707	96,563	—	(26,856)	3,743	(1,056)
8 – 9 years	48,703	72,422	—	(23,719)	3,681	(1,156)
9 – 10 years	67,629	72,422	—	(4,793)	814	(287)
10 – 15 years	47	—	—	47	(10)	4
15 – 20 years	—	—	—	—	—	—
> 20 years	—	—	—	—	—	—
	1,909,966	**1,788,205**	**(31,460)**	**90,301**	**17,409**	**(4,428)**

2021						(amounts in thousand Euros)
Timeframe	**Assets**	**Liabilities**	**Off-balance Sheet**	**Net position**	**Economic Value Delta (+200 bps)**	**Economic Value Delta (-200 bps)**
At sight	778,434	607,321	471,785	642,898	(36)	8
At sight – 1 month	114,383	350,265	16,063	(219,819)	195	(44)
1 – 3 months	128,357	84,526	487	44,318	(147)	33
3 – 6 months	192,350	104,017	1,931	90,264	(673)	146
6 – 9 months	198,284	86,491	1,699	113,492	(1,405)	397
9 – 12 months	233,016	87,244	2,398	148,170	(2,564)	737
1 – 1,5 years	97,752	90,360	1,853	9,245	(227)	83
1,5 – 2 years	107,562	90,367	—	17,195	(587)	248
2 – 3 years	166,907	169,113	—	(2,206)	106	(53)
3 – 4 years	140,622	142,835	—	(2,213)	147	(80)
4 – 5 years	397,348	119,030	—	278,318	(23,390)	13,200
5 – 6 years	80,540	95,652	—	(15,112)	1,527	(887)
6 – 7 years	63,407	81,611	—	(18,204)	2,133	(1,299)
7 – 8 years	51,813	62,512	—	(10,699)	1,413	(926)
8 – 9 years	41,403	51,844	—	(10,441)	1,521	(1,090)
9 – 10 years	8,756	42,215	—	(33,459)	5,297	(4,069)
10 – 15 years	92,529	201,536	—	(109,007)	21,195	(16,829)
15 – 20 years	3,848	—	—	3,848	(973)	588
> 20 years	2,509	—	—	2,509	(879)	250
	2,899,820	**2,466,939**	**496,216**	**929,097**	**2,653**	**(9,587)**

In view of the interest rate gaps observed, as at 31 December 2021, the impact on the economic value of instantaneous and parallel shifts of the interest rates by -200 basis points is (9,524) thousand Euros (2020: (4,428) thousand Euros).

The main assumptions used in 2020 in the Bank's analyses were the following:

a. For Demand Deposits: 15% on demand, 85% distributed non-linearly over 10 years, giving it a duration of 3.9 years;

b. Savings Accounts: 18% in cash, 82% distributed non-linearly over 5 years, giving it a duration of 1.9 years.

In 2021, they were revised and the following changes were introduced:

a. For Demand Deposits: 25.21% on demand, 74.79% distributed non-linearly over 15 years, giving it a duration of 3.7 years;

b. Savings Accounts: 39.49% in cash, 60.51% distributed non-linearly over 15 years, giving them a duration of 2.9 years;

c. Introduction of an annual rate of prepayment of Housing Credit, of 8.59%, proportionally distributed by each time interval bucket;

Foreign currency exchange rate risk

Under the non-banking activity, exchange rate risk is related to the existence of balances in currencies other than the Euro, in particular balances arising from transactions with foreign Postal Operators recorded in Special Drawing Rights (SDR) and the related changes on the fair value of the financial assets and liabilities, as a result of changes in foreign currency exchange rates.

The management of foreign exchange risk relies on the periodic monitoring of the degree of exposure to the exchange rate risk of assets and liabilities, with the reference of previously defined objectives based on the evolution of the international business activities.

As at 31 December 2020 and 31 December 2021, the net exposure (assets minus liabilities) of the **Group** amounted to 2,755,831 SDR (3,262,435 Euros at the exchange rate €/SDR 1.18383), and (7,949,165) SDR ((9,836.933) Euros at the exchange rate €/SDR 1.23748), respectively.

As far as the **Company** is concerned, as at 31 December 2020 and 31 December 2021, the net exposure (assets minus liabilities) amounted to 2,780,674 SDR (3,291,845 Euros at the exchange rate €/SDR 1.8383), and (8,210,242) SDR ((10,160,010 Euros at the exchange rate €/SDR 1.23748), respectively.

In the sensitivity analysis performed for the balances of accounts receivable and payable to foreign Postal Operators, on 31 December 2020 and 31 December 2021, assuming an increase / decrease of 10% in the exchange rate € / SDR, the **Group'**s profit and losses would have been higher by 326,244 Euros and by (983,693) Euros, respectively. The impact on the **Company'**s profit and losses would have been higher by 329,184 Euros and by (1,016,001) Euros, respectively.

In the scope of the banking activity, Banco CTT does not incur in foreign currency exchange rate risk, since it only operates in the Euro currency.

Liquidity risk

Liquidity risk may occur if the funding sources, such as cash balances, operating cash flows and cash flows from divestment operations, credit lines and cash flows obtained from financial operations, do not match the **Group'**s financial needs, such as cash outflows for operating and financing activities and investments and shareholder remuneration. Based on the cash flow generated by operations and the available cash on hand, the **Group** and the **Company** believe that they have the capacity to meet their obligations.

The fact of the **Group'**s current liabilities is higher than its current assets as of 31 December 2021 does not derive from an effective liquidity risk but is the result of 321 Crédito and Banco CTT subsidiaries consolidation, which, in view of its activities financial nature, they naturally present a current liability higher than the current asset, with the liquidity risk assessment of these activities carried out using regulatory indicators defined by the supervisory authorities. The **Company'**s current assets, no longer influenced by the financial activities of these subsidiaries, are higher than the current liabilities as of 31 December 2021.

Their main contractual obligations are related to the financing obtained (essentially financial leases) and respective interest, the operating leases and other non-contingent financial commitments.

The following tables detail the expected contractual obligations and financial commitments as at 31 December 2020 and 31 December 2021 for the **Group** and the **Company** and do not reconcile with the balance sheet:

Group	2020			
	Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	48,508,388	158,137,566	18,964,112	225,610,067
Accounts payable	356,528,136	—	—	356,528,136
Banking client deposits and other loans	1,688,465,160	—	—	1,688,465,160
Other current liabilities	41,401,275	—	—	41,401,275
Other banking financial liabilities	10,936	44,506,988	—	44,517,924
Non-financial liabilities				
Non-contingent financial commitments (1)	6,706,144	—	—	6,706,144
	2,141,620,039	**202,644,554**	**18,964,112**	**2,363,228,705**

(1) The non-contingent financial commitments are essentially related to contracts signed with tangible fixed assets and intangible assets suppliers and a corresponding liability has not been recognized in the balance sheet (Notes 5 and 6).

Group	2021			
	Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	54,529,293	128,741,586	28,808,052	212,078,932
Accounts payable	330,150,100	—	—	330,150,100
Banking client deposits and other loans	2,121,511,345			2,121,511,345
Other current liabilities	57,993,238			57,993,238
Other banking financial liabilities	35,137	277,760,616	—	277,795,753
Non-financial liabilities				
Non-contingent financial commitments (1)	4,471,199	—	—	4,471,199
	2,568,690,312	**406,502,202**	**28,808,052**	**3,004,000,567**

(1) The non-contingent financial commitments are essentially related to contracts signed with tangible fixed assets and intangible assets suppliers and a corresponding liability has not been recognized in the balance sheet (Notes 5 and 6).

Company	2020 Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	31,779,255	137,418,193	5,403,000	174,600,449
Accounts payable	326,464,402	309,007	—	326,773,409
Shareholders	—	—	—	—
Other current liabilities	22,046,058	—	—	22,046,058
Non-financial liabilities				
Non-contingent financial commitments [(1)]	584,951	—	—	584,951
	380,874,666	**137,727,200**	**5,403,000**	**524,004,867**

Company	2021 Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	36,364,405	104,561,496	10,904,932	151,830,832
Accounts payable	298,238,356	309,007	—	298,547,363
Shareholders	—	—	—	—
Other current liabilities	25,635,898	—	—	25,635,898
Non-financial liabilities				
Non-contingent financial commitments [(1)]	361,219	—	—	361,219
	360,599,877	**104,870,503**	**10,904,932**	**476,375,312**

[(1)] The non-contingent financial commitments are essentially related to contracts signed with tangible fixed assets and intangible assets suppliers and a corresponding liability has not been recognized in the balance sheet (Notes 5 and 6).

Within the scope of banking activity, liquidity risk reflects the possibility of incurring significant losses arising from a deterioration in financing conditions (financing risk) and/or the sale of assets for values below market values (liquidity risk of market).

Overall, the liquidity risk management strategy is entrusted to the Board of Directors, which delegates it to the Executive Committee, and is carried out by the Treasury Department, based on constant vigilance of exposure indicators, being closely monitored by the Capital and Risk Committee.

The Capital and Risk Committee is responsible for controlling liquidity risk exposure, by analyzing liquidity positions and assessing their conformity with the applicable regulatory rules and limitations, as well as with the goals and guidelines defined by the **Group**.

The **Group's** liquidity risk is assessed through regulatory indicators defined by the supervision authorities, as well as through other internal metrics.

The Bank conducts liquidity stress tests aimed at identifying the main liquidity risk factors affecting its balance sheet and testing the Bank's resilience to liquidity crises.

As a liquidity contingency plan, the Bank has defined a series of measures that, when activated, will enable addressing and/or mitigating the effects of a liquidity crisis. These measures aim to respond to liquidity needs in stress scenarios.

Furthermore, the Bank conducts Internal Liquidity Adequacy Assessment Process (ILAAP) analyzes, thus complying with Banco de Portugal Instruction 2/2019 and the European Banking Authority (EBA) guidelines (EBL/GL/2016/10).

The Capital and Risk Committee that held 14 meetings in 2021, analyses the Bank's liquidity position, namely, the evolution of the balance sheet, the analysis of gaps and key activity indicators (liquidity and commercial gaps, deposit and credit rates). In brief, a comprehensive assessment is carried out of liquidity risk and its evolution, with special focus on current liquidity buffers and the generation/ maintenance of eligible assets.

At the level of the different assets, constant monitoring of the possibility of their transaction is maintained, duly framed by limits for operation in each market. Furthermore, under the periodic monitoring of the liquidity situation, the **Group** calculates the liquidity mismatch, Additional Liquidity Monitoring Metrics (ALMM), pursuant to the addenda issued in 2018 to Regulation (EU) 680/2014 of the Commission.

ALMM takes into account all the contracted outflows and inflows and uses a maturity ladder which enables confirming the existence or not of the **Group'**s liquidity mismatch, and also enables knowing its capacity to counterbalance any liquidity mismatch.

The liquidity mismatch is calculated for various timeframes, from overnight up to more than five years, taking into account the asset liability and off-balance sheet positions with expected and estimated financial flows that are scheduled according to the corresponding residual maturities or inflow/outflow date of the monetary flow.

As at 31 December 2021, the ALMM shows a positive liquidity mismatch (difference between contracted outflows and inflows) of 128,810 thousand Euros (170,407 thousand years at 31 December 2020).

Additionally, this positive liquidity mismatch is reinforced by the financial assets and reserves at the Central Bank of close to 781,858 thousand Euros (1,020,108 thousand years at 31 December 2020).

Market Risk

Market Risk broadly means any loss arising from an adverse change in the value of a financial instrument as a result of a variation in interest rates, exchange rates, share prices, prices of goods or real estate, volatility and credit spreads.

The **Group** does not have a trading portfolio, and almost all of its debt securities portfolio is accounted for as financial assets at amortized cost and residually as financial assets at fair value through other comprehensive income, with the main risk arising from its investments, credit risk and not market risk. Additionally, the Bank holds participation units amounting 25 million Euros in a real estate investment fund which is accounted for at fair value through profit or loss.

In order to limit possible negative impacts due to difficulties in a market, sector or issuer, the **Group** has defined a set of limits for the management of its own portfolio in order to ensure that the levels of risk incurred in the Group's portfolios are in line with pre-defined levels. - Defined risk tolerance. These limits are established at least annually and are regularly monitored by the Capital and Risk Committee, Audit Committee and Board of Directors.

Operational Risk

The **Group,** in view of the nature of its activity, is exposed to potential losses or reputational risk, as a result of human errors, failures of systems and/or processing, unexpected stoppage of activity or failures on the part of third parties in terms of supplies, provisions or execution of services.

The approach to operational risk management is underpinned by the end-to-end structure, ensuring the effective adequacy of the controls involving functional units that intervene in the process. The Group identifies and assesses the risks and controls of the processes, ensuring their compliance with the requirements and principles of the Internal Control System.

Capital risk

The **Group** and the **Company** manage their capital to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the **Group** and the **Company** may adjust the amount paid to shareholders in dividends, issue new debt or sell assets to reduce debt.

The balance of capital structure is monitored based on the adjusted solvency ratio, calculated as: Equity / Liabilities.

The solvency ratios at 31 December 2020 and 31 December 2021, were as follows:

	Group		Company	
	2020	2021	2020	2021
Equity	150,275,094	174,546,069	150,003,105	173,310,807
Liabilities	2,744,627,532	3,410,652,529	903,280,297	862,774,528
Amounts of third parties	234,121,234	218,392,487	234,121,234	218,392,400
Adjusted solvency ratio (1)	6.0%	5.5%	22.4%	26.9%

(1) Equity / (Liabilities - Amounts of third parties in Cash and cash quivalents)

Regarding Banco CTT, the definition of the strategy to be adopted in terms of capital management is the responsibility of the Board of Directors.

Banco CTT seeks to achieve high financial solidity by maintaining a total own funds ratio - the ratio between own capital and risk-weighted assets - comfortably above the legal minimum as set out in Directive 2013/36/EU and Regulation (EU) No. 575/2013 (CRR" - Capital Requirements Regulation), adopted on 26 June 2013 by the European Parliament and the Council.

The ICAAP (Internal Capital Adequacy Assessment Process) is an important process in the Group's risk management with the objective of identifying the necessary capital to adequately cover the risks that the Group incurs in the development of its current business strategy.

The Bank carries out this annual self-assessment exercise to determine the levels of capital adequacy in relation to its business model. This process, which is regulated by Bank of Portugal Instruction nº3/2019 and the EBA guidelines, seeks to ensure that the risks to which institutions are exposed are correctly assessed and that the internal capital they have is adequate in relation to the respective risk profile.

The ICAAP is a tool that allows the Board of Directors to test the adequacy of the Bank's capitalization to the risks of its activity, the sustainability of the strategic budget plan in the medium term and the respective framework within the risk limits defined in its Risk Appetite Statement. The ICAAP guides the Group in the assessment and quantification of the main risks to which it may be exposed, thus also constituting an important management tool in decision-making regarding the levels of risk to be assumed and the activities to be undertaken.

The Group calculates its internal capital using regulatory models, thus its internal capital is composed of its regulatory own funds.

Capital ratios – Banco CTT

The main goal of capital management is ensuring compliance with the Bank's strategic goals as regards capital adequacy, thereby complying and enforcing compliance with the minimum capital requirements stipulated by the supervisory authorities.

In calculating capital requirements, Banco CTT used the standard method for credit risk and risk of the counterpart, used the basic indicator method for operational risk and used the standard method with the maturity-based approach to market risk.

Capital, calculated pursuant to Directive 2013/36/UE and Regulation (UE) no. 575/2013 of the European Parliament and of the Council and Bank of Portugal Notice 10/2017, include Common and additional Equity Tier 1 and Tier 2 capital. Tier 1 includes Common Equity Tier 1 (CET1) and additional Tier 1 capital.

The Bank's Common Equity Tier 1 includes: a) paid-up capital and retained earnings and reserves, b) regulatory deductions related to intangible assets and losses for the financial year underway and c) prudential filters. The Bank has no additional Tier 1 capital, nor Tier 2 capital.

The current legislation contemplates a transition period between the own funds' requirements according to national legislation and those calculated according to Community legislation in order to phase both the non-inclusion/exclusion of elements previously considered (phased-out) or the inclusion/deduction of new elements (phased-in). At the prudential framework level, institutions should report Common Equity Tier 1, tier 1 and total ratios of not less than 7%, 8.5% and 10.5%, respectively, including a 2.5% conservation buffer and a countercyclical buffer, in the case of the Bank, 0%

In order to promote the banking system capacity to perform this function adequately, and cumulatively with monetary policy measures, financial regulatory and supervisory authorities have introduced a wide range of measures. These measures went through the easing of a wide range requirements usually required to institutions. In the case of the banking system, the European Central Bank and the Bank of Portugal allowed the institutions directly supervised by them to operate temporarily with a level of own funds below the orientations and of the combined reserve of own funds, and with levels of liquidity lower than the liquidity coverage requirement.

During 2020, there were disclosed - by the national supervisor and the European Union - several measures of flexibilization of regulatory and supervisory requirements to relieve the contingency situation arising from the Covid-19 outbreak, through the reduction of regulatory capital requirements, including reserves of macroprudential capital.

Bank of Portugal Notice 10/2017 governs the transition period set out in the CRR as regards capital, namely regarding the deduction related to deferred taxes generated before 2014 and to the subordinated debt and non-eligible hybrid instruments, both of which are not applicable to Banco CTT.

With the introduction of IFRS 9 the Bank chose to recognize in stages the respective impacts of the static component in accordance with article 473-A of the CRR.

As at 31 December 2020 and 2021, the Bank had the following capital ratios, calculated pursuant to the transitory provisions set out in the CRR:

	2020		2021	
	CRR Phasing in	*CRR Fully Implemented*	*CRR Phasing in*	*CRR Fully Implemented*
OWN FUNDS				
Share Capital	**286,400,000**	**286,400,000**	**296,400,000**	**296,400,000**
Retained Earnings	**(74,158,672)**	**(74,158,672)**	**(73,953,847)**	**(73,953,847)**
Other Reserves	**(190,208)**	**(190,001)**	**(125,511)**	**(125,511)**
Prudential Filters	**63,775**	**63,775**	**20,651**	**20,651**
Fair value reserve (1)	83,330	83,330	26,746	26,746
Additional Valuation Adjustment (AVA) (2)	(19,555)	(19,555)	(6,095)	(6,095)
Deduction to the main Tier 1 elements	**(81,212,922)**	**(81,699,214)**	**(69,231,107)**	**(76,941,599)**
Losses for the period	—	—	—	—
Intangible assets	(81,004,512)	(81,004,512)	(76,245,896)	(76,245,896)
IFRS 9 adoption	(208,411)	(694,703)	7,014,789	(695,703)
Items not deducted from Own Funds according to article 437 of CRR	**1,929,123**	**1,929,123**	**1,816,599**	**1,816,599**
Deferred tax assets	1,929,123	1,929,123	1,816,599	1,816,599
Common Equity Tier 1	**130,901,973**	**130,415,888**	**167,237,588**	**159,527,096**
Tier 1 Capital	**130,901,973**	**130,415,888**	**167,237,588**	**159,527,096**
Total Own Funds	**130,901,973**	**130,415,888**	**167,237,588**	**159,527,096**
RWA				
Credit Risk	695,234,440	695,234,440	917,327,393	917,327,393
Operational Risk	84,768,166	84,768,166	124,504,249	124,504,249
Market Risk	118,481	118,481	—	—
IFRS 9 Adjustments	—	(432,067)	—	(6,812,372)
	780,121,088	**779,689,021**	**1,041,831,642**	**1,035,019,270**
CAPITAL RATIOS				
Common Equity Tier 1	16.78%	16.73%	16.05%	15.41%
Tier 1 Ratio	16.78%	16.73%	16.05%	15.41%
Total Capital Ratio	16.78%	16.73%	16.05%	15.41%
REGULATORY MINIMUM RATIOS				
Common Equity Tier 1	7.00%	7.00%	7.00%	7.00%
Tier 1 Ratio	8.50%	8.50%	8.50%	8.50%
Total Capital Ratio	10.50%	10.50%	10.50%	10.50%

(1) Fair value reserve relating to gains or losses on financial assets valued at fair value.
(2) Additional value adjustments necessary to adjust assets and liabilities valued at fair value.

<u>Use of External Rating Assessments:</u>

Banco CTT uses the ECAI's ratings (External Credit Assessment Institutions), in particular, the ratings issued by Moody's, S&P, Fitch and DBRS, for credit institutions exposures with a residual maturity greater than 3 months and for company exposures. Regarding this, the **Group** uses the standard relationship published by EBA between ECAIs and credit quality degrees.

Regarding the risk weight calculation to be applied in RWA calculation, the credit assessments allocation of the issuer occurs as follows:

a) debt securities positions are rated specifically for these issues;
b) If there are no specific credit ratings for the issues, as mentioned in a), the credit ratings attributed to the issuers of the same are considered, if any;
c) credit exposures that are not represented by debt securities receive only, and when they exist, the issuers' credit ratings.

At the reference dates, the Bank presented the following exposures:

		2020			2021		
Ratings	Credit Quality Degree	Institutions, residual maturity > 3m	Companies	Sovereign	Institutions, residual maturity > 3m	Companies	Sovereign
AAA AA	1	10,000,400	—	6,434,907	—	—	—
A	2	19,419,126	15,484,974	99,987,816	11,424,488	5,632,045	75,176,074
BBB	3	9,300,234	—	386,726,562	2,350,000	—	259,567,814
BB	4	—	—	5,047,605	—	—	—
B	5	—	—	—	—	—	—
<B	6	—	—	—	—	—	—
Without rating	Without rating	210,238	4,314,960	—	—	5,245,536	—
		38,929,998	**19,799,934**	**498,196,890**	**13,774,488**	**10,877,581**	**334,743,888**

18. Inventories

As at 31 December 2020 and 31 December 2021, the **Group** and the **Company** Inventories are detailed as follows:

	2020					
	Group			Company		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Merchandise	6,509,642	2,525,086	3,984,556	6,191,416	2,525,086	3,666,330
Raw, subsidiary and consumable materials	3,572,266	847,331	2,724,935	3,548,077	847,331	2,700,746
Advances on purchases	(107,492)	—	(107,492)	(107,492)	—	(107,492)
	9,974,416	**3,372,417**	**6,601,999**	**9,632,001**	**3,372,417**	**6,259,585**

	2021					
	Group			Company		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Merchandise	7,386,718	3,131,405	4,255,313	6,989,647	3,131,405	3,858,242
Raw, subsidiary and consumable materials	3,647,788	867,668	2,780,120	3,617,626	867,668	2,749,958
Advances on purchases	(163,158)	—	(163,158)	(163,158)	—	(163,158)
	10,871,348	**3,999,073**	**6,872,274**	**10,444,115**	**3,999,073**	**6,445,041**

Cost of sales

During the years ended 31 December 2020 and 31 December 2021, the details of Cost of sales related to the **Group** and the **Company**, were as follows:

	2020					
	Group			Company		
	Merchandise	Raw, subsidiary and consumable materials	Total	Merchandise	Raw, subsidiary and consumable materials	Total
Opening balance	5,403,997	3,429,590	8,833,587	5,059,847	3,383,003	8,442,850
Purchases	16,796,280	3,299,932	20,096,212	16,242,868	3,291,513	19,534,381
Adjustments	(65,228)	(202,484)	(267,711)	(65,228)	(202,484)	(267,711)
Impairment of inventories	513,486	124,398	637,884	513,486	124,398	637,884
Closing balance	(6,509,642)	(3,572,266)	(10,081,907)	(6,191,416)	(3,548,077)	(9,739,493)
Cost of sales	**16,138,893**	**3,079,171**	**19,218,064**	**15,559,557**	**3,048,353**	**18,607,910**

	2021					
	Group			Company		
	Merchandise	Raw, subsidiary and consumable materials	Total	Merchandise	Raw, subsidiary and consumable materials	Total
Opening balance	6,509,642	3,572,266	10,081,907	6,191,416	3,548,077	9,739,493
Purchases	23,212,650	3,233,052	26,445,702	16,904,067	3,197,669	20,101,736
Inventories offers	(1,584)	—	(1,584)	(1,584)	—	(1,584)
Adjustments	(44,303)	(31,779)	(76,082)	(44,082)	(31,779)	(75,860)
Impairment of inventories	679,290	119,968	799,258	679,290	119,968	799,258
Closing balance	(7,386,718)	(3,647,788)	(11,034,506)	(6,989,647)	(3,617,626)	(10,607,273)
Cost of sales	**22,968,976**	**3,245,720**	**26,214,696**	**16,739,461**	**3,216,309**	**19,955,770**

Impairment

During the years ended 31 December 2020 and 31 December 2021, the movements in the **Group** and the **Company** Accumulated impairment losses (Note 25) were as follows:

	2020				
Group	Opening balance	Increases	Reversals	Utilizations	Closing balance
Merchandise	2,116,305	513,486	—	(104,705)	2,525,086
Raw, subsidiary and consumable materials	725,187	131,708	(7,310)	(2,254)	847,331
	2,841,492	**645,194**	**(7,310)**	**(106,959)**	**3,372,417**

Group	2021 Opening balance	Increases	Reversals	Utilizations	Closing balance
Merchandise	2,525,086	680,033	(743)	(72,971)	3,131,405
Raw, subsidiary and consumable materials	847,331	128,297	(8,329)	(99,631)	867,668
	3,372,417	**808,330**	**(9,072)**	**(172,602)**	**3,999,073**

For the years ended 31 December 2020 and 31 December 2021, impairment losses of inventories were recorded in the **Group** and the **Company** net of reversals amounting to 637,884 Euros and 799.258 Euros, respectively, in the caption Cost of sales.

19. Accounts receivable

As at 31 December 2020 and 31 December 2021 the **Group** and the **Company** heading Accounts receivable showed the following composition:

	Group		Company	
	2020	2021	2020	2021
Non-current				
Group companies [1]	—	—	495,932	587,308
	—	**—**	**495,932**	**587,308**
Current				
Third parties	105,752,676	126,171,101	51,606,014	52,643,061
Postal operators	47,297,803	34,500,951	45,352,597	32,094,758
Group companies [1]	565,530	257,998	14,706,863	28,037,356
	153,616,009	**160,930,050**	**111,665,473**	**112,775,176**
	153,616,009	**160,930,050**	**112,161,406**	**113,362,484**

(1) Includes subsidiary, associated and joint-ventures companies.

As at 31 December 2020 and 31 December 2021, the ageing of accounts receivable is detailed as follows:

Accounts receivable	2020 Group Gross amount	Accumulated impairment losses	Net amount	Company Gross amount	Accumulated impairment losses	Net amount
Non-overdue	71,820,598	41,244	71,779,355	39,962,084	18,129	39,943,955
Overdue [(1)]:						
0-30 days	23,497,949	4,159	23,493,790	19,884,509	—	19,884,509
31-90 days	16,900,018	268,891	16,631,127	14,355,876	7,103	14,348,774
91-180 days	7,350,316	441,249	6,909,067	4,218,822	36,818	4,182,005
181-360 days	12,227,677	819,606	11,408,071	11,033,712	136,826	10,896,887
> 360 days	61,453,294	38,058,694	23,394,600	27,133,913	4,228,637	22,905,276
	193,249,852	**39,633,843**	**153,616,009**	**116,588,918**	**4,427,512**	**112,161,406**

(1) The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

Accounts receivable	2021					
	Group			Company		
	Gross amount	Accumulated impairment losses	Net amount	Gross amount	Accumulated impairment losses	Net amount
Non-overdue	79,273,178	44,046	79,229,132	46,901,455	21,543	46,879,912
Overdue [(1)]:						
0-30 days	16,088,882	8,744	16,080,138	6,442,354	1,576	6,440,778
31-90 days	15,710,958	5,626	15,705,332	12,332,581	1,759	12,330,822
91-180 days	9,336,160	259,477	9,076,683	14,194,213	16,940	14,177,273
181-360 days	12,493,719	1,200,134	11,293,586	8,330,140	255,123	8,075,017
> 360 days	67,910,752	38,365,572	29,545,180	29,223,183	3,764,502	25,458,681
	200,813,650	**39,883,599**	**160,930,050**	**117,423,927**	**4,061,443**	**113,362,484**

(1) The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

The net amount of the Accounts receivable balances overdue over 360 days is broken down as follows:

	Group		Company	
	2020	2021	2020	2021
Other accounts receivable	1,211,620	5,267,661	1,206,142	1,983,014
Foreign operators	22,182,980	24,277,519	21,699,134	23,475,667
Total	**23,394,600**	**29,545,180**	**22,905,276**	**25,458,681**
Foreign operators - payable (Note 34)	**(20,603,903)**	**24,311,914**	**(20,438,443)**	**24,060,455**

The caption Foreign Operators relates to receivables associated with the distribution of postal items in Portugal with origin in other countries.

These operations fall within the scope of the regulations of the Universal Postal Union (UPU) that establishes the closing of the accounts on an annual basis which therefore is only made after the year end and originates the significant overdue balance with more than 360 days with these customers. It should also be mentioned that the referred regulation establishes a period of up to 22 months for the presentation of the accounts and, therefore, the foreign operators' balances reflect the expected trend of this specific business.

The **Group** does not have an unconditional right to settle the Foreign Operators amounts by net values, deducting unilaterally the receivable amounts from the payable amounts, for which the balances are presented in assets and liabilities. However, under the UPU regulations, the accounts between Foreign Operators are cleared by netting accounts, so the credit risk is mitigated by the accounts payable balances related to these entities and by the advance payments on the net receivables of the year (Note 34).

The accounts receivable and payable from foreign postal operators' detail by ageing (reference year) with reference of 31 December 2020 were as follows:

Group	2020	2019	2018 and previous	Total
Nature				
Customers	14,510,743	19,331,373	13,455,687	47,297,803
Suppliers	(15,273,622)	(15,748,170)	(9,072,777)	(40,094,570)

The accounts receivable and payable from foreign postal operators' detail by ageing (reference year) with reference of 31 December 2021 were as follows:

Group	2021	2020	2019 and previous	Total
Nature				
Customers	2,415,630	9,976,921	22,108,400	34,500,951
Suppliers	(18,048,909)	(11,887,129)	(13,877,338)	(43,813,375)

In the actual interest rate environment, the revenue recognition impact of significant financing component effect associated to the contractual performance obligations with Foreign Operators is not significant. The **Group** and the **Company** did not recognize any amount.

The balance of national customers includes receivables of public entities and other clients that are also suppliers which will be netted with accounts payable balances and customers with debt payment plans.

For the national customers, the bank guarantees and advance deposits coverage over the customers receivables continued to decline to 0.9% at 31 December 2021 in the **Group** (2020: 1.8%), and 1.5% at the **Company** (2020: 2.1%).

	Group		Company	
	2020	2021	2020	2021
Advance deposits	1,309,538	1,032,034	1,300,647	702,934
Bank guarantees	75,253	48,753	75,253	48,753
Total	**1,384,791**	**1,080,787**	**1,375,900**	**751,687**

Impairment losses

During the years ended 31 December 2020 and 31 December 2021, the movement in the **Group** Accumulated impairment losses caption (Note 25) was as follows:

	2020					
Group	Opening balance	Increases	Reversals	Utilizations	Changes in the consolidation perimeter	Closing balance
Accounts receivable	37,981,832	5,390,793	(2,014,668)	(1,724,114)	—	39,633,843
	37,981,832	**5,390,793**	**(2,014,668)**	**(1,724,114)**	**—**	**39,633,843**

	2021					
Group	Opening balance	Increases	Reversals	Utilizations	Changes in the consolidation perimeter	Closing balance
Accounts receivable	39,633,843	4,209,818	(2,588,327)	(1,423,383)	51,648	39,883,599
	39,633,843	**4,209,818**	**(2,588,327)**	**(1,423,383)**	**51,648**	**39,883,599**

For the years ended 31 December 2020 and 31 December 2021, impairment losses of accounts receivable were recorded in the **Group** (net of reversals) amounting to 3,376,125 Euros and 1,621,491 Euros, respectively, in the caption Impairment of accounts receivable, net (Note 45).

The impairment reversals verified in 2020 are mainly explained by the amounts' recovery in litigation and pre-litigation, with emphasis on CTT Expresso and CTT Expresso branch in Spain. The increase in impairment losses is due to an aggravation of the forward-looking component in PD accounts receivable calculation.

As at 31 December 2021, the companies in the Express & Parcels segment have the greatest contribution to the evolution of customer impairments, with the increases resulting from the combination of the increase in their own activity and a more incisive management of debt, with the transfer of debt of some clients for litigation. The reversals result from the completion of some litigation proceedings in favour of the Group and the settlement of outstanding amounts (especially older debt) with the largest customers.

During the years ended 31 December 2020 and 31 December 2021, the movement in Accumulated impairment losses caption (Note 25) of the **Company** was as follows:

Company	2020				
	Opening balance	Increases	Reversals	Utilizations	Closing balance
Accounts receivable	4,496,917	943,189	—	(1,012,594)	4,427,512
	4,496,917	**943,189**	**—**	**(1,012,594)**	**4,427,512**

Company	2021				
	Opening balance	Increases	Reversals	Utilizations	Closing balance
Accounts receivable	4,427,512	521,584	(200,000)	(687,653)	4,061,443
	4,427,512	**521,584**	**(200,000)**	**(687,653)**	**4,061,443**

For the years ended 31 December 2020 and 31 December 2021, impairment losses of accounts receivable were recorded in the **Company** (net of reversals) amounting to 943,189 Euros and 321,584 Euros, respectively, in the caption Impairment of accounts receivable, net (Note 45).

20. Credit to banking clients

As at 31 December 2020 and 31 December 2021, the **Group** caption Credit to banking clients was detailed as follows:

	31.12.2020	31.12.2021
Performing loans	**1,101,441,373**	**1,560,653,792**
Mortgage Loans	525,082,831	595,419,629
Auto Loans	568,273,557	660,982,844
Credit Cards	—	297,943,534
Leasings	6,936,643	4,975,252
Overdrafts	1,148,342	1,332,534
Other credits	—	—
Overdue loans	**8,505,242**	**12,345,092**
Overdue loans - less than 90 days	1,008,648	1,165,016
Overdue loans - more than 90 days	7,496,594	11,180,076
	1,109,946,614	**1,572,998,883**
Credit risk impairment	**(16,665,082)**	**(31,090,390)**
	1,093,281,532	**1,541,908,493**

The maturity analysis of the Credit to bank clients as at 31 December 2020 and 31 December 2021 is detailed as follows:

	31.12.2020								
	Current					Non-current			
	At sight	Due within 3 months	>3 months - < 1 year	Overdue Loans	Total	> 1 year - > 3 years	Over 3 years	Total	Total
Mortgage loans	—	3,678,902	10,649,699	12	14,328,613	29,885,595	480,868,635	510,754,230	525,082,842
Auto Loans	—	24,671,168	62,937,327	6,623,827	94,232,322	163,219,651	317,445,413	480,665,063	574,897,386
Credit Cards	—	—	—	—	—	—	—	—	—
Leasings	—	364,790	1,390,217	209,623	1,964,630	3,068,253	2,113,383	5,181,635	7,146,265
Overdraft	1,148,342	—	—	1,044,947	2,193,289	—	—	—	2,193,289
Other credits	—	—	—	626,832	626,832	—	—	—	626,832
	1,148,342	**28,714,860**	**74,977,243**	**8,505,242**	**113,345,686**	**196,173,498**	**800,427,430**	**996,600,928**	**1,109,946,614**

	31.12.2021								
	Current					Non-current			
	At sight	Due within 3 months	>3 months - < 1 year	Overdue Loans	Total	> 1 year - > 3 years	Over 3 years	Total	Total
Mortgage loans	—	4,529,387	13,058,049	—	17,587,436	35,360,412	542,471,779	577,832,191	595,419,626
Auto Loans	—	27,206,248	73,256,613	9,611,208	110,074,069	188,259,391	372,260,592	560,519,983	670,594,052
Credit Cards	—	297,943,534	—	772,542	298,716,076	—	—	—	298,716,076
Leasings	—	460,233	1,281,167	76,935	1,818,335	2,717,445	516,407	3,233,852	5,052,187
Overdraft	1,332,534	—	—	1,278,857	2,611,391	—	—	—	2,611,391
Other credits	—	—	—	605,550	605,550	—	—	—	605,550
	1,332,534	**330,139,402**	**87,595,829**	**12,345,092**	**431,412,857**	**226,337,248**	**915,248,778**	**1,141,586,02**	**1,572,998,883**

The Credit Cards caption represents a portfolio of credit cards acquired within the scope of the Universo Partnership with Sonae Financial Services. This portfolio was recognized in the Group's financial statements to the extent that the Group is a sole investor in the Next Funding No.1 securitization operation and, therefore, in compliance with the conditions set out in IFRS 10 - Consolidated Financial Statements, the securitization operation is consolidated.

The breakdown of this heading by type of rate is as follows:

	31.12.2020	31.12.2021
Fixed rate	528,330,964	926,351,787
Floating rate	581,615,650	646,647,096
	1,109,946,614	**1,572,998,883**
Credit risk impairment	(16,665,082)	(31,090,390)
	1,093,281,532	**1,541,908,493**

As at 31 December 2020 and 31 December 2021, the analysis of this caption by type of collateral, is presented as follows:

	2020				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	531,954,585	924,100	532,878,686	(1,513,304)	531,365,381
Other guaranteed Loans	562,616,191	3,766,660	566,382,851	(10,183,295)	556,199,556
Unsecured Loans	6,870,596	3,814,481	10,685,078	(4,968,483)	5,716,595
	1,101,441,373	**8,505,242**	**1,109,946,614**	**(16,665,082)**	**1,093,281,532**

	2021				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	600,433,555	1,510,327	601,943,882	(2,409,164)	599,534,718
Other guaranteed Loans	645,072,323	4,775,730	649,848,053	(17,150,161)	632,697,892
Unsecured Loans	315,147,914	6,059,034	321,206,948	(11,531,064)	309,675,884
	1,560,653,792	**12,345,092**	**1,572,998,883**	**(31,090,389)**	**1,541,908,494**

The credit type analysis of the caption, as at 31 December 2020 and 31 December 2021 is detailed as follows:

	2020				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	525,082,831	12	525,082,842	(498,762)	524,584,080
Auto Loans	568,273,557	6,623,827	574,897,385	(14,657,207)	560,240,178
Credit Card	—	—	—	—	—
Leasings	6,936,643	209,623	7,146,266	(282,076)	6,864,190
Overdrafts	1,148,342	1,044,947	2,193,289	(1,105,137)	1,088,152
Other credits	—	626,832	626,832	(121,900)	504,932
	1,101,441,373	**8,505,242**	**1,109,946,614**	**(16,665,082)**	**1,093,281,532**

	2021				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	595,419,629	—	595,419,629	(596,281)	594,823,348
Auto Loans	660,982,844	9,611,208	670,594,052	(22,024,094)	648,569,958
Credit Cards	297,943,534	772,542	298,716,076	(6,617,578)	292,098,498
Leasings	4,975,252	76,935	5,052,186	(98,307)	4,953,880
Overdrafts	1,332,534	1,278,857	2,611,391	(1,148,581)	1,462,810
Other credits	—	605,550	605,550	(605,550)	—
	1,560,653,792	**12,345,091**	**1,572,998,883**	**(31,090,390)**	**1,541,908,492**

The analysis of credit to bank clients as at 31 December 2020 and 31 December 2021, by sector of activity, is as follows:

	2020				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies					
Agriculture, forestry and fishing	1,570,642	20,473	1,591,115	(46,820)	1,544,295
Mining and quarrying	257,127	421	257,548	(4,545)	253,003
Manufacturing	3,048,245	94,055	3,142,300	(105,257)	3,037,043
Water supply	143,772	5,712	149,484	(5,802)	143,682
Construction	6,186,340	325,240	6,511,580	(291,722)	6,219,858
Wholesale and retail trade	4,781,134	470,539	5,251,673	(253,496)	4,998,177
Transport and storage	1,325,020	55,757	1,380,776	(79,724)	1,301,053
Accommodation and food service activities	1,639,376	23,246	1,662,622	(67,124)	1,595,498
Information and communication	252,085	1,971	254,056	(3,273)	250,783
Financial and insurance activities	171,080	1,577	172,657	(2,918)	169,739
Real estate activities	1,353,647	11,437	1,365,084	(16,980)	1,348,104
Professional, scientific and technical activities	884,963	5,135	890,098	(31,703)	858,395
Administrative and support service activities	1,407,730	293,970	1,701,700	(95,120)	1,606,580
Education	572,582	845	573,427	(8,711)	564,717
Human health services and social work activities	805,858	14,818	820,676	(33,691)	786,984
Arts, entertainment and recreation	411,482	31,057	442,539	(36,638)	405,901
Other services	23,392,740	120,422	23,513,162	(455,112)	23,058,050
Individuals					
Mortgage Loans	525,082,831	12	525,082,842	(498,762)	524,584,079
Consumer Loans	528,154,720	7,028,553	535,183,273	(14,627,684)	520,555,590
	1,101,441,373	**8,505,242**	**1,109,946,614**	**(16,665,082)**	**1,093,281,532**

	2021				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies					
Agriculture, forestry and fishing	4,233,937	38,988	4,272,925	(131,975)	4,140,950
Mining and quarrying	694,899	211	695,109	(4,777)	690,333
Manufacturing	6,007,208	137,158	6,144,366	(173,610)	5,970,756
Water supply	123,735	—	123,735	(230)	123,506
Construction	9,894,287	300,665	10,194,952	(386,725)	9,808,227
Wholesale and retail trade	10,126,222	428,000	10,554,222	(530,948)	10,023,274
Transport and storage	4,168,460	87,594	4,256,054	(115,008)	4,141,046
Accommodation and food service activities	4,182,495	90,792	4,273,288	(146,261)	4,127,027
Information and communication	644,625	421	645,046	(4,991)	640,054
Financial and insurance activities	307,998	2,231	310,229	(3,766)	306,463
Real estate activities	1,706,577	2,052	1,708,628	(21,028)	1,687,600
Professional, scientific and technical activities	1,657,181	8,011	1,665,192	(45,590)	1,619,602
Administrative and support service activities	3,471,167	329,223	3,800,390	(379,908)	3,420,482
Education	721,135	575	721,711	(9,691)	712,019
Human health services and social work activities	1,305,341	14,931	1,320,271	(23,464)	1,296,808
Arts, entertainment and recreation	897,261	73,013	970,274	(65,933)	904,342
Other services	5,867,371	70,562	5,937,933	(183,407)	5,754,525
Individuals					
Mortgage Loans	595,515,589	—	595,515,589	(598,198)	594,917,391
Consumer Loans	909,128,301	10,760,664	919,888,965	(28,264,879)	891,624,086
	1,560,653,792	**12,345,090**	**1,572,998,883**	**(31,090,390)**	**1,541,908,493**

The total credit portfolio, split by stage according to IFRS 9, is analysed as follows:

	2020	2021
Stage 1	**1,026,604,019**	**1,428,289,210**
Gross amount	1,030,765,765	1,434,762,828
Impairment	(4,161,745)	(6,473,618)
Stage 2	**49,989,172**	**82,564,071**
Gross amount	52,213,747	87,166,648
Impairment	(2,224,575)	(4,602,577)
Stage 3	**16,688,341**	**31,055,213**
Gross amount	26,967,103	51,069,407
Impairment	(10,278,762)	(20,014,194)
	1,093,281,532	**1,541,908,493**

The caption credit to bank clients includes the effect of traditional securitization transactions, carried out through securitization vehicles, consolidated pursuant to IFRS 10 in accordance with accounting policy 2.2.

Moratoria

Decree-Law No. 10-J/2020 of 26 March laid down exceptional measures to protect credit to households, companies, private charity institutions and other entities of the social economy, as well as a special scheme of State guarantees within the scope of the COVID-19 pandemic.

During 2020, this regulation was successively amended by Law no. 8/2020 of 10 April, Decree-Law no. 26/2020 of 16 June, Law no. 27-A/2020 of 24 July, and Decree-Law no. 78-A/2020 of 29 September.

Following several legislative amendments, the end of the moratorium period, initially scheduled for September 2020, was extended until December 2021. These amendments also provided for the extension of the deadline for clients to formalize their moratorium requests. The conditions of access and the types of credit covered have also been altered. The measures foreseen in the legislation described above - Public Moratoria -, translated into the granting of a grace period for principal or principal and interest to debtors of credit agreements.

In addition to the Public Moratorium, ASFAC - Association of Specialized Credit Institutions - created the ASFAC Private Moratorium, which established exceptional measures to support and protect families resulting from the financial impacts of the COVID-19 pandemic , similar to those provided in the Public Moratorium and applicable to 321 Crédito's auto loan portfolio.

As at 31 December 2021, the **Group** did not have any active moratorium on any credit segment.

According with the EBA Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07), the gross exposures and impairment of contracts with moratoria in force as of 31 December 2020 and 31 December 2021 are presented below:

31.12.2020	Debtors number	Gross carrying amount							
		Gross carrying amount	Of which: exposures subject to restructuring measures	Of which: expired	Moratoria's residual maturity				
					≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 9 months	> 9 months ≤ 12 months	> 1 year
Loans advances that a moratoria have been offered	7,018	103,469,519							
Loans subject to a moratoria	4,364	82,150,696	54,212,773	41,760,849	9,423,344	388,779	30,577,724	—	—
of which: families		71,837,335	44,355,505	40,718,857	151,975	388,779	30,577,724	—	—
of which secured by residential properties		44,335,088	44,335,088	13,222,871	145,713	388,779	30,577,724	—	—
of which: non-financial companies		10,313,362	9,857,268	1,041,992	9,271,370	—	—	—	—
of which: small and medium-sized companies		9,130,510	8,674,417	1,015,034	8,115,476	—	—	—	—
of which: secured by commercial real estate		2,958,321	2,958,321	164,798	2,793,523	—	—	—	—

31.12.2021	Debtors number	Gross carrying amount							
					Moratoria's residual maturity				
		Gross carrying amount	Of which: exposures subject to restructuring measures	Of which: expired	≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 9 months	> 9 months ≤ 12 months	> 1 year
Loans advances that a moratoria have been offered	7,080	81,278,530							
Loans subject to a moratoria	4,424	64,019,393	42,219,508	64,019,393	—	—	—	—	—
of which: families		54,496,096	33,040,796	54,496,096	—	—	—	—	—
of which secured by residential properties		33,022,511	33,022,511	33,022,511	—	—	—	—	—
of which: non-financial companies		9,523,297	9,178,711	9,523,297	—	—	—	—	—
of which: small and medium-sized companies		8,010,939	7,684,215	8,010,939	—	—	—	—	—
of which: secured by commercial real estate		2,610,224	2,610,224	2,610,224	—	—	—	—	—

The caption credit to bank clients includes the following amounts related to finance leases contracts:

	2020	2021
Amount of future minimum payments	7,458,032	5,352,218
Interest not yet due	(521,389)	(376,966)
Present value	**6,936,643**	**4,975,252**

The amount of future minimum payments of lease contracts, by maturity terms, is analyzed as follows:

	2020	2021
Due within 1 year	1,763,456	2,106,914
Due between 1 to 5 years	4,601,281	2,727,068
Over 5 years	1,093,295	518,236
Amount of future minimum payments	**7,458,032**	**5,352,218**

The analysis of financial leases contracts, by type of client, is presented as follows:

	2020	2021
Individuals	**773,163**	**622,998**
Home	96,094	91,154
Others	677,069	531,844
Companies	**6,163,480**	**4,352,254**
Equipment	314,966	198,954
Real Estate	5,848,514	4,153,300
	6,936,643	**4,975,252**

Impairment losses

During the year ended 31 December 2020 and 31 December 2021, the movement in the **Group** under the Accumulated impairment losses caption (Note 25) was as follows:

	2020						
	Opening balance	Increases	Reversals	Utilizations	Transfers	Other adjustments	Closing balance
Non-current assets							
Credit to banking clients	2,591,450	8,993,653	(2,226,654)	(507,412)	92,954	2,301,249	11,245,241
	2,591,450	**8,993,653**	**(2,226,654)**	**(507,412)**	**92,954**	**2,301,249**	**11,245,241**
Current assets							
Credit to banking clients	1,386,750	4,334,649	(1,073,175)	(244,556)	(92,954)	1,109,127	5,419,841
	1,386,750	**4,334,649**	**(1,073,175)**	**(244,556)**	**(92,954)**	**1,109,127**	**5,419,841**
	3,978,200	**13,328,302**	**(3,299,828)**	**(751,968)**	**—**	**3,410,377**	**16,665,082**

	2021						
	Opening balance	Increases	Reversals	Utilizations	Transfers	Other adjustments	Closing balance
Non-current assets							
Credit to banking clients	11,245,242	14,707,276	(7,614,585)	(343,835)	(2,967,630)	575,237	15,601,705
	11,245,242	**14,707,276**	**(7,614,585)**	**(343,835)**	**(2,967,630)**	**575,237**	**15,601,705**
Current assets							
Credit to banking clients	5,419,841	14,600,735	(7,559,425)	(341,345)	2,797,807	571,071	15,488,685
	5,419,841	**14,600,735**	**(7,559,425)**	**(341,345)**	**2,797,807**	**571,071**	**15,488,685**
	16,665,083	**29,308,011**	**(15,174,010)**	**(685,180)**	**(169,822)**	**1,146,308**	**31,090,390**

For the years ended 31 December 2020 and 31 December 2021, impairment losses of Credit to banking clients were recorded in the **Group** (net of reversals) amounting to 10,028,474 Euros and 14,134,001 Euros, respectively in the caption Impairment of accounts receivable, net (Note 45).

Regarding the movements in impairment losses by stages, in the periods ended on 31 December 2020 and 31 December 2021, they are detailed as follows:

	2020			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	**2,062,682**	**871,644**	**1,043,873**	**3,978,200**
Change in period:				
Increases due to origination and acquisition	1,555,460	654,163	724,897	2,934,520
Changes due to change in credit risk	558,236	(308,282)	7,606,556	7,856,509
Decrease due to derecognition repayments and disposals	(225,784)	(50,462)	(486,310)	(762,556)
Write-offs	—	—	(751,967)	(751,967)
Transfers to:				
Stage 1	449,964	(177,013)	(272,951)	—
Stage 2	(252,522)	934,051	(681,529)	—
Stage 3	(233,377)	(116,151)	349,528	—
Foreign exchange and other	247,087	416,625	2,746,665	3,410,377
Impairment	**4,161,745**	**2,224,575**	**10,278,762**	**16,665,082**
Of which: POCI	—	—	*(922,255)*	*(922,255)*

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Opening balance	**4,161,745**	**2,224,575**	**10,278,763**	**16,665,083**
Change in period:				
Increases due to origination and acquisition	3,754,079	2,937,210	2,506,799	9,198,088
Changes due to change in credit risk	(1,623,295)	(369,984)	8,187,354	6,194,075
Decrease due to derecognition repayments and disposals	(407,088)	(154,824)	(696,251)	(1,258,163)
Write-offs	—	—	(685,180)	(685,180)
Transfers to:				
Stage 1	1,011,657	(360,513)	(651,144)	—
Stage 2	(203,586)	1,686,749	(1,483,163)	—
Stage 3	(164,668)	(1,481,613)	1,646,281	—
Foreign exchange and other	(55,226)	120,976	910,736	976,486
Impairment	**6,473,618**	**4,602,577**	**20,014,195**	**31,090,390**
Of which: POCI	—	—	*1,462,841*	*1,462,841*

Changes due to changes in exposure or risk parameters verified in the period ended 31 December 2021 are fundamentally due to the entry into force of the new definition of Default by EBA.

The reconciliation of accounting movements related to impairment losses is presented below:

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Opening balance	**2,062,682**	**871,644**	**1,043,873**	**3,978,200**
Change in period:				
ECL income statement change for the period	1,887,912	295,419	7,845,143	10,028,474
Stage transfers (net)	(35,935)	640,887	(604,952)	—
Write-offs	—	—	(751,968)	(751,968)
Foreign exchange and other	247,087	416,625	2,746,665	3,410,377
Impairment	**4,161,745**	**2,224,575**	**10,278,762**	**16,665,082**

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Opening balance	**4,161,745**	**2,224,575**	**10,278,763**	**16,665,083**
Change in period:				
ECL income statement change for the period	1,723,696	2,412,403	9,997,902	14,134,001
Stage transfers (net)	643,403	(155,377)	(488,026)	—
Write-offs	—	—	(685,180)	(685,180)
Foreign exchange and other	(55,226)	120,976	910,736	976,486
Impairment	**6,473,619**	**4,602,577**	**20,014,194**	**31,090,390**

21. Prepayments

As at 31 December 2020 and 31 December 2021, the Prepayments included in current assets and current and non-current liabilities of the **Group** and the **Company** showed the following composition:

	Group		Company	
	2020	2021	2020	2021
Prepaid Assets				
Current				
Rents payable	1,500,004	1,469,876	1,030,936	1,050,126
Meal allowances	1,441,931	1,402,305	1,441,931	1,402,305
Other	3,556,825	5,853,753	2,130,348	2,311,707
	6,498,759	**8,725,934**	**4,603,214**	**4,764,138**
Prepaid Liabilities				
Non-current				
Investment subsidy	283,289	272,088	283,289	272,088
	283,289	**272,088**	**283,289**	**272,088**
Current				
Investment subsidy	11,201	11,201	11,201	11,201
Contratual liabilities	1,310,217	1,360,862	696,738	968,728
Other	2,090,641	2,080,178	1,738,815	1,540,716
	3,412,059	**3,452,241**	**2,446,754**	**2,520,645**
	3,695,348	**3,724,329**	**2,730,043**	**2,792,733**

The change in the caption Other assets prepayments essentially results from the renewal of software license contracts and insurance contracts.

The caption “Contractual liabilities” results from the application of IFRS 15 - Revenue from Contracts with Customers and stands for the amount already invoiced, but not yet recognized as revenue because the performance obligations have not yet been met as recommended by the standard.

The “Contractual liabilities” recognized by the **Group** essentially refer to values related to stamps and prepaid postage of priority mail in the amount of 151,948 Euros (696,738 Euros on 31 December 2020), whose revenue is expected to be recognized in January 2022 (estimate of 80% of the item's value) and the remaining during 2022, and to objects invoiced and not delivered on 31 December 2021 in the express segment, in the amount of 1,208,914 Euros (613,479 Euros as of 31 December 2020), whose revenue is recognized upon delivery in the following month.

The revenue recognized by the **Group** and **Company** in the period, included in the balance of Contractual liabilities at the beginning of the period amounted to 1,310,217 Euros and 696,738 Euros, respectively.

No “Assets resulting from contracts” associated with the application of IFRS 15 - Revenue from contracts with customers were recognized.

22. Non-current assets held for sale and Discontinued operations

As at 31 December 2020 and 31 December 2021, the amounts recorded under this caption, in the **Group,** are detailed as follows:

	31.12.2020	31.12.2021
Non-current assets held for sale		
Real estate	2,421,005	769,400
Equipment	838	838
	2,421,843	**770,238**
Impairment	(282,778)	(164,441)
	2,139,065	**605,798**

Regarding 2020, the non-current assets held for sale is related to: a) a building located in Santarém, held by CTT, in the amount of 1,173,231 Euros, transferred from tangible fixed assets, following the conclusion of the promissory agreement for the sale of this property ii) properties and equipment recovered following the termination of financial and operating lease contracts, for which, in applicable cases, impairment was recorded, which reflects the difference between the gross amount and the appraised value of said assets, being the total amount of the mentioned properties and equipments of 965,833 Euros.

As at 31 December 2021, the non-current assets held for sale is related to properties and equipment recovered following the termination of financial and operating lease contracts, for which, in applicable cases, impairment was recorded, which reflects the difference between the gross amount and the appraised value of said assets, being the total amount of the mentioned properties and equipments of 605,798 Euros.

The variation in the heading non-current assets held for sale is explained by the sale of the property located in Santarém, classified in the previous year as non-current assets held for sale, with the amount of 1,026 thousand having been recognized in "Gains/losses on disposal of assets". Euros as a gain.

As determined in IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations the associated depreciations of the assets referred above have ceased in the moment of transfer to Non-Current Assets Held for Sale.

Impairment losses

During the years ended at 31 December 2020 and 31 December 2021, the movement in the **Group** under the caption “Depreciation/amortization and impairment of investments, net” (Note 46) was as follows:

	2020			
	Opening balance	Increases	Reversals	Closing balance
Current assets				
Non-current assets held for sale	184,609	99,640	(1,470)	282,778
	184,609	**99,640**	**(1,470)**	**282,778**

	2021			
	Opening balance	Increases	Reversals	Closing balance
Current assets				
Non-current assets held for sale	282,778	14,234	(132,572)	164,441
	282,778	**14,234**	**(132,572)**	**164,441**

As at 31 December 2020 and 31 December 2021, there were no operations classified as discontinued operations.

23. Cash and cash equivalents

As at 31 December 2020 and 31 December 2021, cash and cash equivalents correspond to the value of cash, sight deposits, term deposits and cash investments on the monetary market, net of bank overdrafts and equivalent short-term bank financing, and is detailed as follows:

	Group		Company	
	2020	2021	2020	2021
Cash	77,580,872	95,963,001	49,681,160	67,613,593
Slight deposits	189,516,082	86,975,064	165,324,609	55,894,035
Demand deposits at Bank of Portugal	167,502,343	593,160,283	—	—
Deposits in other credit institutions	27,737,696	34,251,584	—	—
Term deposits	55,843,177	67,522,764	53,108,141	66,286,478
Cash and cash equivalents (Balance sheet)	**518,180,171**	**877,872,696**	**268,113,910**	**189,794,106**
Sight deposits at Bank of Portugal	(15,795,600)	(19,937,800)	—	—
Outstanding checks / Checks clearing	(3,575,300)	(1,002,263)	—	—
Impairment of slight and term deposits	17,510	24,913	16,813	24,501
Cash and cash equivalents (Cash flow statement)	**498,826,782**	**856,957,546**	**268,130,723**	**189,818,607**

The caption “Sight deposits at Bank of Portugal” includes mandatory deposits in order to meet the legal requirements to maintain a minimum cash reserve in accordance with the provisions of Regulation (EU) No. 1358/2011 of European Central Bank of 14 December 2011, which states that the minimum cash requirements kept as demand deposits at Bank of Portugal amounts to 1% of deposits and other liabilities. As of the reserve counting period started on 30 October 2019, the ECB introduced the tiering regime, in which the balance with the Central Bank in excess of the minimum cash reserves, up to a calculated maximum of 6 times the reserves , is remunerated at the central bank lending rate.

Therefore, the item Demand deposits at Bank of Portugal includes, as at 31 December 2021, a total amount of demand deposits of 593,160,283 Euros (2020: 167,502,343 Euros), of which 19,937,800 Euros (2020: 15,795,600 Euros) were allocated to the fulfilment of the above mentioned mandatory minimum cash requirements at Banco de Portugal.

The caption “Outstanding checks/ Checks clearing” represents checks drawn by third parties on other credit institutions, which are in collection.

In 2021, the **Group’**s Cash-flows increase 358,130,764 Euros, including 4,915,814 Euros as “Changes in the consolidated perimeter”. The main changes in the **Group'**s cash flow statement captions that contribute to the global change, are explained as follows:

- The heading “Credit to bank clients”, from operating activities, amounts to (448,171,549) Euros (2020: (208,132,405) Euros). The increase is mainly explained by the partnership with Sonae Financial Services to offer the “Universo” credit card services;

- The caption "Receipts from investments in securities at amortized cost", from investment activities, amounts to 429,477,883 Euros, which contrasts with 198,208,406 Euros in 2020, explained by the sale of securities to optimize the financial position of Banco CTT in the context of the launch of the partnership with Sonae;

- The caption "Receivables relating to other bank financing liabilities", in financing activities, amounts to 251,000,000 Euros (2020: 0 Euros), and refers to a credit securitization operation (Ulisses Finance No. 2) on the loan portfolio auto originated by 321 Credit;

- The caption "Receivables from loans obtained" totals 100,261,411 Euros (2020: 21,293,090 Euros) and the change is explained mainly by the amount received from cash-pooling from CTT-Expresso, branch in Spain, settled within the year 2021, which also justifies the variation "payments from loans repaid" (2021: (110,777,850) Euros and 2020: (21,405,813) Euros).

In 2021, the **Company'** Cash-flows decrease 78,312,116 Euros. The main changes in the **Company's** cash flow statement captions that contribute to the global change, are explained as follows:

- The caption "Other receivables/ Payments", from operational activity, mainly books the amounts paid as payment orders, vouchers issued in stores, subscription and settlement of saving/ treasury certificates and related payments to IGCP, tax collections, foreign postal operators' payments and receivables , among others. This caption books, in 2021, the amount of (45,828,328) Euros (2020: 1,831,743 Euros), and the change is mainly explained by the decrease in receipts associated with money orders ("CNP") and mobility allowances of the autonomous region of Madeira, as explained in note 34 - Accounts payable and note 16 - Other Non-current and current assets, respectively. Additionally, this decrease is balanced by a lower taxes volume received in the Retail Network, but with higher balances at the end of the year to be settled, due to an extension of the legal deadlines for the VAT settlement, within the scope of measures to support companies to minimize the effects of the pandemic.

- The "Payments from financial investments", in 2021, essentially refer to the increase in the share capital of Banco CTT, SA in the amount of 10,000,000 Euros, of Fundo TechTree in the amount of 2,000,000 Euros and the supplementary payments provided to the entity MKT Place in the amount of 1,789,528 Euros, which justifies the variation for 2021 (2020: 3,928,381 Euros and 2021: 14,065,028);

- The change in the item "Dividends" refers to the payment of dividends that did not occur in the previous year, as explained in note 28.

Impairment

In the scope of IFRS 9 – Financial instruments the **Group** has begun to recognized impairment on sight and term deposits as well as on investments in credit institutions. Therefore, in the period ended 31 December 2020 and 31 December 2021, the movement recorded under the caption "Impairment of sight and term deposits" (Note 25) related to the **Group** is detail as follows:

	2020				
Group	**Opening balance**	**Increases**	**Reversals**	**Utilizations**	**Closing balance**
Sight and term deposits	19,924	551	(2,965)	—	17,510
	19,924	**551**	**(2,965)**	**—**	**17,510**

Group	2021 Opening balance	Increases	Reversals	Utilizations	Closing balance
Sight and term deposits	17,510	11,433	(4,028)	—	24,913
	17,510	**11,433**	**(4,028)**	**—**	**24,913**

For the year ended 31 December 2020 and 31 December 2021 impairment losses (increases net of reversals) of sight and term deposits amounted to (2,414) Euros and 7,405 Euros, respectively, and were booked under the heading Impairment of accounts receivable, net (Note 45).

Regarding the **Company,** in the period ended 31 December 2020 and 31 December 2021, the movement recorded under the caption “Impairment of sight and term deposits” (Note 25) related to the **Company** is detail as follows:

Company	2020 Opening balance	Increases	Reversals	Utilizations	Closing balance
Sight and term deposits	16,842	329	(358)	—	16,813
	16,842	**329**	**(358)**	**—**	**16,813**

Company	2021 Opening balance	Increases	Reversals	Utilizations	Closing balance
Sight and term deposits	16,813	11,354	(3,666)	—	24,501
	16,813	**11,354**	**(3,666)**	**—**	**24,501**

For the year ended 31 December 2020 and 31 December 2021 impairment losses (increases net of reversals) of sight and term deposits amounted to (29) Euros and 7.688 Euros, respectively, and were booked under the heading Impairment of accounts receivable, net (Note 45).

24. Other non-current and current assets

As at 31 December 2020 and 31 December 2021, the headings Other non-current assets and Other current assets of the **Group** and the **Company** had the following composition:

	Group		Company	
	2020	2021	2020	2021
Non-current				
Advances to staff	321,331	368,245	321,331	368,245
Other receivables from staff	2,205,419	2,766,582	2,205,419	2,766,582
Labour compensation fund	530,281	932,450	338,736	449,467
Other non-current assets	545,742	453,869	309,007	309,007
Impairment	(2,538,985)	(2,749,010)	(2,538,985)	(2,749,010)
	1,063,789	**1,772,136**	**635,508**	**1,144,290**
Current				
Advances to suppliers	357,598	253,848	252,848	253,848
Advances to staff	4,207,913	3,688,664	4,163,458	3,570,781
Postal financial services	9,119,894	10,863,754	9,119,894	10,863,754
State and other public entities	4,335,503	12,662,205	471,636	420,738
Debtors by accrued revenues	3,202,291	10,549,374	6,579,506	5,775,111
Amounts collected on CTT behalf	55,839	542,134	244,130	203,865
Guaranteed	580,060	863,053	—	—
Advances to lawyers	102,877	46,909	—	—
Debtors by asset disposals	56,414	42,974	56,414	42,974
Payshop agents	345,922	275,015	—	—
Mobility allowances for Autonomous Regions	4,009,533	20,447,351	4,009,533	20,447,351
Office for media	1,196,048	1,149,984	1,196,048	1,149,984
Sundry debtors	319,599	214,934	319,599	214,934
Collections	1,423,646	1,691,204	481,315	399,236
Deposits	738,889	759,282	291,425	230,221
Customs	735,818	1,800,479	735,818	1,800,479
Non-core billing	1,926,147	1,860,245	1,545,072	1,415,038
Billing to partners	1,437,894	1,053,098	—	—
Other current assets	9,629,249	10,409,739	9,232,400	9,820,127
Impairment	(10,052,550)	(10,325,864)	(8,968,023)	(9,243,301)
	33,728,584	**68,848,382**	**29,731,071**	**47,365,141**

The amounts recorded in the caption Postal financial services refer to receivables from the redemption of savings products and the sale of insurance, which presents an average ageing lower than 180 days.

The Caption Mobility allowances for Autonomous Regions refers to the amounts paid to residents of the Autonomous Regions of Madeira and the Azores on trips between the Mainland and the Autonomous Regions or between the Autonomous Regions, reimbursed by the Direção Geral do Tesouro e Finanças (Treasury and Finance General Department - “DGTF”) within 2 months. The increase in the balance is due to a longer delay in payments by the DGTF for the autonomous region of Madeira subsidies, due to the need to approve a specific ordinance that will update the legislative framework on this matter (awaiting promulgation of the diploma by the President of the Republic).. Thus, the average period for receiving subsidies in the autonomous region of Madeira has been lengthening, although it is expected that the situation will be rectified on the short-term.

The caption “Other current assets” is mainly constituted for several debt balances of high age, for which were created the related impairment losses in previous years.

Debtors by accrued revenues

As at 31 December 2020 and 31 December 2021, the debtors by accrued revenues refer to amounts not invoiced namely regarding postal financial services, philatelic products, philatelic agents and other amounts, which present an average ageing lower than one year.

Impairment

For the years ended 31 December 2020 and 31 December 2021, the movement in the **Group** Accumulated impairment losses (Note 25) was as follows:

Group	2020					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Other current and non-current assets	10,441,530	1,886,462	(85,730)	(275,681)	624,954	12,591,535
	10,441,530	**1,886,462**	**(85,730)**	**(275,681)**	**624,954**	**12,591,535**

Group	2021					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Other current and non-current assets	12,591,535	995,992	(267,494)	(245,159)	—	13,074,874
	12,591,535	**995,992**	**(267,494)**	**(245,159)**	**—**	**13,074,874**

For the years ended 31 December 2020 and 31 December 2021, impairment losses (increases net of reversals) of Other current and non-current assets amounted to 1,800,732 Euros and 728,498 Euros, respectively, were booked under the heading Impairment of accounts receivable, net (Note 45).

Regarding the **Company,** during the years ended 31 December 2020 and 31 December 2021, the movement in the Accumulated impairment losses caption (Note 25) was as follows:

Company	2020				
	Opening balance	Increases	Reversals	Utilizations	Closing balance
Other current and non-current assets	9,758,553	1,865,313	(58,236)	(58,622)	11,507,008
	9,758,553	**1,865,313**	**(58,236)**	**(58,622)**	**11,507,008**

Company	2021				
	Opening balance	Increases	Reversals	Utilizations	Closing balance
Other current and non-current assets	11,507,008	899,656	(226,980)	(187,374)	11,992,311
	11,507,008	**899,656**	**(226,980)**	**(187,374)**	**11,992,311**

For the years ended 31 December 2020 and 31 December 2021, impairment losses of Other current and non-current assets were recorded in the **Company** (net of reversals) amounting to 1,807,077 Euros and 672,676 Euros, respectively in the caption Impairment of accounts receivable, net (Note 45).

25. Accumulated impairment losses

During the years ended 31 December 2020 and 31 December 2021, the following movements occurred in the **Group**'s impairment losses:

	2020						
Group	Opening balance	Increases	Reversals	Utilizations	Transfers	Other movements	Closing balance
Non-current assets							
Tangible fixed assets	24,172	—	(4,712)	—	—	—	19,460
Investment properties	749,144	—	(298,836)	—	—	—	450,308
	773,315	**—**	**(303,548)**	**—**	**—**	**—**	**469,768**
Debt securities at fair value through other comprehensive income	225	5,878	(101)	—	(84)	—	5,918
Debt securities at amortised cost	169,216	23,878	(15,549)	—	(2,060)		175,485
Other non-current assets	2,099,796	—	—	—	439,189	—	2,538,985
Credit to banking clients	2,591,450	8,993,653	(2,226,654)	(507,412)	92,954	2,301,249	11,245,241
Other banking financial assets	166,249	3,071	(27,984)	—	(137,625)	—	3,712
	5,026,935	**9,026,481**	**(2,270,288)**	**(507,412)**	**392,374**	**2,301,249**	**13,969,341**
	5,800,249	**9,026,481**	**(2,573,836)**	**(507,412)**	**392,374**	**2,301,249**	**14,439,109**
Current assets							
Accounts receivable	37,981,832	5,390,793	(2,014,668)	(1,724,114)	—	—	39,633,843
Credit to banking clients	1,386,750	4,334,649	(1,073,175)	(244,556)	(92,954)	1,109,127	5,419,841
Debt securities at fair value through other comprehensive income	—	3,487	(60)	—	84	—	3,511
Debt securities at amortised cost	4,136	885	(576)	—	2,060	—	6,505
Other current assets	8,341,734	1,886,462	(85,730)	(275,680)	185,765	—	10,052,551
Other banking financial assets	4,229,759	52,729	(1,157,163)	—	137,626	—	3,262,950
Slight and term deposits	19,923	551	(2,965)	—	—	—	17,510
	51,964,134	**11,669,556**	**(4,334,338)**	**(2,244,350)**	**232,581**	**1,109,127**	**58,396,710**
Non-current assets held for sale	184,609	99,640	(1,470)	—	—	—	282,778
	184,609	**99,640**	**(1,470)**	**—**	**—**	**—**	**282,778**
Merchandise	2,116,305	513,486	—	(104,705)	—	—	2,525,086
Raw, subsidiary and consumable	725,187	131,708	(7,310)	(2,254)	—	—	847,331
	2,841,493	**645,194**	**(7,310)**	**(106,959)**	**—**	**—**	**3,372,417**
	54,990,236	**12,414,389**	**(4,343,118)**	**(2,351,309)**	**232,581**	**1,109,127**	**62,051,906**
	60,790,486	**21,440,870**	**(6,916,953)**	**(2,858,721)**	**624,955**	**3,410,377**	**76,491,014**

	2021							
Group	**Opening balance**	**Increases**	**Reversals**	**Utilizations**	**Transfers**	**Changes in the consolidation perimeter**	**Other movements**	**Closing balance**
Non-current assets								
Tangible fixed assets	19,460	—	—	—	—	—	—	19,460
Investment properties	450,308	—	(57,372)	—	—	—	—	392,936
Intangible assets	—	60,617	—	—	—	—	—	60,617
	469,768	**60,617**	**(57,372)**	**—**	**—**	**—**	**—**	**473,013**
Debt securities at fair value through other comprehensive income	5,918	—	(5,019)	—	1,673	—	—	2,572
Debt securities at amortised cost	175,485	32,617	(89,741)	—	(6,410)	—	—	111,953
Other non-current assets	2,538,985	—	—	—	210,025	—	—	2,749,010
Credit to banking clients	11,245,241	14,707,276	(7,614,585)	(3,118,702)	(2,967,630)	—	3,350,104	15,601,705
Other banking financial assets	3,712	555	(10,964)	—	8,406	—	—	1,709
	13,969,341	**14,740,448**	**(7,720,309)**	**(3,118,702)**	**(2,753,935)**	**—**	**3,350,104**	**18,466,949**
	14,439,109	**14,801,065**	**(7,777,681)**	**(3,118,702)**	**(2,753,935)**	**—**	**3,350,104**	**18,938,962**
Current assets								
Accounts receivable	39,633,843	4,209,818	(2,588,327)	(1,423,383)	—	51,648	—	39,883,599
Credit to banking clients	5,419,841	14,600,735	(7,559,425)	(3,096,110)	2,797,807	—	3,325,837	15,488,685
Debt securities at fair value through other comprehensive income	3,511	—	(1,215)	—	(1,673)	—	—	623
Debt securities at amortised cost	6,505	2,492	(6,855)	—	6,410	—	—	8,551
Other current assets	10,052,551	995,992	(267,494)	(245,159)	(210,024)	—	—	10,325,865
Other banking financial assets	3,262,950	30,981	(36,623)	(1,446,399)	(8,406)	—	—	1,802,503
Slight and term deposits	17,509	11,433	(4,028)	—	—	—	—	24,913
	58,396,710	**19,851,451**	**(10,463,967)**	**(6,211,051)**	**2,584,113**	**51,648**	**3,325,837**	**67,534,740**
Non-current assets held for sale	282,778	14,234	(132,572)	—	—	—	—	164,441
	282,778	**14,234**	**(132,572)**	**—**	**—**	**—**	**—**	**164,441**
Merchandise	2,525,086	680,033	(743)	(72,971)	—	—	—	3,131,405
Raw, subsidiary and consumable	847,331	128,297	(8,329)	(99,631)	—	—	—	867,668
	3,372,417	**808,331**	**(9,072)**	**(172,602)**	**—**	**—**	**—**	**3,999,073**
	62,051,906	**20,674,015**	**(10,605,611)**	**(6,383,653)**	**2,584,113**	**51,648**	**3,325,837**	**71,698,254**
	76,491,014	**35,475,080**	**(18,383,292)**	**(9,502,356)**	**(169,822)**	**51,648**	**6,675,941**	**90,638,216**

As at 31 December 2020, the **Group** review the expected credit losses ("ECL") to be applied to amounts receivable and bank deposits, with reformulation of the risk parameters in order to reflect in the forward-looking component the economic deterioration resulting from the situation of COVID-19, considering for this purpose the combination of the projected changes in unemployment rate and GDP. This revision of the parameters had an impact of around 3.2 million Euros in the consolidated accounts of the **Group.** As of 31 December 2021, there were no changes compared to the review carried out in 2020.

In April 2021, Banco CTT and Sonae Financial Services started a new partnership in consumer credit through the financing of Universo card credit and the respective management of exposure to credit risk. As at 31 December 2021, the credit card portfolio had a value of 298,716,076 Euros and an increase in impairment of 6,617,578 Euros, which justifies the increase in impairment increases in 2021.

The amounts classified as "Other movements", with reference to 31 December 2020 and 30 September 2021, refer to the movements resulting from adjustments to POCI credits (Purchase or Originated Credit Impaired) regarding the acquisition of 321 Crédito on 1 May 2019, according to IFRS 3 - Business Combinations.

Regarding the **Company,** during the years ended 31 December 2020 and 31 December 2021, the movement in the Accumulated impairment losses was as follows:

	2020					
Company	**Opening balance**	**Increases**	**Reversals**	**Utilizations**	**Transfers**	**Closing balance**
Non-current assets						
Tangible fixed assets	24,172	—	(4,712)	—	—	19,460
Investment properties	749,144	—	(298,836)	—	—	450,308
	773,316	**—**	**(303,548)**	**—**	**—**	**469,768**
Other non-current assets	2,099,796	—	—	—	439,189	2,538,985
	2,099,796	**—**	**—**	**—**	**439,189**	**2,538,985**
	2,873,112	**—**	**(303,548)**	**—**	**439,189**	**3,008,753**
Current assets						
Accounts receivable	4,496,917	943,189	—	(1,012,594)	—	4,427,512
Other current assets	7,658,758	1,865,313	(58,236)	(58,622)	(439,189)	8,968,024
Slight and term deposits	16,842	329	(358)	—	—	16,813
	12,172,517	**2,808,831**	**(58,594)**	**(1,071,216)**	**(439,189)**	**13,412,349**
Merchandise	2,093,793	513,486	—	(82,193)	—	2,525,086
Raw, subsidiary and consumable	725,188	131,708	(7,310)	(2,255)	—	847,331
	2,818,981	**645,194**	**(7,310)**	**(84,448)**	**—**	**3,372,417**
	14,991,498	**3,454,025**	**(65,904)**	**(1,155,664)**	**(439,189)**	**16,784,766**
	17,864,610	**3,454,025**	**(369,452)**	**(1,155,664)**	**—**	**19,793,519**

	2021					
Company	**Opening balance**	**Increases**	**Reversals**	**Utilizations**	**Transfers**	**Closing balance**
Non-current assets						
Tangible fixed assets	19,460	—	—	—	—	19,460
Investment properties	450,308	—	(57,372)	—	—	392,936
	469,768	**—**	**(57,372)**	**—**	**—**	**412,396**
Other non-current assets	2,538,985	—	—	—	210,025	2,749,010
	2,538,985	**—**	**—**	**—**	**210,025**	**2,749,010**
	3,008,753	**—**	**(57,372)**	**—**	**210,025**	**3,161,406**
Current assets						
Accounts receivable	4,427,512	521,584	(200,000)	(687,653)	—	4,061,443
Other current assets	8,968,024	899,656	(226,980)	(187,374)	(210,025)	9,243,301
Slight and term deposits	16,813	11,354	(3,666)	—	—	24,501
	13,412,349	**1,432,594**	**(430,646)**	**(875,027)**	**(210,025)**	**13,329,245**
Merchandise	2,525,086	680,033	(743)	(72,971)	—	3,131,405
Raw, subsidiary and consumable	847,331	128,297	(8,329)	(99,631)	—	867,668
	3,372,417	**808,330**	**(9,072)**	**(172,602)**	**—**	**3,999,073**
	16,784,766	**2,240,924**	**(439,718)**	**(1,047,629)**	**(210,025)**	**17,328,318**
	19,793,519	**2,240,924**	**(497,090)**	**(1,047,629)**	**—**	**20,489,724**

26. Equity

As at 31 December 2021, the **Company** share capital was composed of 150,000,000 shares with the nominal value of 0.50 Euros each. The share capital is fully underwritten and paid-up.

The information related to the shareholders with shareholdings equal to or greater than 2% can be found in chapter 5.1.2 section 7 of the Integrated Report.

27. Own shares, Reserves, Other changes in equity and Retained earnings

Own shares

The commercial legislation regarding own shares requires that a non-distributable reserve must be created for the same amount of the acquisition price of such shares. This reserve is not available for distribution while the shares stay in the Company's possession. In addition, the applicable accounting standards determine that the gains or losses obtained with the sale of such shares are recognized in reserves.

As of 31 December 2021, the following movements were made in the **Group** caption “Own Shares”:

	Quantity	Amount	Average Price
Balance 31 December 2020	1	8	8.49
Acquisitions	1,500,000	6,404,954	4.27
Balance 31 December 2021	**1,500,001**	**6,404,963**	**4.27**

As at 31 December 2021, CTT held 1.500.001 own share, with a nominal value of 0.50€, being all the inherent rights suspended pursuant to article 324 of the Portuguese Companies Code.

At the Company's Board of Directors meeting held on 17 May 2021, has unanimously approved the implementation of a CTT share buy-back program (“Buy-back program”), including its terms and conditions.

The implementation of the Buy-back Program follows the approval of the Company's Remuneration Committee's proposal for the remuneration policy and the stock options plan on CTT shares to be awarded to CTT Executive Directors (“Plan for Directors”), by the General Shareholders' Meeting of CTT held on 21 April 2021, as well as the intention of the Board of Directors to put in place a stock options program addressed to the top management of the Company (“Plan for Top Managers”).

The sole purpose of the Buy-back Program is the acquisition of own shares in order to comply with the obligation to award shares representing CTT's share capital to the participants of the Plans, based on the estimated number of shares required to meet the settlement of the options currently granted under the Plan for Directors, as well as the options which the Board of Directors is planning to grant under the Plan for Top Managers.

The Buy-back Program ended on 22 June 2021. At this date, the Company held, as a result of the transactions indicated herein, an aggregated total of 1.500.001 own shares, representing 1% of its share capital.

According to the terms and conditions of the Buy-back Program, the purpose of the mentioned program is fulfilled and should be considered concluded.

Own shares held by CTT are within the limits established by the Articles of Association of the Company and by the Portuguese Companies Code. These shares are recorded at acquisition cost.

Reserves

As at 31 December 2020 and 31 December 2021, the **Group**'s and **Company**'s heading Reserves showed the following composition:

	2020								
	Group					Company			
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total	Legal reserves	Own shares reserves	Other reserves	Total
Opening balance	15,000,000	8	15,990	50,836,597	65,852,595	15,000,000	8	50,836,597	65,836,605
Assets fair value	—	—	67,340	—	67,340	—	—	—	—
Closing balance	**15,000,000**	**8**	**83,330**	**50,836,597**	**65,919,935**	**15,000,000**	**8**	**50,836,597**	**65,836,605**

	2021								
	Group					Company			
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total	Legal reserves	Own shares reserves	Other reserves	Total
Opening balance	15,000,000	8	83,330	50,836,597	65,919,935	15,000,000	8	50,836,597	65,836,605
Own shares acquisition	—	6,404,954	—	(6,404,954)	—	—	6,404,954	(6,404,954)	—
Assets fair value	—	—	(56,584)	—	(56,584)	—	—	—	—
Share Plan	—	—	—	1,215,000	1,215,000	—	—	1,215,000	1,215,000
Closing balance	**15,000,000**	**6,404,963**	**26,746**	**45,646,642**	**67,078,351**	**15,000,000**	**6,404,963**	**45,646,643**	**67,051,606**

Legal reserves

The commercial legislation establishes that at least 5% of the annual net profit must be allocated to reinforce the legal reserve, until it represents at least 20% of the share capital. This reserve is not distributable except in the event of the liquidation of the **Company** but may be used to absorb losses after all the other reserves have been depleted or incorporated in the share capital.

Own shares reserve (CTT, S.A.)

As at 31 December 2021, this caption includes the amount of 6,404,963 Euros related to the creation of an unavailable reserve for the same amount of the acquisition price of the own shares held.

Other reserves

This heading records the profits transferred to reserves that are not imposed by the law or articles of association, nor constituted pursuant to contracts signed by the **Company.**

In the period ended 31 December 2021, a reserve in the total amount of 1,215,000 Euros was recorded, related to the Company's stock options program awarded to the Directors and top managers, which is fully detailed in the note 44 – Staff Costs.

Retained earnings

During the years ended 31 December 2020 and 31 December 2021, the following movements were made in the **Group** and the **Company** heading Retained earnings:

	Group		Company	
	2020	2021	2020	2021
Opening balance	10,867,301	39,962,419	10,679,731	39,900,355
Application of the net profit of the prior year	29,196,933	16,669,309	29,196,933	16,720,995
Distribution of dividends (note 28)	—	(12,750,000)	—	(12,750,000)
Adjustments from the application of the equity method	(15,806)	22,345	23,691	55,224
Other movements	(86,009)	—	—	—
Closing balance	**39,962,419**	**43,904,073**	**39,900,355**	**43,926,574**

Other changes in equity

The actuarial gains/losses associated to post-employment benefits, as well as the corresponding deferred taxes, are recognized in this heading (Note 32).

Thus, for the years ended 31 December 2020 and 31 December 2021, the movements occurred in this heading in the **Group** and in the **Company** were as follows:

	Group		Company	
	2020	2021	2020	2021
Opening balance	(49,744,144)	(47,600,236)	(49,540,583)	(47,454,842)
Actuarial gains/losses (Note 32)	2,917,315	4,999,158	2,896,864	4,878,001
Tax effect (Note 51)	(773,407)	(1,397,534)	(811,122)	(1,365,840)
Closing balance	**(47,600,236)**	**(43,998,612)**	**(47,454,841)**	**(43,942,681)**

28. Dividends

At the General Meeting of Shareholders, which was held on 29 April 2020, was proposed and approved, the non-distribution of dividends regarding the year ended 31 December 2019. The net income in the amount of 29,196,933 Euros was transferred to retained earnings.

According to the dividend distribution proposal included in the 2020 Annual Report, at the General Meeting of Shareholders, which was held on 21 April 2021, a dividend distribution of 12,750,00 Euros, corresponding to a dividend per share of 0.085 Euros, regarding the financial year ended 31 December 2020 was proposed and approved. The dividend amount assigned to own shares was transferred to Retained earnings, amounting to 0.085 Euros.

29. Earnings per share

During the years ended 31 December 2020 and 31 December 2021, the earnings per share for the **Group** and the **Company** were calculated as follows:

Group	2020	2021
Net income for the period	16,669,309	38,404,113
Average number of ordinary shares	149,999,999	149,144,996
Earnings per share		
Basic	0.11	0.26
Diluted	0.11	0.26

Company	2020	2021
Net income for the period	16,720,995	37,680,272
Average number of ordinary shares	149,999,999	149,144,996
Earnings per share		
Basic	0.11	0.25
Diluted	0.11	0.25

The average number of shares is detailed as follows:

	2020	2021
Shares issued at begining of the period	150,000,000	150,000,000
Own shares effect	1	855,004
Average number of shares during the period	149,999,999	149,144,996

The basic earnings per share are calculated dividing the net profit attributable to equity holders of the parent company by the average ordinary shares, excluding the average number of own shares held by the **Group**.

As at 31 December 2021, the number of own shares held is 1,500,001 and its average number for the year ended 31 December 2021 is 855,004, reflecting the fact that no acquisitions or sales/attribution have occurred in the given period, as mentioned in note 27.

There are no dilutive factors of earnings per share.

30. Non-controlling interests

During the years ended 31 December 2020 and 31 December 2021, the following movements occurred in non-controlling interests:

	2020	2021
Opening balance	242,255	323,675
Net profit for the year attributable to non-controlling interest	97,225	187,190
Acquistions	—	34,000
Other movements	(15,806)	18,242
Closing balance	**323,675**	**563,106**

As 31 December 2021, non-controlling interests are related to Correio Expresso de Moçambique, S.A. and Open Lockers, S.A. The caption “acquisitions” refers to the company incorporated in the present year, Open Lockers, S.A., in which the **Group** holds a 66% majority participation in the new company and YunExpress a 34% participation.

31. Debt

As at 31 December 2020 and 31 December 2021, Debt of the **Group** and the **Company** showed the following composition:

	Group		Company	
	2020	2021	2020	2021
Non-current liabilities				
Bank loans	74,799,925	62,161,852	74,799,925	61,060,926
Lease liabilities	89,234,203	87,174,586	60,502,613	51,653,957
	164,034,127	**149,336,438**	**135,302,537**	**112,714,883**
Current liabilities				
Bank loans	16,856,747	22,169,000	7,125,000	13,987,917
Confirming	—	1,500,152	—	—
Lease liabilities	25,975,879	28,113,860	20,120,348	20,954,476
	42,832,626	**51,783,012**	**27,245,348**	**34,942,393**
	206,866,753	**201,119,450**	**162,547,885**	**147,657,276**

As at 31 December 2021, the interest rates applied to bank loans were between 1.00% and 1.875% (31 December 2020: 1.25% and 1.875%).

Bank loans

As at 31 December 2020 and 31 December 2021, the details of the **Group** and **Company** bank loans were as follows:

Group	2020			2021		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans						
Millennium BCP	11,250,000	9,731,747	—	12,673,148	8,054,480	1,100,926
BBVA / Bankinter	47,500,000	7,125,000	40,075,774	40,375,000	6,958,272	33,121,646
Novo Banco	35,000,000	—	34,724,151	35,000,000	7,029,645	27,939,280
Caixa Geral de depósitos	—	—	—	126,470	126,603	—
Banco Montepio	25,000,000	—	—	25,000,000	—	—
Bankinter Confirming	—	—	—	2,200,000	1,500,152	
BIM - (Mozambique)	40,928	—	—	—	—	—
	118,790,928	**16,856,747**	**74,799,925**	**115,374,618**	**23,669,152**	**62,161,852**

Company	2020			2021		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans						
Millennium BCP	50,000	—	—	50,000	—	—
Novo Banco	47,500,000	7,125,000	40,075,774	40,375,000	6,958,272	33,121,646
Banco Montepio	35,000,000	—	34,724,151	35,000,000	7,029,645	27,939,280
BBVA / Bankinter	25,000,000	—	—	25,000,000	—	—
	107,550,000	**7,125,000**	**74,799,925**	**100,425,000**	**13,987,917**	**61,060,926**

On 27 September 2017, a financing contract between CTT and BBVA and Bankinter was signed, for an initial period of 5 years and for a total amount of 90 million Euros, with the possibility of using the funds until September 2018. As no amount was used until the mentioned date, the contract was renegotiated on 27 September 2018, having the total amount been altered to 75 million Euros, while maintaining the

one-year term for the use of the funds. As at 31 December 2021, the referred used amount corresponded to 40,079,918 Euros. By a company decision, the remaining available amount will not be used.

On 22 April 2019, a simple credit agreement was signed between CTT and Novo Banco for a period of 60 months, with a grace period of two years, and may be extended for a period of 24 months, for a total amount of 35 million Euros. As at 31 December 2021, the 35 million Euros were used and are presented in the statement of financial position net of commissions and added by the amount of interests to be paid in the following period, in the total amount of 34,968,925 Euros.

On 21 May 2020, a Commercial Paper Issue Placement Agreement was signed with Banco Montepio in the maximum amount of 25 million Euros, with a term of 3 years, renewable for the same period. As of 31 December 2020 and 31 December 2021, no amount was used.

Bank loans obtained are subject to compliance with financial covenants, namely clauses of Cross default, Negative Pledge and Assets Disposal's limits. Additionally, the loans obtained also require compliance with rations of Net Debt over EBITDA and financial autonomy. Compliance with financial covenants is regularly monitored by the **Group** and is measured by counterparties on an annual basis based on the Financial Statements as at 31 December. As at 31 December 2021, the **Group** is in compliance with financial covenants.

<u>Lease Liabilities</u>

The **Group** and the **Company** presents lease liabilities which future payments, undiscounted and discounted amounts presented in the financial position, are detailed as follows:

	Group		Company	
	2020	2021	2020	2021
Due within 1 year	31,651,641	30,860,141	24,654,255	22,376,488
Due between 1 to 5 years	83,337,641	66,579,734	62,618,268	43,500,570
Over 5 years	18,964,112	28,808,052	5,403,000	10,904,932
Total undiscounted lease liabilities	**133,953,395**	**126,247,928**	**92,675,524**	**76,781,989**
Current	25,975,879	28,113,860	20,120,348	20,954,476
Non-current	89,274,939	87,174,586	60,502,613	51,653,957
Lease liabilities included in the statement of financial position	**115,250,818**	**115,288,445**	**80,622,960**	**72,608,433**

The amounts recognized in the income statement are detailed as follows:

	Group		Company	
	2020	2021	2020	2021
Lease Liabilities interests (note 50)	3,270,933	3,066,925	2,075,214	1,853,571
Variable payments not included in the measurament of the lease liability (note 43)	2,772,287	2,121,573	2,318,683	1,643,371

The amounts recognized in the Cash flow statement are as follows:

	Group		Company	
	2020	2021	2020	2021
Total of lease payments	(28,528,297)	(30,343,081)	(21,455,288)	(22,604,891)

The movement in the rights of use underlying these lease liabilities can be analyzed in note 5.

Reconciliation of Changes in the responsibilities of Financing activities

The reconciliation of changes in the responsibilities of financing activities as of 31 December 2020 and 31 December 2021, in the **Group** and the **Company**, are detailed as follows:

Group	**2020**	**2021**
Opening Balance	175,411,501	206,866,753
Changes in the consolidation perimeter	—	2,667,159
Movements without cash	60,096,573	35,383,531
Contract changes	56,502,919	26,291,146
IFRS 16 Interests	3,270,933	3,066,925
Others	322,721	6,025,460
Loans:		
Inflow	21,293,090	100,261,411
Outflow	(21,405,813)	(110,777,850)
Confirming:		
Inflow	—	—
Outflow	—	(2,938,473)
Lease liabilities:		
Inflow	—	—
Outflow	(28,528,597)	(30,343,081)
Closing balance	**206,866,753**	**201,119,450**

Company	**2020**	**2021**
Opening Balance	140,215,297	162,547,885
Movements without cash	43,882,876	16,162,223
Contract changes	41,490,275	12,736,792
IFRS 16 Interests	2,075,214	1,853,571
Others	317,387	1,571,860
Loans:		
Inflow	—	—
Outflow	(95,000)	(8,447,942)
Lease liabilities:		
Inflow	—	—
Outflow	(21,455,288)	(22,604,891)
Closing balance	**162,547,885**	**147,657,275**

32. Employee benefits

GRI 201-3

Liabilities related to employee benefits refer to (i) post-employment benefits – healthcare and pension plan (ii) other long-term employee benefits and (iii) other long-term benefits for the Statutory Bodies.

During the years ended 31 December 2020 and 31 December 2021, the **Group** and the **Company** liabilities presented the following movement:

2020	Group						Company			
	Healthcare	Healthcare - SAMS	Pension Plan	Other benefits	Other long-term employee benefits	Total	Healthcare	Other long-term employee benefits	Other long-term benefits statutory bodies	Total
Opening balance	274,428,540	1,285,591	403,180	10,443,681	—	286,560,992	274,428,540	10,245,092	—	284,673,632
Movement of the period	(3,270,227)	146,303	(77,723)	(561,077)	201,592	(3,561,132)	(3,270,227)	(579,137)	201,593	(3,647,771)
Closing balance	**271,158,313**	**1,431,894**	**325,457**	**9,882,604**	**201,592**	**282,999,860**	**271,158,313**	**9,665,955**	**201,593**	**281,025,861**

2021	Group						Company			
	Healthcare	Healthcare - SAMS	Pension Plan	Other benefits	Other long-term employee benefits	Total	Healthcare	Other long-term employee benefits	Other long-term benefits statutory bodies	Total
Opening balance	271,158,313	1,431,894	325,457	9,882,604	201,592	282,999,860	271,158,313	9,665,955	201,593	281,025,861
Movement of the period	(7,631,699)	35,987	(56,503)	6,338,404	209,837	(1,103,974)	(7,631,699)	6,351,053	209,838	(1,070,808)
Closing balance	**263,526,615**	**1,467,881**	**268,954**	**16,221,007**	**411,429**	**281,895,886**	**263,526,615**	**16,017,008**	**411,431**	**279,955,052**

The heading Other long-term employee benefits essentially refers to the benefit Pensions for work accidents, to the on-going staff reduction program and to the benefit End of Career Awards.

The caption Other long-term benefits for the Statutory Bodies refers to the long-term variable remuneration assigned to the executive members of the Board of Directors.

The details of the **Group** and the **Company** liabilities related to employee benefits, considering their classification, are as follows:

	Group		Company	
	2020	2021	2020	2021
Non-current liabilities	264,369,292	260,805,742	262,426,248	258,892,489
Current liabilities	18,630,568	21,090,144	18,599,613	21,062,563
	282,999,860	**281,895,886**	**281,025,861**	**279,955,052**

As at 31 December 2020 and 31 December 2021, the costs related to employee benefits recognized in the consolidated and individual income statement and the amount recognized directly in Other changes in equity were as follows:

	Group		Company	
	2020	2021	2020	2021
Costs for the period				
Healthcare	8,663,500	7,481,517	8,663,500	7,481,517
Healthcare - SAMS	115,891	126,019	—	—
Pension plan	5,977	4,203	—	—
Other benefits	—	—	—	—
Other long-term employee benefits	3,057,483	9,499,035	3,039,423	9,511,684
Other long-term benefits statutory bodies	201,592	209,837	201,592	209,837
	12,044,443	**17,320,611**	**11,904,515**	**17,203,038**
Other changes in equity				
Healthcare	(2,896,864)	(4,878,001)	(2,896,864)	(4,878,001)
Healthcare - SAMS	31,499	(88,952)	—	—
Pension Plan	(51,950)	(32,205)	—	—
Other benefits	—	—	—	—
	(2,917,315)	**(4,999,158)**	**(2,896,864)**	**(4,878,001)**

As at 31 December 2020 and 31 December 2021, the amounts recognized as actuarial gains or losses detailed by nature, in the **Group** and in the **Company**, were as follows:

	2020			2021			
Group	Changes Financial Assumptions	Experience	Total	Changes Financial Assumptions	Changes Demographic Assumptions	Experience	Total
Healthcare	12,505,421	(15,402,285)	(2,896,864)	(4,754,850)	—	(123,151)	(4,878,001)
Healthcare - SAMS	73,413	(41,914)	31,499	(46,536)	—	(42,416)	(88,952)
Pension Plan	4,840	(56,790)	(51,950)	(2,336)	(249)	(29,620)	(32,205)
Other benefits	—	—	—	(3,206)	—	(25,682)	(28,888)
Other long-term employee benefits	148,927	(164,021)	(15,094)	(90,564)	—	937,819	847,255
	12,732,601	**(15,665,010)**	**(2,932,409)**	**(4,897,492)**	**(249)**	**716,950**	**(4,180,791)**

	2020			2021		
Company	Changes Financial Assumptions	Experience	Total	Changes Financial Assumptions	Experience	Total
Healthcare	12,505,421	(15,402,285)	(2,896,864)	(4,754,850)	(123,151)	(4,878,001)
Other long-term employee benefits	143,701	(161,859)	(18,158)	(90,564)	937,819	847,255
	12,649,122	**(15,564,144)**	**(2,915,022)**	**(4,845,414)**	**814,668**	**(4,030,746)**

In 2021, actuarial gains/losses related to financial assumptions changes reflect the discount rate review from 1.30% in 2020 to 1.42% to 2021.

In the period ended 31 December 2020, the actuarial gains related to “Experience” are mainly explained by the introduction of a stop loss mechanism in 2020 related to healthcare, with an impact of approximately 9 million Euros, and the differences between the estimated payments for 2020 and the effective payments due to the lower use of health services due to the COVID-19 impact on the health system, with an impact of approximately 3,2 million Euros.

Healthcare - IOS Plan and Insurance policy

As mentioned in Note 2.21, CTT is responsible for financing each healthcare plans applicable to certain employees – IOS Plan and Insurance policy.

In order to obtain the estimate of the liabilities and costs to be recognized for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2021.

The main assumptions followed in the **Group** and the **Company** actuarial study of both plans were:

	2020	2021
Financial assumptions		
Discount rate	1.30%	1.42%
Salaries expected growth rate	2.25%	2.25%
Pensions growth rate	Law no. 53-B/2006 (with ∆ GDP < 2%)	Lei nº. 53-B/2006 (com ∆ PIB < 2%)
Inflation rate	1.50%	1.50%
Health costs growth rate	3.30%	3.30%
Stop-Loss	949.50€	949.50€
Duration	15.1	14.9
Demographic assumptions		
Mortality table	Men: TV 88/90 Women : TV 88/90 (-1)	Men: TV 88/90 Women : TV 88/90 (-1)
Disability table	Swiss RE	Swiss RE

The discount rate is estimated based on interest rates of private debt bonds with high credit rating (“AA” or equivalent) at the date of the balance sheet and with a duration equivalent to that of the liabilities with healthcare.

The discount rate is determined by the **Group** and the **Company** analysis of the evolution of the macroeconomic context and the constant need to match the actuarial and financial assumptions to that reality. Therefore, as a result of that analysis the discount rate was changed to 1.42% (1.30% in 2020).

The salaries expected growth rate is determined according to the salary policy defined by the **Group** and the **Company**.

The pensions expected growth rate is determined considering the estimated evolution of inflation and GDP growth rate.

The healthcare costs growth rate reflects the best estimate for the future evolution of these costs, considering the history of the plan’s data. The estimate of health costs growth rate did not take into account the decrease in social action expenditures in 2021, as it is a one-off decrease explained by the pandemic impact on the health system and not a structural trend.

Note that, in the beginning of 2021, the entity that currently manages the Plan, Médis, accepted the introduction of a Stop-loss coverage, with the introduction of a cap corresponding to an average annual cost per beneficiary of 949.50 Euros fixed for the next 3 years Stop-loss is an insurance coverage where the risk above the reference amount is transferred from the policyholder (CTT) to the insurance company (Médis), in this case, defined by the average annual cost per beneficiary. The contract between Médis and CTT, with the conditions negotiated, has a minimum duration of 3 years, starting on 1 January 2021 and ending on 31 December 2023. As at 31 December 2020, the liabilities were calculated considering, from 2024, an annual increase in Stop Loss equivalent to the healthcare expenditures growth rate. The effect of Stop-Loss introduction led to a decrease in liabilities of approximately 9 million Euros, recognized in “Other changes in equity”.

The demographic assumptions are based on the mortality and disability tables considered appropriate for the actuarial assessment of this plan.

The evolution of the present value of the **Group** and the **Company** liabilities related to the healthcare plans has been as follows:

Group and Company	2021	2020	2019	2018	2017
Liabilities at the end of the period					
IOS plan	254,937,950	261,776,888	265,509,580	244,758,317	250,622,728
Insurance policy	8,588,665	9,381,426	8,918,960	7,040,193	3,349,658
	263,526,615	**271,158,313**	**274,428,540**	**251,798,510**	**253,972,386**

For the years ended 31 December 2020 and 31 December 2021, the movement which occurred in the present value of the defined benefits liability regarding the healthcare plans was as follows:

Group and Company	Total		IOS Plan		Insurance policy	
	2020	2021	2020	2021	2020	2021
Opening balance	274,428,540	271,158,314	265,509,580	261,776,888	8,918,960	9,381,426
Service cost of the year	4,370,000	4,045,000	4,370,000	4,045,000	—	—
Interest cost of the year	4,293,500	3,447,000	4,153,500	3,328,000	140,000	119,000
Plan amendment	—	(10,483)	(109,492)	95,250	109,492	(105,733)
Pensioners contributions	5,018,780	4,917,973	4,745,004	4,647,786	273,776	270,187
(Payment of benefits)	(13,521,026)	(14,598,406)	(12,872,387)	(13,903,508)	(648,639)	(694,898)
(Other costs)	(534,617)	(554,781)	(511,282)	(531,582)	(23,335)	(23,199)
Actuarial (gains)/losses	(2,896,863)	(4,878,001)	(3,508,034)	(4,519,884)	611,171	(358,117)
Closing balance	**271,158,314**	**263,526,615**	**261,776,888**	**254,937,950**	**9,381,426**	**8,588,665**

Under the human resources optimization process, started in 2016 and maintained until the current period, some employees are no longer considered in the IOS healthcare plan (“*Instituto das Obras Sociais*”) being from that date onwards covered by an insurance policy with similar coverages of the IOS healthcare plan and the same monthly contributions and co-payments in the existing terms, as referred to in note 2.21. This revised plan has been considered as an amendment to the plan and therefore recognized in profit and loss under the caption Staff costs.

The total costs for the period were recognized as follows:

Group and Company	Total		IOS Plan		Insurance policy	
	2020	2021	2020	2021	2020	2021
Staff costs/employee benefits (Note 44)	3,835,383	3,479,736	3,749,226	3,608,668	86,157	(128,932)
Other costs	534,617	554,781	511,282	531,582	23,335	23,199
Interest expenses (Note 50)	4,293,500	3,447,000	4,153,500	3,328,000	140,000	119,000
	8,663,500	**7,481,517**	**8,414,008**	**7,468,250**	**249,492**	**13,267**

As at 31 December 2020 and 31 December 2021, regarding the IOS Plan, the actuarial (gains)/losses in the amount of (4,519,884) Euros ((3,508,034) Euros as at 31 December 2020) were recognized in equity under Other changes in equity, net of deferred taxes of 1,268,568 Euros (982,250 Euros as at 31 December 2020).

As at 31 December 2020, regarding the IOS plan, the actuarial (gains)/ losses amount is mainly due to the reduction of the discount rate from 1.60% to 1.30% as well as to the effect of the Stop-loss mechanism introduced and to the fact that payment of benefits was lower than estimated.

At at 31 December 2021, regarding the IOS plan, the amount of actuarial (gains)/ losses is mainly due to the increase in the discount rate from 1.30% to 1.42%.

In what refers to the Insurance Policy, as at 31 December 2020 and as at 31 December 2021, the amounts of 611,171 Euros and (358,117) Euros, respectively, related to the actuarial (gains)/losses were recognized in equity under Other changes in equity, net of deferred taxes of (171,128) Euros and (100,273) Euros, respectively.

The best estimate the **Group** and the **Company** have at this date for costs related to the healthcare plan, which they expect to recognize in the next annual period is 7,880 thousand Euros.

The sensitivity analysis performed for the IOS Plan and Insurance policy leads to the following conclusions:

(i) If there was an increase of 100 b.p. in the growth rate of medical costs and keeping all other variables constant, the liabilities of the healthcare plan would be 320,059 thousand Euros, increasing by approximately 21.5%.

(ii) If the discount rate was reduced 25 b.p. and keeping all the remaining variables constant, the liabilities would increase by approximately 3.7%, amounting to 273,277 thousand Euros.

(iii) The use of adjusted mortality tables, differentiated between men and women (Men TV 73/77 (-2) and Women TV 88/90 (-3)), holding everything else constant, could translate into an increase of the health care plan liability for past services of about 2.8% amounting to a total of 270,789 thousand Euros.

<u>Healthcare - SAMS</u>

As mentioned in Note 2.21, the **Group** is responsible for paying medical care charges to all 321 Crédito, S.A. employees in a situation of retirement, as well as for survival pensioners.

The provision of this medical care is ensured by the Social Medical Assistance Service (SAMS) whose post-retirement charges, for the member, are defined in clause 92 of the ACT of the banking sector published in BTE nº 38 of 2017 of October 15.

In order to obtain the estimate of the liabilities and costs to be recognized for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2021.

The main assumptions followed in the **Group** actuarial study were:

	2020	2021
Financial assumptions		
Discount rate	1.30%	1.42%
Salaries growth rate	1.25%	1.25%
Inflation rate	1.00%	1.00%
Demographic assumptions		
Mortality table	Men: TV 88/90 Women : TV 88/90 (-1)	Men: TV 88/90 Women : TV 88/90 (-1)
Disability table	Swiss RE	Swiss RE

For the year ended 31 December 2020 and 31 December 2021, the movement of **Group** liabilities with the Healthcare – SAMS was as follows:

Group	2020	2021
Opening balance	1,285,591	1,431,894
Service cost of the year	96,631	107,426
Interest cost of the year	19,260	18,593
(Payment of benefits)	(1,087)	(1,080)
Actuarial (gains)/losses	31,499	(88,952)
Closing balance	**1,431,894**	**1,467,881**

The total costs for the period were recognized as follows:

Group	2020	2021
Staff costs/employee benefits (Note 44)	96,631	107,426
Interest expenses (Note 50)	19,260	18,593
	115,891	**126,019**

The best estimate the **Group** has at this date for costs related to the Healthcare – SAMS, which it expects to recognize in the next annual period, is 130,557 Euros.

The sensitivity analysis performed in the year ended 31 December 2021 for the Healthcare – SAMS leads to the conclusion that if the discount rate were reduced by 25 b.p. and keeping all the remaining variables constant, the liabilities for past services would increase by approximately by 6.2%, amounting to 1,558,890 Euros.

Pension Plan

As mentioned in Note 2.21, the **Group** is responsible for the payment of cash benefits in the form of supplementary retirement pension contributions over the amounts paid by Social Security to a closed group of employees of Transporta, which was merged into CTT Expresso during the year 2019.

In order to obtain the estimate of the liabilities and costs to be recognized for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2021.

The main assumptions followed in the **Group** actuarial study were:

	2020	2021
Financial assumptions		
Discount rate	1.30%	1.42%
Salaries growth rate	2.25%	2.25%
Inflation rate	1.50%	1.50%
Demographic assumptions		
Mortality table	Men: TV 88/90 Women : TV 88/90 (-1)	Men: TV 88/90 Women : TV 88/90 (-1)
Disability rate	EKV 80	SWISS RE

For the year ended 31 December 2020 and 31 December 2021, the movement of **Group** liabilities with the Pension Plan was as follows:

Group	2020	2021
Opening balance	403,180	325,457
Service cost of the year	190	173
Interest cost of the year	5,787	4,030
(Payment of benefits)	(31,750)	(28,501)
Actuarial (gains)/losses	(51,950)	(32,205)
Closing balance	**325,457**	**268,954**

The total costs for the period were recognized as follows:

Group	2020	2021
Staff costs/employee benefits (Note 44)	190	173
Interest expenses (Note 50)	5,787	4,030
	5,977	**4,203**

The best estimate the **Group** has at this date for costs related to the pension plan, which it expects to recognize in the next annual period, is 3,748 Euros.

As at 31 December 2020 and as at 31 December 2021, the amounts of (51,950) Euros and (32,205) Euros, respectively, related to the actuarial (gains)/losses were recognized in equity under Other changes in equity, net of deferred taxes of 10,910 Euros and 7,230 Euros, respectively.

The sensitivity analysis performed in the year ended 31 December 2021 for the Pension Plan leads to the conclusion that if the discount rate were reduced by 25 b.p. and keeping all the remaining variables constant, the liabilities for past services would increase by approximately by 1.8%, amounting to 273,795 Euros.

Other long-term employee benefits

Following the mentioned note 2.21, the **Group** assumed the commitment regarding the payment of a "End of Career award" on the date of retirement, due to disability or old age, in the amount of 1.5 times the effective monthly remuneration earned in that date as well as the payment of a capital called "Death Allowance resulting from Work Accidents" to 321 Crédito, S.A. employees. Both benefits are attributed under the banking sector ACT published in BTE nº 38 of 2017 of October 15, clauses 69 and 72, respectively.

In order to obtain the estimate of the liabilities and costs to be recognized for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2021.

The main assumptions followed in the **Group** actuarial study were:

	2020	2021
Financial assumptions		
Discount rate	1.30%	1.42%
Salaries growth rate	1.25%	1.25%
Demographic assumptions		
Mortality rate due to work accident	0.0035 %	0.0035%
Mortality table	Men: TV 88/90 Women : TV 88/90 (-1)	Men: TV 88/90 Women : TV 88/90 (-1)

For the year ended 31 December 2020 and 31 December 2021, the movement of **Group** liabilities with the Other post-employment benefits related to “End Career Awards” and Death Allowance resulting from work accidents”, presented in the table below, was as follows:

Group	2020	2021
End of Career Awards		
Opening balance	191,986	209,851
Service cost of the year	11,898	12,899
Interest cost of the period	2,671	2,544
(Payment of benefits)	—	—
Actuarial (gains)/losses	3,296	(28,124)
Closing balance	**209,851**	**197,170**
Death Allowance resulting from Work Accidents		
Opening balance	6,603	6,797
Service cost of the year	333	712
Interest cost of the period	94	84
(Payment of benefits)	—	—
Actuarial (gains)/losses	(233)	(764)
Closing balance	**6,797**	**6,829**
Total	**216,648**	**203,999**

The total costs for the period were recognized as follows:

Group	2020	2021
Staff costs/employee benefits (Note 44)		
End of Career Awards	15,194	(15,225)
Death Allowance resulting from Work Accidents	100	(52)
	15,294	**(15,277)**
Interest expenses (Note 50)	2,765	2,628
	18,059	**(12,649)**

The best estimate the **Group** has at this date for costs related to the Other post-employment benefits, which it expects to recognize in the next annual period, is 17,563 Euros.

The sensitivity analysis performed in the year ended 31 December 2021, for the Other post-employment benefits leads to the conclusion that if the discount rate were reduced by 25 b.p. and keeping all the remaining variables constant, the liabilities for past services would increase by approximately by 6.2%, amounting to 216,647 Euros.

Additionally, and as mentioned in Note 2.21, in certain situations, the **Group** and the **Company** has liabilities related to the payment of salaries in situations of Suspension of contracts, redeployment and release of employment, the allocation of subsidies of Support for termination of professional activity (which was eliminated as of 1 April 2013), the payment of the Telephone subscription fee, Pensions for work accidents, and Monthly life annuity. In order to obtain the estimate of the value of these liabilities and the costs to be recognized for each period, every year, an actuarial study is made by an independent entity, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable. As at 31 December 2021, an actuarial study was requested to an independent entity to assess the liabilities at the reporting date.

The main assumptions followed in the assessment of the **Group** and the **Company** liabilities were:

	2020	2021
Financial assumptions		
Discount rate	1.30%	1.42%
Salaries growth rate (Suspension of contracts)	2.25%	2.25%
Pensions growth rate (Pension for work accidents, Monthly life annuity)	1.50%	1.50%
Inflation rate	1.50%	1.50%
Demographic assumptions		
Mortality table	Men: TV 88/90 Women : TV 88/90 (-1)	Men: TV 88/90 Women : TV 88/90 (-1)

For the years ended 31 December 2020 and 31 December 2021, the movement of **Group** and the **Company** liabilities with other long-term employee benefits, was as follows:

Group and Company	2020	2021
Suspension of contracts, redeployment and release of employment		
Opening balance	3,135,288	2,754,747
Interest cost of the period	42,876	27,227
Liabilities relative to new beneficiaries	2,367,274	8,550,491
(Payment of benefits)	(3,117,671)	(2,658,170)
Actuarial (gains)/losses	326,980	819,390
Closing balance	**2,754,747**	**9,493,686**
Telephone subscription fee		
Opening balance	459,105	414,119
Interest cost of the period	6,504	5,076
(Payment of benefits)	(48,893)	(43,865)
Actuarial (gains)/losses	(2,597)	8,631
Closing balance	**414,119**	**383,961**
Pension for work accidents		
Opening balance	6,573,619	6,458,399
Interest cost of the period	95,363	81,216
(Payment of benefits)	(439,206)	(447,405)
Actuarial (gains)/losses	228,623	21,392
Closing balance	**6,458,399**	**6,113,602**
Monthly life annuity		
Opening balance	77,081	38,691
Interest cost of the period	1,010	419
Curtailment	(13,024)	—
(Payment of benefits)	(12,790)	(11,191)
Actuarial (gains)/losses	(13,586)	(2,159)
Closing balance	**38,691**	**25,760**
Total	**9,665,955**	**16,017,008**

During the years ended 31 December 2020 and 31 December 2021, the total costs for the year were recognized as follows:

Group and company	2020	2021
Staff costs/employee benefits (Note 44)		
Suspension of contracts, redeployment and release of employment	2,694,254	1,369,881
Telephone subscription fee	(2,597)	8,631
Pension for work accidents	228,623	21,392
Monthly life annuity	(26,610)	(2,159)
Suspension and Early-Retirement Agreements (Nota 33)	—	8,000,000
	2,893,671	**9,397,745**
Interest expenses (Note 50)	145,753	113,938
	3,039,424	**9,511,684**

The liabilities related to new beneficiaries on 31 December 2021, in the Suspension of contracts, redeployment and release of employment benefit occur under the referred human resources optimization process, following agreements of suspension of employment contracts entered into or terminated in the meantime.

The amount relating to Suspension or Early-Retirement agreements of 8,000,000 Euros is explained in detail in Note 33 - Provisions, Guarantees provided, Contingent Liabilities and Commitments and in Note 44 - Staff Costs.

The actuarial (gains)/losses regarding long-term employee benefits recognized as at 31 December 2020 and 31 December 2021 mainly relates to the changes occurred in the discount rate as well as to the movements in the beneficiary population which, according to IAS 19 – Employee benefits, were recognized in the caption Staff costs in the income statement.

The best estimate that the **Company** has at this date for costs with other long-term benefits, which it expects to recognize in the next year is 196,588 Euros.

The sensitivity analysis performed on 31 December 2021 for the Other long-term benefits leads to the conclusion that, if the discount rate was reduced by 25 b.p., keeping everything else constant, this would give rise to an increase in liabilities for past services of approximately 1.2%, increasing to 16,209 thousand Euros.

Other long-term benefits for the Statutory Bodies

At the General Meeting held on 21 April 2021, a new Remuneration Regulation for Members of the Statutory Bodies was approved for the 2020-2022 term, which replaces the Regulation in force at that date. This regulation changes the assumptions for the annual variable remuneration (AVR) attribution and changes the long-term variable remuneration (LTVR) terms to a “stock option” mechanism.

The main features of the plan and the accounting impacts are explained in detail in note 44 - Staff costs.

33. Provisions, Guarantees provided, Contingent liabilities and commitments

Provisions

For the years ended 31 December 2020 and 31 December 2021 in order to face legal proceedings and other liabilities arising from past events, the **Group** and the **Company** recognized provisions, which showed the following movement:

Group	2020					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current provisions						
Litigations	2,848,977	1,059,573	(601,790)	(350,419)	47,075	3,003,416
Restructuring	1,039,748	193,000	(142,401)	(7,000)	—	1,083,347
Other provisions	10,381,956	1,318,106	(973,191)	(6,326)	(317,668)	10,402,877
Sub-total - caption "Provisions (increases)/ reversals"	**14,270,681**	**2,570,679**	**(1,717,382)**	**(363,745)**	**(270,593)**	**14,489,641**
Restructuring	679,141	227,733	—	(743,074)	—	163,800
Other provisions	2,685,556	842,101	—	(764,744)	—	2,762,913
	17,635,379	**3,640,514**	**(1,717,382)**	**(1,871,563)**	**(270,593)**	**17,416,354**

Group	2021						
	Opening balance	Increases	Reversals	Utilizations	Transfers	Regularizations	Closing balance
Non-current provisions							
Litigations	3,003,416	1,254,601	(1,383,155)	(90,046)	49,983	—	2,834,799
Restructuring	1,083,347	—	(964,524)	(123,823)	—	5,000	—
Other provisions	10,402,877	686,564	(3,623,942)	(83,435)	(67,983)	—	7,314,082
Commitment provisions	—	211,465	(67,125)	—	169,822	—	314,163
Sub-total - caption "Provisions (increases)/ reversals"	**14,489,641**	**2,152,630**	**(6,038,746)**	**(297,304)**	**151,822**	**5,000**	**10,463,043**
Restructuring	163,800	9,341,409	(13,145)	(36,328)	(8,000,000)	—	1,455,737
Other provisions	2,762,913	41,951	—	(44,123)	—	—	2,760,741
	17,416,354	**11,535,990**	**(6,051,891)**	**(377,755)**	**(7,848,178)**	**5,000**	**14,679,520**

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to (853,298) Euros as at 31 December 2020 and (3,886,116) Euros as at 31 December 2021.

Company	2020					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current provisions						
Litigations	2,201,723	760,533	(540,644)	(143,368)	47,075	2,325,319
Restructuring	575,902	—	(142,401)	—	—	433,501
Other provisions	7,238,897	222,853	(217,220)	—	(47,075)	7,197,456
Sub-total - caption "Provisions (increases)/ reversals"	**10,016,522**	**983,386**	**900,264**	**(143,368)**	**—**	**9,956,276**
Restructuring	601,761	207,780	—	(685,869)	—	123,672
Other provisions	2,229,067	786,920	—	(726,863)	—	2,289,124
	12,847,350	**1,978,086**	**900,264**	**(1,556,100)**	**—**	**12,369,072**

Company	2021						
	Opening balance	Increases	Reversals	Utilizations	Transfers	Regularizations	Closing balance
Non-current provisions							
Litigations	2,325,319	1,137,417	(1,267,797)	(88,754)	49,983	—	2,156,168
Restructuring	433,501	—	(436,724)	(1,777)	—	5,000	—
Other provisions	7,197,456	188,512	(2,661,076)	—	(49,983)	—	4,674,909
Sub-total - caption "Provisions (increases)/reversals"	**9,956,276**	**1,325,929**	**(4,365,597)**	**(90,531)**	**—**	**5,000**	**6,831,077**
Restructuring	123,672	9,265,000	—	(36,328)	(8,000,000)	—	1,352,344
Other provisions	2,289,125	40,970	—	(44,123)	—	—	2,285,971
	12,369,072	**10,631,899**	**(4,365,597)**	**(170,982)**	**(8,000,000)**	**5,000**	**10,469,392**

The net amount between increases and reversals of provisions was recorded in the individual income statement under the caption Provisions, net and amounted to 83,122 Euros as at 31 December 2020 and (3,039,668) as at 31 December 2021.

A provision should only be used for expenditures for which the provision was originally recognized, so the **Group** and the **Company** reverse the provision when it is no longer probable that an outflow of resources that incorporate future economic benefits will be necessary to settle the obligation.

Litigations

The provisions for litigations were set up to face the liabilities resulting from lawsuits brought against the **Group** and the **Company** and are estimated based on information from their lawyers as well as on the termination of the mentioned lawsuits. The final amount and the timing of the outflows regarding the provision for litigations depend on the outcome of the respective proceedings.

The reversal of the provision for litigations, in the amount of 601,790 Euros as at 31 December 2020 and 1,383,155 Euros as at 31 December 2021, essentially results from lawsuits whose decision, which was made known in the course of 2020 or 2021, respectively, proved to be favourable to the **Group**, or, not being favourable, resulted in the condemnation to pay amounts that proved to be lower than the estimated amounts (and reflected in this provision item).

Restructuring

In June 2021, CTT approved a new HR optimization program considering the need to optimize teams. This program presumes the launch of a Voluntary Exit Program based on the signing of Suspension or Pre-Retirement Agreements. As at 31 December 2021, a provision in the amount of 9,341,409 Euros in the Group and 9,265,000 Euros in the Company was booked , which was recognized under Staff costs caption in the income statement. As at 31 December 2021, regarding the agreements performed at this date, an amount of 8,000,000 Euros was transferred to the caption employee benefits in the statement of financial position.

The provision booked in 2018 within the scope of the Operational Transformation Plan, in terms of the distribution network and mail handling operations, as at 31 December 2020 had a balance of 1,083,347 Euros in the Group and 433,501 Euros in the Company. In 2021, an amount of 123,823 Euros was used in the Group, the remainder being reversed, as the aforementioned program is currently terminated.

Other provisions

As at 31 December 2021, the provision, in the **Group** and the **Company**, to cover any contingencies relating to labour litigation proceedings not included in the current court proceedings related to remuneration differences that can be claimed by workers, amounts to 3,916,051 Euros (6,627,110 as at 31 December 2020). The change in the provision for labour contingencies essentially concerns the reversal of a portion of the provision constituted for labour claims, for which it is currently understood that the probability of the **Group** incurring an outflow of resources is reduced. The amount of the provision corresponds to the **Group**'s best estimate for the outflow.

As at 31 December 2021, a provision is recognized in CTT Expresso branch in Spain to face the notification issued by the Spanish National Commission on Markets and Competition. This process was originated during the year 2016, based on the alleged contrary action to article 1 of the Law 15/2017 (“Law on Competition Defense”) and article 101º of the Treaty on the Functioning of the European Union (“TFUE”). This notification amounts to 3,148,845 Euros and has already been subject of an appeal to the Spanish Audiencia Nacional (National High Court). Regarding this matter, Tourline (currently designated as CTT Expresso branch in Spain) submitted a formal request to the coercive measure suspension, and the request was accepted under the condition of a guarantee presentation – a procedure that was duly and timely adopted by Tourline. The amount provisioned, of 1,400,000 Euros, is the result of the evaluation carried out by its legal advisors and the **Group** is awaiting the outcome of the process and it is not possible to anticipate a deadline for resolution.

The amount provisioned in 321 Crédito, S.A. amounting to 741,641 Euros as at 31 December 2020 (1,615,802 Euros at 31 December 2021) mainly results from the management assessment regarding the possibility of materializing tax contingencies and other processes.

As at 31 December 2021, in addition to the previously mentioned situations, this heading also includes in the **Group** and the **Company**:

- the amount of 537,510 Euros in the **Group** and 335,620 Euros in the **Company** to cover costs of dismantlement of tangible fixed assets and/or removal of facilities and restoration of the site;
- the amount of 550,000 Euros in the **Group** and **Company**, which arise from the assessment made by the management regarding the possibility of tax contingencies;
- the amount of 309,007 Euros regarding the liability, recognized in the company CTT Expresso, with a labor legal proceeding;
- the amount of 1,972,779 Euros in the **Group** and 1,807,013 Euros in the **Company**, to cover costs of operational vehicles restoration.

<u>Commitments provisions</u>

Commitments provisions refer to provisions for indirect credit. In 2021, a credit impairment transfer in the amount of 169,822 Euros (note 20) was made to provisions.

<u>Guarantees provided</u>

As at 31 December 2020 and 31 December 2021, the **Group** and the **Company** had provided bank guarantees to third parties as follows:

Description	Group		Company	
	31.12.2020	31.12.2021	31.12.2020	31.12.2021
Contencioso Administrativo da Audiência Nacional (National Audience Administrative Litigation) and CNMC - Comission Nacional de los Mercados y la Competencia - Espanha (National Commission on Markets and Competition - Spain)	3,148,845	3,148,845	3,148,845	3,148,845
Autoridade Tributária e Aduaneira (Portuguese Tax and Customs Authority)	2,282,510	2,917,205	200,000	855,915
PLANINOVA - Soc. Imobiliária, S.A. (Real estate company)	2,033,582	2,033,582	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis (Real estate company)	1,792,886	1,792,886	1,792,886	1,792,886
Fidelidade, Multicare, Cares - (Glintt BPO)	—	1,022,834	—	—
AMBIMOBILIÁRIA- INVESTIMENTOS E NEGÓCIOS, S.A. (Real estate company)	480,000	480,000	480,000	480,000
MARATHON (Closed investment fund)	—	432,000	—	—
O Feliz - Imobiliaria (Real estate company)	381,553	369,932	381,553	—
Courts	260,610	339,230	254,610	333,230
CIVILRIA (Real estate company)	224,305	224,305	224,305	—
TRANSPORTES BERNARDO MARQUES , S.A.	223,380	220,320	223,380	220,320
TIP - Transportes Intermodais do Porto, ACE (Oporto intermodal transport)	150,000	150,000	—	—
Via Direta	—	150,000	—	—
Municipalities	118,658	118,658	118,658	118,658
INCM - Imprensa Nacional da Casa da Moeda (Portuguese Mint and Official Printing Office)	85,056	85,056	—	—
EPAL - Empresa Portuguesa de Águas Livres (Multi-municipal System of Water Supply and Sanitation of the Lisbon Area)	68,895	68,895	68,895	68,895
ANA - Aeroportos de Portugal (Airports of Portugal)	34,000	34,000	34,000	34,000
GNB Companhia de seguros vida SA (Insurance company)	—	25,000	—	—
Águas do Norte (Water Supply of the Northern Region)	23,804	23,804	23,804	23,804
Instituto de Gestão Financeira Segurança Social (Social Security Financial Management Institute)	21,557	21,557	16,406	16,406
EMEL, S.A. (Municipal company managing parking in Lisbon)	19,384	19,384	19,384	19,384
Serviços Intermunicipalizados Loures e Odivelas (Inter-municipal Services of Water Supply and Sanitation of the Loures and Odivelas Areas)	17,000	17,000	17,000	17,000
Direção Geral do Tesouro e Finanças (Directorate General of Treasury and Finance)	16,867	16,867	16,867	16,867
Portugal Telecom, S.A. (Telecommunication Company)	16,658	16,658	16,658	16,658
Refer (Public service for the management of the national railway network infrastructure)	16,460	16,460	—	—
Other entities	16,144	16,144	—	—
SMAS de Sintra (Services of Water Supply and Sanitation of the city of Sintra)	15,889	15,889	15,889	15,889
Repsol (Oil and Gas Company)	15,000	15,000	—	—
DOLCE VITA TEJO (Real State Company)	—	13,832	—	13,832
Lagos em Forma - Gestão desportiva, E.M., S.A. (Municipal company managing sports in Lagos)	11,000	11,000	11,000	11,000
Águas do Porto, E.M (Services of Water Supply and Sanitation of the city of Porto)	10,720	10,720	—	—
ADRA - Águas da Região de Aveiro (Services of Water Supply and Sanitation of the city of Aveiro)	10,475	10,475	10,475	10,475
SMAS Torres Vedras (Services of Water Supply and Sanitation of the city of Torres Vedras)	9,910	9,910	9,910	9,910
ACT Autoridade Condições Trabalho (Authority for Working Conditions)	9,160	9,160	9,160	9,160
Consejeria Salud (Local Health Service/Spain)	4,116	4,116	—	—
Instituto do Emprego e Formação Profissional (Employment and Professional Training Institute)	3,719	3,719	3,719	3,719
EMARP - Empresa de Aguas e Resíduos de Portimão (Services of Water Supply and Sanitation of the city of Portimão)	3,100	3,100	3,100	3,100
EUROGOLD (Real estate company)	694,464	—	694,464	—
Solred (Repsol's fuel cards)	80,000	—	—	—
Companhia Carris de Ferro de Lisboa, EM, SA (Portuguese Railway company)	55,000	—	—	—
ADAM - Águas do Alto Minho (Services of Water Supply and Sanitation of the Region of Alto Minho)	466	—	—	—
	12,355,172	**13,867,543**	**9,828,549**	**9,273,535**

Guarantees for lease Contracts

According to the terms of some lease contracts of the buildings occupied by the **Company**'s services, the Portuguese State ceased to hold the majority of the share capital of CTT, bank guarantees on first demand had to be provided. These guarantees amount to 3,826,468 Euros as at 31 December 2020 and 31 December 2021, in the **Group** and the **Company**.

CTT provided a bank guaranty, on behalf of CTT Expresso branch in Spain, to the Sixth Section of the National Audience Administrative Litigation and to the Spanish National Commission on Markets and Competition ("Comisión Nacional de los Mercados y la Competencia") in the amount of 3,148,845 Euros, while the appeal presented by CTT Expresso branch in Spain in the National Audience in Spain proceeds.

Commitments

As at 31 December 2020 and 31 December 2021, the **Group** subscribed promissory notes amounting to approximately 75.3 thousand Euros and 41,9 thousand Euros, respectively, for various credit institutions intended to secure complete and timely compliance with the corresponding financing contracts.

The **Group** and the **Company** also assumed financial commitments (comfort letters) in the amount of 1,170,769 Euros regarding the branch of CTT Expresso in Spain which are still active as at 31 December 2021.

The **Group** and the **Company** engaged guarantee insurances in the total amount of 4,226,910 Euros and 1,897,993 Euros, respectively (2020: 1,033,163 Euros and 410,230 Euros respectively), with the purpose of guaranteeing the fulfilment of contractual obligations assumed by third parties.

In addition, the **Group** and the **Company** also assumed commitments relating to real estate rents under lease contracts and rents for other leases.

The **Group** and the **Company** contractual commitments related to Tangible fixed assets and Intangible assets are detailed respectively in Notes 5 and 6.

34. Accounts payable

As at 31 December 2020 and 31 December 2021, the **Group** and the **Company** heading Accounts payable showed the following composition:

	Group		Company	
	2020	2021	2020	2021
Non-current				
Other accounts payable	—	—	309,007	309,007
	—	—	**309,007**	**309,007**
Current				
Advances from customers	3,054,584	2,368,197	3,033,262	2,359,986
CNP money orders	88,916,523	51,157,113	88,916,523	51,157,113
Suppliers	87,287,994	88,144,917	65,044,013	67,832,513
Invoices pending confirmation	7,955,395	12,256,372	6,612,905	7,197,970
Fixed assets suppliers	5,808,358	7,008,092	3,702,201	5,062,614
Invoices pending confirmation (fixed assets)	5,688,925	6,300,825	4,605,929	5,229,243
Values collected on behalf of third parties	6,546,335	8,911,160	3,258,226	5,387,368
Postal financial services	154,324,605	156,371,620	154,324,605	156,371,533
Deposits	567,215	594,183	—	—
Charges	1,859,349	2,200,392	504,569	1,102,742
Compensations	581,798	881,108	47,229	155,688
Postal operators - amounts to be settled	1,722,118	1,586,135	1,721,979	1,586,135
Amounts to be settled to third parties	4,282,230	1,919,132	4,281,776	1,919,132
Amounts to be settled in stores	495,476	495,269	495,476	495,269
Other accounts payable	6,471,998	10,109,816	6,260,739	6,651,168
	375,562,902	**350,304,332**	**342,809,432**	**312,508,476**
	375,562,902	**350,304,332**	**343,118,439**	**312,817,483**

CNP money orders

The value of CNP money orders refers to the money orders received from the National Pensions Center (CNP), whose payment date to the corresponding pensioners will occur in the month after the closing of the financial year. The decrease in the balance is mainly due to a trend towards a decrease in the number of pensioners who receive the amounts in this way, due to a growing transition to the settlement of amounts electronically by the CNP.

Postal financial services

This heading records mainly the amounts collected related to taxes, insurance, savings certificates and other money orders, whose settlement date should occur in the month following the end of the period.

Suppliers and fixed assets suppliers

As at 31 December 2020 and 31 December 2021, the **Group** and the **Company** heading Suppliers showed the following composition:

	Group		Company	
	2020	2021	2020	2021
Other suppliers	47,193,407	44,331,541	25,300,309	23,584,995
Postal operators	40,094,570	43,813,375	38,897,690	42,761,921
Group companies [(1)]	17	—	846,013	1,485,597
	87,287,994	**88,144,917**	**65,044,013**	**67,832,513**

(1) Includes subsidiary, associated and joint-ventures companies.

As at 31 December 2020 and 31 December 2021, the ageing of the **Group** and the **Company** balance of the headings Suppliers and Fixed assets suppliers is detailed as follows:

Suppliers	Group		Company	
	2020	2021	2020	2021
Non-overdue	34,998,968	35,342,173	17,462,363	20,599,077
Overdue [(1)]:				
0-30 days	10,670,846	8,719,140	7,911,611	5,196,322
31-90 days	8,509,795	2,946,335	7,447,371	2,589,189
91-180 days	3,566,563	4,351,325	3,145,839	3,556,532
181-360 days	8,789,301	12,282,581	8,555,405	11,572,396
> 360 days	20,752,520	24,503,362	20,521,424	24,318,997
	87,287,994	**88,144,917**	**65,044,013**	**67,832,513**

(1) The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

Fixed assets suppliers	Group		Company	
	2020	2021	2020	2021
Non-overdue	3,495,660	4,872,336	2,338,377	3,240,215
Overdue:				
0-30 days	966,213	1,399,179	546,944	910,554
31-90 days	779,933	70,223	396,870	—
91-180 days	141,297	29,754	67,286	258,278
181-360 days	35,500	292,613	8,470	252,919
> 360 days	389,756	343,988	344,254	400,649
	5,808,358	**7,008,092**	**3,702,201**	**5,062,614**

The current amount of accounts payable overdue over 360 days is as follows:

	Group		Company	
	2020	2021	2020	2021
Other suppliers	148,616	191,448	82,981	258,543
Foreign operators	20,603,903	24,311,914	20,438,443	24,060,455
Total	**20,752,520**	**24,503,362**	**20,521,424**	**24,318,997**
Foreign operators - receivable (Note 19)	**(22,182,980)**	**(24,277,519)**	**(21,699,134)**	**(23,475,667)**

The balances between Foreign Operators are cleared by netting accounts. These amounts refer to the accounts receivable balances related to these entities (Note 19), in which the **Group** does not have an unconditional right to settle the amounts of foreign Operators on a net basis, unilaterally deducting amounts receivable from amounts payable, whereby the balances of foreign Operators are shown in assets and liabilities.

In the actual interest rate environment, the cost recognition impact of significant financing component effect associated to the contractual performance obligations with Foreign Operators is not significant. The **Group** and the **Company** did not recognize any amount.

There are no ongoing judicial or extrajudicial proceedings to regularize the balances of suppliers that were past due on 31 December 2021.

35. Banking clients' deposits and other loans

As at 31 December 2020 and 31 December 2021, the composition of the heading Banking clients' deposits and other loans in the **Group** is as follows:

	31.12.2020	31.12.2021
Sight deposits	1,207,038,127	1,485,969,930
Term deposits	178,175,790	223,067,357
Savings deposits	303,251,244	412,474,058
	1,688,465,160	**2,121,511,345**

The above-mentioned amounts relate to Banco CTT clients' deposits. Savings deposits are deposits associated with current accounts and which allow the client to obtain a remuneration above the slight deposits, which can be mobilized at any time, with no subscription limit, and it is possible to schedule transfers from and for this account. These deposits are different from term deposits as they have a definite date of constitution and maturity, and the savings accounts are fully mobilizable without penalty on remuneration.

In 2021, the average rate of return on customer funds was 0.02% (2020: 0.06%).

As at 31 December 2020 and 31 December 2021, the residual maturity of banking client deposits and other loans, is detailed as follows:

	31.12.2020					
	No defined maturity	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	Total
Sight deposits and saving accounts	1,510,289,371	—	—	—	—	1,510,289,371
Term deposits	—	81,534,153	96,641,636	—	—	178,175,790
	1,510,289,371	**81,534,153**	**96,641,636**	**—**	**—**	**1,688,465,160**

	31.12.2021					
	No defined maturity	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	Total
Sight deposits and saving accounts	1,898,443,987	—	—	—	—	1,898,443,987
Term deposits	—	106,310,120	116,757,237	—	—	223,067,357
	1,898,443,987	**106,310,120**	**116,757,237**	**—**	**—**	**2,121,511,345**

36. Other current liabilities

As at 31 December 2020 and 31 December 2021, the **Group** and the **Company** heading Other current liabilities showed the following composition:

	Group		Company	
	2020	2021	2020	2021
Current				
Estimated holiday pay, holiday subsidy and other remunerations	45,499,455	47,519,381	39,330,854	38,508,973
Estimated supplies and external services	41,401,260	57,988,767	22,046,043	25,633,655
State and other public entities				
Value Added Tax	2,022,037	2,251,768	1,470,779	1,327,747
Personal income tax withholdings	3,046,625	3,026,069	2,463,736	2,365,284
Social Security contributions	4,495,367	4,740,077	3,452,949	3,491,527
Caixa Geral de Aposentações	1,783,216	1,683,889	1,769,530	1,671,242
Local Authority taxes	477,886	513,387	465,263	475,075
Other taxes	767,537	866,971	7,274	7,000
Other	14	4,471	14	2,243
	99,493,397	**118,594,781**	**71,006,442**	**73,482,746**

The increase in the caption “Estimated supplies and external services” is mainly due to the increase in the activity of CTT Soluções Empresariais and CTT Expresso, branch in Spain, explained in note 4.

37. Income taxes receivable /payable

As at 31 December 2020 and 31 December 2021 the **Group** and the **Company** heading Income taxes receivable and Income taxes payable showed the following composition:

	Group		Company	
	2020	2021	2020	2021
Current assets				
Corporate income tax	—	8,268	—	—
Imposto a pagar	**—**	**8,268**	**—**	**—**
Current liabilities				
Corporate income tax	1,340,420	11,611,897	2,439,808	9,705,744
Imposto a pagar	**1,340,420**	**11,611,897**	**2,439,808**	**9,705,744**

The **Company's** current assets and current liabilities relative to corporate income tax were calculated as follows:

Company	2020	2021
Estimated income tax	(7,341,342)	(7,689,772)
Estimated Group companies' income tax	2,207,060	(7,378,903)
Payments on account	2,821,694	4,973,084
Withholding taxes	306,169	259,538
Others	(433,389)	130,309
	(2,439,808)	**(9,705,744)**

38. Financial assets and liabilities

As at 31 December 2020 and 31 December 2021, the categories of financial assets and liabilities regarding the **Group** were broken down as follows:

Group	2020					
	Amortized cost	Fair value through Other comprehensive income	Fair value through Profit and Loss	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets						
Other investments (Note 13)	—	—	—	—	6,394	6,394
Non-current financial assets at fair value through profit or loss (note 15)	—	—	2,107	—	—	2,107
Non-current debt securities at fair value through other comprehensive income (Note 14)	—	12,273,557	—	—	—	12,273,557
Non-current debt securities at amortized cost (Note 14)	453,090,517	—	—	—	—	453,090,517
Other non-current assets (Note 24)	1,063,789	—	—	—	—	1,063,789
Non-current credit to bank clients (Note 20)	985,355,687	—	—	—	—	985,355,687
Other non-current banking financial assets (Note 16)	11,420,777	—	—	—	—	11,422,884
Current accounts receivable (Note 19)	153,616,009	—	—	—	—	153,616,009
Current credit to bank clients (Note 20)	107,925,845	—	—	—	—	107,925,845
Current debt securities at fair value through other comprehensive income (Note 14)	—	7,281,273	—	—	—	7,281,273
Current debt securities at amortized cost (Note 14)	45,160,057	—	—	—	—	45,160,057
Other current assets (Note 24)	7,817,139	—	—	—	25,911,446	33,728,585
Other current banking financial assets (Note 16)	27,504,441	—	—	—	1,952,072	29,456,513
Cash and cash equivalents (Note 23)	518,180,171	—	—	—	—	518,180,171
Total Financial assets	**2,311,134,431**	**19,554,830**	**2,107**	**—**	**27,869,913**	**2,358,561,281**
Liabilities						
Non-current debt (Note 31)	—	—	—	164,034,127	—	164,034,127
Other non-current banking financial liabilities (Note 16)	—	—	—	44,506,988	—	44,506,988
Current accounts payable (Note 34)	—	—	—	356,528,136	19,034,767	375,562,902
Banking client deposits and other loans (Note 35)	—	—	—	1,688,465,160	—	1,688,465,160
Current debt (Note 31)	—	—	—	42,832,626	—	42,832,626
Other current liabilities (Note 36)	—	—	—	41,401,275	58,092,122	99,493,397
Other current banking financial liabilities (Note 16)	—	—	—	10,936	21,475,716	21,486,652
Total Financial liabilities	**—**	**—**	**—**	**2,337,779,247**	**98,602,605**	**2,436,381,852**

Group	2021 Amortized cost	Fair value through Other comprehensive income	Fair value through Profit and Loss	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets						
Other investments (Note 13)	—	—	—	—	311,684	311,684
Non-current financial assets at fair value through profit or loss (Note 15)	—	—	2,261,947	—	—	2,261,947
Non-current debt securities at fair value through other comprehensive income (Note 14)	—	4,906,841	—	—	—	4,906,841
Non-current debt securities at amortized cost (Note 14)	294,986,658	—	—	—	—	294,986,658
Other non-current assets (Note 24)	1,772,136	—	—	—	—	1,772,136
Non-current credit to bank clients (Note 20)	1,125,984,322	—	—	—	—	1,125,984,322
Other non-current banking financial assets (Note 16)	5,237,710	—	—	—	—	5,237,710
Current accounts receivable (Note 19)	160,930,050	—	—	—	—	160,930,050
Current credit to bank clients (Note 20)	415,924,171	—	—	—	—	415,924,171
Non-current financial assets at fair value through profit or loss (Note 15)	—	—	24,999,138	—	—	24,999,138
Current debt securities at fair value through other comprehensive income (Note 14)	—	1,188,069	—	—	—	1,188,069
Current debt securities at amortized cost (Note 14)	39,173,861	—	—	—	—	39,173,861
Other current assets (Note 24)	21,014,450	—	—	—	47,833,932	68,848,382
Other current banking financial assets (Note 16)	8,550,155	—	—	—	1,171,381	9,721,536
Cash and cash equivalents (Note 23)	877,872,696	—	—	—	—	877,872,696
Total Financial assets	**2,951,446,208**	**6,094,910**	**27,261,086**	**—**	**49,316,997**	**3,034,119,201**
Liabilities						
Non-current debt (Note 31)	—	—	—	149,336,438	—	149,336,438
Other non-current banking financial liabilities (Note 16)	—	—	—	277,760,616	—	277,760,616
Current accounts payable (Note 34)	—	—	—	330,150,100	20,154,232	350,304,332
Banking client deposits and other loans (Note 35)	—	—	—	2,121,511,345	—	2,121,511,345
Current debt (Note 31)	—	—	—	51,783,012	—	51,783,012
Other current liabilities (Note 36)	—	—	—	57,993,238	60,601,542	118,594,781
Other current banking financial liabilities (Note 16)	—	—	—	35,137	26,987,725	27,022,862
Total Financial liabilities	**—**	**—**	**—**	**2,988,569,886**	**107,743,499**	**3,096,313,385**

The assets and liabilities fair value, for the captions that differ from the book value, as at 31 December 2020 and 31 December 2021, is analysed as follows:

	2020		2021	
	Book value	Fair value	Book value	Fair value
Financial assets				
Credit to bank clients	1,093,281,532	1,098,651,757	1,541,908,493	1,541,382,214
Debt securities - Financial assets at amortized cost	498,250,574	543,316,403	334,160,519	348,481,696
Financial liabilities				
Other banking financial liabilities - Debt securities issued	44,517,924	44,517,924	277,795,753	277,795,753

The amounts booked as "Debt securities – Financial assets at amortized cost" are fully classified as stage 1.

Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through internal models based on discounted cash flow methods. The generation of cash flow of the different instruments is based on their financial characteristics, and the discount rates used incorporate both the market interest rate curve and the current risk levels of the respective issuer.

Therefore, the fair value obtained is influenced by the parameters used in the evaluation model, which necessarily incorporate some degree of subjectivity, and exclusively reflects the value attributed to the different financial instruments.

The **Group** uses the following fair value hierarchy, with three levels in the valuation of financial instruments (assets or liabilities), which reflect the level of judgement, the observability of the data, and the importance of the parameters applied in the determination of the assessment of the fair value of the financial instrument, pursuant to IFRS 13:

Level 1: Fair value is determined based on unadjusted listed prices, captured in transactions in active markets involving financial instruments similar to the instruments to be assessed. Where there is more than one active market for the same financial instrument, the relevant price is that prevailing in the main market of the instrument, or the most advantageous market to which there is access;

Level 2: Fair value is calculated through valuation techniques based on observable data in active markets, whether direct data (prices, rates, spreads, etc.) or indirect data (derivatives), and valuation assumptions similar to those that a non-related party would use to estimate the fair value of the same financial instrument. This also includes instruments whose valuation is obtained through listed prices disclosed by independent entities, but whose markets show less liquidity; and,

Level 3: Fair value is determined based on data not observable in active markets, using techniques and assumptions that the market participants would use to assess the same instruments, including hypotheses about the inherent risks, the assessment method and inputs used, entailing process of review of the accuracy of the values obtained in this manner.

The **Group** considers a market active for a particular financial instrument, on the measurement date, according to the turnover and liquidity of the operations carried out, the relative volatility of the listed prices, and the promptness and availability of the information, where the following minimum conditions must be met:

- Existence of frequent daily prices of trading in the last year;
- The prices mentioned above change regularly;
- Existence of enforceable prices of more than one entity.

A parameter used in the valuation method is considered to be observable market data if the following conditions are met:

- If its value is determined in an active market;
- If there is an OTC (over-the-counter) market and it is reasonable to assume that active market conditions are met, except for the condition of trading volumes; and,
- The value of the parameter can be obtained by the inverse calculation of the prices of the financial instruments and/or derivatives where all the other parameters required for the initial assessment are observable in a liquid market or OTC market that complies with the previous paragraphs.

The fair value of the financial assets and liabilities, as at 31 December 2020, is analyzed as follows:

	31 12 2020			
	Valuation methods			Total
Caption	Level 1	Level 2	Level 3	
Other Investments	—	—	6,394	6,394
Financial Assets at fair value through profit or losses	535,451,761	4,064,643	3,800,000	543,316,404
Debt securities at fair value through other comprehensive income	8,135,273	11,419,557	—	19,554,830
Other non-current assets	—	—	1,063,789	1,063,789
Credit to bank clients	—	—	1,098,651,757	1,098,651,757
Other banking financial assets	—	—	40,879,397	40,879,397
Accounts receivables	—	—	153,616,009	153,616,009
Other current assets	—	—	33,728,584	33,728,584
Cash and cash equivalents	518,180,171	—	—	518,180,171
Total Financial Assets Fair Value	**1,061,767,204**	**15,484,200**	**1,331,745,930**	**2,408,997,335**
Debt	—	—	206,866,753	206,866,753
Other banking financial liabilities	—	44,517,924	21,475,716	65,993,640
Accounts payable	—	—	375,562,902	375,562,902
Banking clients' deposits and other loans	—	—	1,688,465,160	1,688,465,160
Other current liabilities	—	—	99,493,397	99,493,397
Total Financial Liabilities Fair Value	**—**	**44,517,924**	**2,391,863,928**	**2,436,381,852**

The fair value of the financial assets and liabilities, as at 31 December 2020, is analyzed as follows:

	31 12 2021			
	Valuation methods			
Caption	Level 1	Level 2	Level 3	Total
Other Investments	—	—	311,684	311,684
Financial Assets at fair value through profit or losses	—	—	27,261,086	27,261,086
Debt securities at fair value through other comprehensive income	849,374	5,245,536	—	6,094,910
Debt securities at amortized cost	348,099,653	382,043	—	348,481,696
Other non-current assets	—	—	1,144,290	1,144,290
Credit to bank clients	—	—	1,541,382,214	1,541,382,214
Other banking financial assets	—	—	14,959,246	14,959,246
Accounts receivables	—	—	160,930,050	160,930,050
Other current assets	—	—	68,848,382	68,848,382
Cash and cash equivalents	877,872,696	—	—	877,872,696
Total Financial Assets Fair Value	**1,226,821,722**	**5,627,579**	**1,814,836,952**	**3,047,286,254**
Debt	—	—	201,119,450	201,119,450
Other banking financial liabilities	—	304,783,478	—	304,783,478
Accounts payable	—	—	350,304,332	350,304,332
Banking clients' deposits and other loans	—	—	2,121,511,345	2,121,511,345
Other current liabilities	—	—	118,594,781	118,594,781
Total Financial Liabilities Fair Value	**—**	**304,783,478**	**2,791,529,907**	**3,096,313,385**

Sensitivity analysis

The caption "Credit to bank clients" which, as at 31 December 2021, has a fair value of 1,541,382,214 Euros has a sensitivity of +9,170 thousand Euros and -26,042 thousand Euros for an interest rate change of - 10% and +10%, respectively.

The main methods and assumptions used to estimate the fair value of the financial assets and liabilities recorded in the balanced sheet are analysed as follows:

Cash and Cash Equivalents

These financial instruments are very short-term, so, their book value is a reasonable estimate of the fair value.

Financial Assets at Amortized Cost

The fair value of these financial instruments is based on market prices, when available. If market prices do not exist, their fair value is estimated based on the expected future principal and interest cash flows for these instruments.

Loans and Advances to Customers

The fair value determination, by credit type, is detailed as follows:

Credits to customers with defined maturity

Fair value is calculated by discounting, at the average rates of December production, the expected cash flows over the life of the contracts, considering historical prepayment rates.

Credits to customers at defined maturity

Given the short term of this type of instrument, the conditions of this portfolio are similar to those practiced on the reporting date, so its balance sheet value is considered a reasonable estimate of its fair value.

Financial assets at fair value through profit or loss (except derivatives)

These financial assets are accounted at fair value. Fair value is based on market quotations, when available. If they do not exist, the fair value calculation is based on i) the use of numerical models, namely based on the update of the expected future cash flows of capital and interest for these instruments or ii) on the NAV (Net Asset Value) provided by companies fund managers.

Financial assets at fair value through profit or loss (Derivatives)

All derivatives are accounted for at fair value. In the case of those listed on organized markets, the respective market price is used. In the case of OTC (over-the-counter) derivatives, numerical models based on cash flow discounting techniques and option valuation models considering market and other variables are applied.

Financial assets at fair value through other comprehensive income

The fair value of these instruments is estimated based on market quotations, when available. If they do not exist, the fair value is estimated based on the update of the expected future cash flows of principal and interest for these instruments.

Other banking financial liabilities

These financial instruments are very short-term; hence, their book value is a reasonable estimate of their fair value.

Banking clients' deposits and other loans

The fair value of these financial instruments is estimated based on the discounted expected principal and interest cash flows. The discount rate used is that which reflects the rates applied for deposits with similar features on the reporting date. Considering that the applicable interest rates are renewed for periods less than one year, there are no materially relevant differences in their fair value.

Debt securities issued

The fair value of these instruments is estimated based on market quotations, when available. If they do not exist, the fair value is estimated based on the update of the expected future cash flows of principal and interest for these instruments.

Regarding the **Company,** as at 31 December 2020 and 31 December 2021, the categories of financial assets and liabilities were broken down as follows:

Company	2020					
	Amortized cost	Fair value through Other comprehensive income	Fair value through Profit and Loss	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets						
Other investments (Note 13)	—	—	—	—	6,394	6,394
Non-current Group Coimpanies (Note 52)	31,930,000	—	—	—	—	31,930,000
Non-current accounts receivable (Note 19)	495,932	—	—	—	—	495,932
Other non-current assets (Note 24)	635,508	—	—	—	—	635,508
Current accounts receivable (Note 19)	111,665,473	—	—	—	—	111,665,473
Current Group Companies (Note 52)	2,700,000	—	—	—	114,464	2,814,465
Other current assets (Note 24)	12,234,425	—	—	—	17,496,646	29,731,071
Cash and cash equivalents (Note 23)	268,113,910	—	—	—	—	268,113,910
Total Financial assets	**427,775,249**	**—**	**—**	**—**	**17,617,505**	**445,392,754**
Liabilities						
Non-curent accounts payable (Note 34)	—	—	—	309,007	—	309,007
Non-current debt (Note 31)	—	—	—	135,302,537	—	135,302,537
Current accounts payable (Note 34)	—	—	—	326,464,402	16,345,030	342,809,432
Group Companies (Note 52)	—	—	—	—	25,403,386	25,403,386
Current debt (Note 31)	—	—	—	27,245,348	—	27,245,348
Other current liabilities (Note 36)	—	—	—	22,046,058	48,960,384	71,006,442
Total Financial liabilities	**—**	**—**	**—**	**511,367,352**	**90,708,800**	**602,076,152**

Company	2021					
	Amortized cost	Fair value through Other comprehensive income	Fair value through Profit and Loss	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets						
Other investments (Note 13)		—	—	—	6,394	6,394
Non-current Group Companies (Note 52)	52,530,000	—	—	—	—	52,530,000
Non-current accounts receivable (Note 19)	587,308	—	—	—	—	587,308
Other non-current assets (Note 24)	1,144,290	—	—	—	—	1,144,290
Current accounts receivable (Note 19)	112,775,176	—	—	—	—	112,775,176
Current Group Companies (Note 52)	7,437,805	—	—	—	—	7,437,805
Other current assets (Note 24)	16,121,401	—	—	—	31,243,740	47,365,141
Cash and cash equivalents (Note 23)	189,794,106	—	—	—	—	189,794,106
Total Financial assets	**380,390,087**	**—**	**—**		**31,250,134**	**411,640,221**
Liabilities						
Non-curent accounts payable (Note 34)	—	—	—	309,007	—	309,007
Non-current debt (Note 31)	—	—	—	112,714,883	—	112,714,883
Current accounts payable (Note 34)	—	—	—	298,238,356	14,270,120	312,508,476
Group Companies (Note 52)	—	—	—	11,796,267	11,755,580	23,551,847
Current debt (Note 31)	—	—	—	34,942,393	—	34,942,393
Other current liabilities (Note 36)	—	—	—	25,635,898	47,846,848	73,482,746
Total Financial liabilities	**—**	**—**	**—**	**471,840,536**	**85,668,815**	**557,509,351**

The **Company** believes that, due to the nature of its financial assets and liabilities, the fair value of financial assets and liabilities is similar to its book value.

39. Subsidies obtained

As at 31 December 2020 and 31 December 2021, the information regarding subsidies or grants obtained (Note 2.24) to the **Group** and the **Company** was as follows:

	2020									
	Group					Company				
	Attributed value	Value received	Value to be received	Accumulated income	Value to be used	Attributed value	Value received	Value not received	Accumulated revenues	Value to be used
Investment subsidy	9,886,315	9,732,999	153,316	9,591,825	294,490	9,868,022	9,714,706	153,316	9,573,532	294,490
Operating subsidy	200,667	200,667	—	200,667	—	177,045	177,045	—	177,045	—
	10,086,982	**9,933,666**	**153,316**	**9,792,492**	**294,490**	**10,045,067**	**9,891,751**	**153,316**	**9,750,577**	**294,490**

	2021									
	Group					Company				
	Attributed value	Value received	Value to be received	Accumulated income	Value to be used	Attributed value	Value received	Value not received	Accumulated revenues	Value to be used
Investment subsidy	9,886,315	9,732,999	153,316	9,603,026	283,289	9,868,022	9,714,706	153,316	9,584,733	283,289
Operating subsidy	921,777	786,190	135,587	784,295	137,482	177,045	177,045	—	177,045	—
	10,808,092	**10,519,189**	**288,903**	**10,387,321**	**420,771**	**10,045,067**	**9,891,751**	**153,316**	**9,761,779**	**283,289**

The amounts received as investment subsidy – FEDER - are recognized in the income statement, under the heading Other operating income, as the corresponding assets are amortized.

The financial contribution of the Instituto do Emprego e da Formação Profissional, I.P. ("Institute of Employment and Professional Training") ("IEFP"), received under the Employment Internships Program configures the typology of Grants related to income or operational expenses and is recognized as revenue in the same period of the related expense.

Additionally, as part of the entry into the consolidation perimeter of the entity NewSpring Services, the caption of operating subsidies, also, includes an amount related to the application to the Converte+ program, in which the **Group** benefited from a subsidy from the IEFP in the amount of around 600 thousand Euros. This measure consists of a transitional support for the conversion of fixed-term employment contracts into permanent contracts, through the granting of financial support to the employer and is conditioned to the fulfillment for 2 years of maintaining the level of employability that was defined on the date of deferral of the candidacy.

The amounts received were initially deferred (Note 21) and transferred to the income statement to the caption Other operating income, to the extent that the expenses were recognized.

40. Sales and services rendered

For the years ended 31 December 2020 and 31 December 2021, the significant categories of the **Company** revenue were as follows:

Company	2020	2021
Sales	23,920,393	23,186,919
Mail services rendered	389,784,042	394,283,977
Postal financial services	37,453,338	37,158,046
Electronic vehicle identification devices	3,967,321	4,492,874
Other services	13,708,239	15,934,691
	468,833,332	**475,056,506**

The main changes in the caption "Sales and services rendered" compared to the previous year, are explained in note 4 – Segment Reporting.

Other services fundamentally concern:

	2020	2021
Photocopies Certification	206,603	223,170
Reg. Aut. Madeira and Azores transport allowance	479,335	612,646
Others Philately	94,067	117,698
Costums presentation tax	1,698,229	2,109,514
Corfax	21,259	13,516
Non-adressed mail	257,317	215,310
Portugal Telecom services	64,471	44,012
Digital mailRoom	529,466	604,081
Other services	10,357,493	11,994,744
	13,708,239	**15,934,691**

In the periods ended 31 December 2020 and December 2021, there are no variable components associated with contracts with customers with associated uncertainty.

41. Financial margin

As at 31 December 2020 and 31 December 2021, the composition of the **Group** heading Financial margin was as follows:

Group	2020	2021
Interest and similar income calculated using the effective interest method	**45,961,935**	**57,815,005**
Interest on loans and advances to credit institutions repayable on demand	—	—
Interest on financial assets at amortized cost		
Loans and advances to credit institutions	416,173	282,191
Loans and advances to customers	37,852,913	51,972,435
Debt securities	7,519,827	5,460,670
Interest on financial assets at fair value through other comprehensive income		
Debt securities	175,412	101,504
Other interest	(2,390)	(1,795)
Interest expense and similar charges	**1,325,028**	**2,038,640**
Interest on financial liabilities at amortized cost		
Resources from credit institutions	2,367	1,409
Resources from customers	863,022	471,639
Debt securities issued	459,639	527,689
Interest on deposits at the Bank of Portugal (assets)	—	1,000,108
Other interest	—	37,795
	44,636,907	**55,776,365**

The caption Interest and similar income for the year ended 31 December 2021 includes the amount of 2,229 thousand Euros related to impaired financial assets - Stage 3 (2020: 1,365 thousand Euros).

The hedging Interest on loans and advances to customers includes the amount of (9,689) thousand Euros (2020: (7,394) thousand Euros) related to commissions and other costs and income recorded in accordance with the effective interest rate method, as referred to in the accounting policy described in note 2.23.

The caption Interest on deposits with the Bank of Portugal (assets) has a value of 1,000 thousand Euros (2020: 19 thousand Euros) which represents interest expenses for amounts deposited with the Central Bank that exceed the minimum mandatory reserves. As of the reserve counting period started on 30 October 2019, the ECB introduced the tiering regime, in which the balance with the Central Bank in excess of the minimum cash reserves, up to a calculated maximum of 6 times the reserves , is remunerated at the central bank lending rate.

42. Other operating income

For the years ended 31 December 2020 and 31 December 2021, the composition of the **Group** and the **Company** heading Other operating income was as follows:

	Group		Company	
	2020	2021	2020	2021
Supplementary revenues	2,837,027	2,609,543	40,664,394	46,099,719
Early settlement discounts received	64,386	99,526	1,957	9,544
Gains inventories	—	55,829	—	55,669
Favourable exchange rate differences of assets and liabilities other than financing	605,134	944,311	455,612	877,298
Income from financial investments	325,746	1,112,295	291,969	1,037,304
Income from non-financial investments	3,159	1,126	—	—
Results from other assets' sale	33,716	—	—	—
Income from fees and commissions	16,500,995	21,792,966	—	—
Interest income and expenses - financial services	20,823	9,832	20,823	9,832
VAT adjustments	2,103,291	2,330,413	2,103,291	2,330,413
Other	5,255,127	5,410,659	1,172,743	1,309,846
	27,749,403	**34,366,502**	**44,710,790**	**51,729,627**

The amount related to VAT adjustments mainly results from the improvements made in the procedures of the VAT deduction methodology in the **Company**.

In the **Group** and **Company**, the “Others” item essentially reflects amounts related to the reimbursement of expenses and the recovery of credits classified as bad debt and settlement of accounts payable outstanding balances whose payment is no longer probable.

In the **Group** the caption “Income from fees and commissions” is detailed as follows:

Group	2020	2021
Income from fees and commissions		
From banking services	10,450,367	14,057,799
From credit intermediation services	1,747,771	1,766,432
From insurance mediation services	4,304,496	5,968,735
From other commissions	(1,639)	—
	16,500,995	**21,792,966**

Regarding the **Company,** the caption Supplementary revenues fundamentally relates to:

Company	2020	2021
Royalties	500,000	500,000
Services rendered to Group companies [(1)]	37,246,775	42,726,501
Rental of spaces in urban buildings	1,697,428	1,679,534
Other	1,220,191	1,193,684
	40,664,394	**46,099,719**

[(1)] Includes subsidiary, associated and joint-ventures companies.

43. External supplies and services

For the years ended 31 December 2020 and 31 December 2021, the composition of the **Group** and the **Company** heading External supplies and services was as follows:

	Group		Company	
	2020	2021	2020	2021
Subcontracts	14,829,636	17,212,558	222,435	1,347,610
Specialised services	63,377,290	75,260,219	27,018,701	29,448,610
Specialized services rendered by Group companies [(1)]	51,867	58,775	2,128,748	2,595,904
Materials	2,853,106	2,603,714	2,132,104	1,875,517
Energy and fuel	14,416,914	14,862,519	12,323,181	12,970,376
Staff transportation	143,251	119,249	140,206	116,422
Transportation of goods	92,769,127	138,880,459	12,374,505	16,702,484
Rents				
Vehicle operational lease	2,772,287	2,121,573	2,318,683	1,643,371
Other rental charge	4,072,694	6,488,959	3,058,115	4,466,043
Communication	1,342,407	1,564,581	160,425	228,335
Insurance	1,792,058	2,330,606	729,684	729,773
Litigation and notary	114,237	196,453	(9,287)	80,268
Cleaning, hygiene and confort	4,420,685	5,525,824	3,821,759	4,141,505
Postal Agencies	7,090,149	8,872,263	7,103,106	8,882,728
Postal operators	21,594,499	27,179,202	20,378,767	26,073,128
Delivery subcontracting	5,865,959	5,252,497	5,865,959	5,252,497
Other services	18,638,586	22,021,241	7,595,067	10,342,128
Other services rendered by Group companies [(1)]	38	—	3,833,170	6,277,220
Fornecimentos e serviços externos	**256,144,789**	**330,550,693**	**111,195,328**	**133,173,920**

[(1)] Includes subsidiary, associated and joint-ventures companies.

(i) Specialized services refer to the outsourcing contracts for the provision of IT services, the maintenance of IT equipment and external consultants;

(ii) Energy and fuel refer mainly to diesel for vehicles used in the operating process;

(iii) Transportation of goods refers to costs with the transportation of mail and express in several ways (sea, air, surface). The increase in this caption is mainly explained by the growth of “Express and Parcels” segment;

(iv) “Other Rental changes” essentially refer to the rental of software and other equipment whose contracts did not comply with the requirements of IFRS 16. Regarding “Vehicle operational lease” the amount recognized refers to the part that exceeds the minimum guaranteed rent which, as provided for in IFRS 16, should not be considered in the right of use;

(v) Postal operators refer to costs with peer postal operators.

44. Staff costs

During the years ended 31 December 2020 and 31 December 2021, the composition of the **Group** and the **Company** heading Staff Costs was as follows:

	Group		Company	
	2020	2021	2020	2021
Remuneration	266,770,200	272,297,600	227,803,433	224,055,241
Employee benefits	7,307,244	6,539,004	7,160,129	6,503,831
Indemnities	1,079,873	10,075,355	623,288	9,695,786
Social Security charges	57,290,969	58,353,772	48,664,862	48,273,749
Occupational accident and health insurance	4,445,359	3,765,914	4,168,839	3,396,869
Social welfare costs	5,449,279	6,844,914	4,910,537	6,211,816
Other staff costs	145,183	136,256	—	153
	342,488,107	**358,012,815**	**293,331,088**	**298,137,445**

Remuneration of the statutory bodies of CTT, S.A.

As at 31 December 2020 and 31 December 2021, the fixed and variable remunerations attributed to the members of the statutory bodies of CTT, SA, were as follows:

Company	2020				
	Board of Directors	Audit Comittee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	2,550,344	153,779	31,910	14,000	2,750,033
Annual variable remuneration	—	—	—	—	—
	2,550,344	**153,779**	**31,910**	**14,000**	**2,750,033**
Short-term remuneration					
Fixed remuneration	229,483	—	—	—	229,483
Annual variable remuneration	201,592	—	—	—	201,592
	431,075	**—**	**—**	**—**	**431,075**
	2,981,419	**153,779**	**31,910**	**14,000**	**3,181,108**

Company	2021				
	Board of Directors	Audit Comittee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	2,642,752	141,429	19,800	14,000	2,817,981
Annual variable remuneration	1,447,419	—	—	—	1,447,419
	4,090,171	**141,429**	**19,800**	**14,000**	**4,265,400**
Short-term remuneration					
Fixed remuneration	201,417	—	—	—	201,417
Annual variable remuneration	698,408	—	—	—	698,408
	899,825	**—**	**—**	**—**	**899,825**
	4,989,996	**141,429**	**19,800**	**14,000**	**5,165,225**

Long-term variable remuneration

At the General Meeting held on 21 April 2021, a new Remuneration Regulation for Members of the Statutory Bodies was approved for the 2020-2022 term, which replaces the Regulation in force at that date. This regulation changes the assumptions for the annual variable remuneration (AVR) attribution and changes the long-term variable remuneration (LTVR) terms to a “stock option” mechanism.

Similarly, the Board of Directors put in place a stock options program addressed to CTT’s top management, using the same terms of the program approved for the governing bodies members.

The LTVR model through participation in CTT’s stock option plan, also depends on the Company’s performance and aims to align interests with this performance in a long-term, as follows:

a. The plan sets out the number of options allocated that may be exercised by the Plan’s participants (the CEO, the CFO, the remaining executive Directors and the Top Manager), as detailed:

Tranche	Number of options - per participant			Strike Price
	CEO	CFO	Other executive administrators	
1	700.000	400.000	300.000	€ 3.00
2	700.000	400.000	300.000	€ 5.00
3	700.000	400.000	300.000	€ 7.50
4	700.000	400.000	300.000	€ 10.00
5	700.000	400.000	300.000	€ 12.50

b. Awarding, also through the Plan, of 5 tranches of options that differ exclusively by their different strike price;

c. The number of shares to be received depends on the difference between the strike price and the market price, i.e., the average price, weighted by trading volume, of the Company’s shares traded on the Euronext Lisbon regulated market in the sessions held in the 45 days prior to the exercise date (i.e. 1 January 2023);

d. The LTVR attributed under the plan is subject to the positive evolution of the share price and the positive performance of the Company and to eligibility conditions related to the non-verification of the situations that give rise to the application of the adjustment mechanisms mentioned below and material breaches of the terms of the plan;

e. The plan also provides for mechanisms for deferring the exercise of options and retaining shares which result from the combination of two aspects: (i) deferral of exercise date of all options (1 January 2023 considering the end of the 2020/2022 term of office); and (ii) the establishment of a retention period by the Company of part of the shares allocated (throughout the period from the exercise date and the fifth trading day immediately following the end of the month after the date of approval of the accounts for 2024 at the annual general meeting to be held in 2025, or as of 31 May 2025 whichever occurs later).

f. The Plan for Members of the Statutory Bodies, as a rule, provides for 25% of net cash settlement and 75% of net share settlement of the options, without prejudice to the fact that, on an exceptional basis and in a scenario where the number of own shares held by CTT is not sufficient, the Plan provides for the Remuneration Committee to establish a remuneration mechanism through the awarding of a cash amount and the net cash settlement of the options whose net share settlement is not possible. The plan for governing bodies members provides for 100% of net shares settlement of the options.

The fair value of the options granted was determined through a study carried out by an independent entity on the grant date. The model used for the valuation of the stock plan was the Monte Carlo simulation model.

The total amount, regarding the share plan, recognized at 31 December 2021 amounts to 1,626,429 Euros, with the net cash settlement component recognized in the caption “Employee benefits” long-term (Note 32), in the amount of 411,431 Euros and the net share settlement component recognized in the caption “other reserves”, in the amount of 1,215,000 Euros (note 27).

In the year ended 31 December 2020, in accordance with the applicable rules under the Remuneration Regulation for Members of CTT’s Statutory Bodies, revoked on 21 April 2021 there is no place for the payment of annual variable remuneration (AVR) to the members of Statutory Bodies. In the year ended 31 December 2021, the amount of 1,447,419 Euros was recognized as an estimate of annual variable remuneration for the members of the Statutory Bodies.

Indemnities

During the period ended 31 December 2021, this caption includes the amount of 9,341,409 Euros in the Group and 9,265,000 Euros in the Company related to a Suspension Agreement program to be carried out within the scope of the restructuring process explained in major detail in note 33 – Provisions, Guarantees provided, Contingent liabilities.

Social welfare cost

Social welfare costs relate almost entirely to health costs incurred by the **Group** and the **Company** with the active workers, as well as expenses related to Health and Safety at work. The increase in social welfare cost is due to a regularization of the healthcare services utilization, due to the COVID-19 impact on the health system in the year 2020.

As at 31 December 2020 and 31 December 2021, the **Group** and the **Company** heading Staff costs includes the amounts of 539,178 Euros and 555,648 Euros, respectively, related to expenses with workers' representative bodies.

For the year ended 31 December 2021, the average number of staff of the **Group** and the **Company** was 12,328 and 10,343 employees, respectively, (12,218 employees and 10,600 employees in the year ended 31 December 2020).

As at 31 December 2021, the **Company** incurred in staff costs in a global amount of 238,334 Euros, related to employees assigned to Fundação Portuguesa de Comunicações (Portuguese Communications Foundation).

45. Impairment of accounts receivable and Impairment of other financial banking assets

For the years ended 31 December 2020 and 31 December 2021, the detail of Impairment of accounts receivable, net and Impairment of other financial banking assets, net of the **Group** and the **Company** was as follows:

	Group		Company	
	2020	**2021**	**2020**	**2021**
Impairment of accounts receivable				
Impariment losses				
Accounts receivable	5,390,793	4,209,818	943,189	521,584
Other current and non-current assets	1,886,462	995,992	1,865,313	899,656
Slight and term deposits	551	11,433	329	11,354
	7,277,806	5,217,243	2,808,831	1,432,594
Reversals of impairment losses				
Accounts receivable	2,014,668	2,588,328	—	200,000
Other current and non-current assets	85,730	267,494	58,236	226,980
Slight and term deposits	2,965	4,028	358	3,666
	2,103,363	2,859,849	58,594	430,646
Bad debts	438,656	257,271	44,360	113,677
Net movement of the period	**(5,613,098)**	**(2,614,665)**	**(2,794,597)**	**(1,115,625)**
Impairment of other financial banking assets				
Impariment losses				
Debt securities at fair value through other comprehensive income	9,365	—	—	—
Debt securities at amortized cost	24,763	35,109	—	—
Other current and non-current assets	—	—	—	—
Other banking financial assets	55,800	31,536	—	—
Credit to banking clients	13,328,302	29,308,011	—	—
	13,418,230	29,374,656	—	—
Reversals of impairment losses				
Debt securities at fair value through other comprehensive income	161	6,235	—	—
Debt securities at amortized cost	16,125	96,595		
Other banking financial assets	1,185,146	47,587	—	—
Credit to banking clients	3,299,828	15,174,010	—	—
	4,501,262	15,324,427	—	—
Net movement of the period	**(8,916,969)**	**(14,050,228)**	**—**	**—**
	(14,530,066)	**(16,664,893)**	**(2,794,597)**	**(1,115,625)**

46. Depreciation/amortization (losses/ reversals)

For the years ended 31 December 2020 and 31 December 2021, the detail of Depreciation/ amortization and impairment losses, net, regarding the **Group** and the **Company** was as follows:

	Group		Company	
	2020	2021	2020	2021
Tangible fixed assets				
Depreciation (Note 5)	44,218,515	44,842,534	35,713,613	34,685,940
Impairment losses (Note 5)	(4,712)	—	(4,712)	—
Intangible assets				
Amortization (Note 6)	17,887,283	13,062,708	10,952,356	4,671,549
Impairment losses (Note 6)	—	60,617	—	—
Investment properties				
Depreciation (Note 7)	235,404	216,293	235,404	216,293
Impairment losses (Note 7)	(298,836)	(57,372)	(298,836)	(57,372)
Non-current assets held for sale				
Impairment losses (Note 25)	98,169	(118,338)	—	—
	62,135,823	**58,006,442**	**46,597,825**	**39,516,410**

47. Net gains/ (losses) of financial banking assets and liabilities

In the periods ended 31 December 2020 and 31 December 2021, the detail of “Net gains/ (losses) of financial banking assets and liabilities related to the Group is detailed as follows:

	2020	2021
Net gains/(losses) of assets and liabilities at fair value through profit or loss	—	1,101,005
Net gains/(losses) of other financial assets at fair value through other comprehensive income	380,000	—
Gains / (losses) on derecognition of financial assets and liabilities at amortized cost	—	17,776,526
	380,000	**18,877,531**

During 2021, the Group sold securities at amortized cost, which resulted in a gain of 17,777 thousand Euros. These securities sales’ resulted from the Group's balance sheet management in the context of entering a new business segment (credit cards) resulting from the partnership with Sonae Financial Services.

Results from assets and liabilities at fair value through profit or loss refer to the change in the fair value of derivatives associated with securitization operations Ulisses Finance No.1 and Ulisses Finance No.2.

48. Other operating costs

For the years ended 31 December 202 and 31 December 2021, the breakdown of the **Group** and the **Company** heading Other operating costs was as follows:

	Group		Company	
	2020	2021	2020	2021
Taxes and other fees	2,721,475	2,981,080	1,999,246	2,077,016
Losses in inventories	267,760	133,641	267,694	133,260
Unfavourable exhange rate differences of assets	1,453,507	1,274,954	1,258,145	1,270,487
Donations	882,540	539,088	877,938	536,756
Bankingservices	3,184,090	4,337,757	2,983,026	4,061,786
Interest on arrears	6,314	19,282	2,800	18,359
Contractual penalties	30,622	5,338	30,622	5,338
Subscriptions	720,270	787,676	633,249	706,383
Expenses of fees and commissions	3,546,641	3,951,546	—	—
Deposits Guarantee Fund/Resolution unified Fund	212,410	235,035	—	—
Indemnities	286,474	662,575	132,834	524,942
Other costs	2,882,423	3,147,690	566,864	314,656
Outros gastos e perdas operacionais	**16,194,526**	**18,075,662**	**8,752,418**	**9,648,982**

The caption “Taxes and other fees” in the **Group** includes the amounts of 1,388,485 Euros and 1,406,284 Euros, for the years ended 31 December 2020 and 31 December 2021, respectively, relating to ANACOM fees.

The caption "Deposits Guarantee Fund/ Resolution unified Fund", previously designated by “Other contributions” essentially includes:

a) The amounts of 82,360 Euros and 184,903 Euros as at 31 de December 2020 and 31 December 2021, respectively, related to the Contribution for the single resolution fund under the Unique Resolution Mechanism and in accordance with paragraph 2 of Article 70 of Regulation (EU) no. 806/2014 of the European Parliament and of the Council of 15 July 2014;
b) The amounts of 127,511 Euros and 46,597 Euros as at 31 de December 2020 and 31 December 2021, respectively, of periodic contributions that must be paid to the Resolution Fund, as set forth in Decree-Law no. 24/2013.

The periodic contributions for the Resolution Fund are calculated according to a basic rate applicable every year, determined by Banco de Portugal, by instruction, which can be adjusted according to the institution's risk profile, on the objective basis of assessment of these contributions. The periodic contributions are incident on the liabilities of the institutions participating in the Fund, defined under the terms of article 10 of the aforesaid Decree-Law, minus the liability items that are part of the of the core own funds (Tier 1 Capital), supplementary own funds (Tier 2 Capital) and deposits covered by the Deposit Guarantee Fund.

The Single Supervisory Mechanism (SSM) is one of the three pillars of the Banking Union (the Single Supervisory Mechanism, the Single Resolution Mechanism and a Common System for Deposit Protection). The SSM model distinguishes between significant credit institutions (under direct supervision of the ECB) and less significant credit institutions (under indirect supervision of the ECB and direct supervision of the competent national authorities, with articulation and reporting to the ECB), based on quantitative and qualitative criteria. Banco CTT is classified as a Less Significant Entity (LSE).

The "Contribution of the banking sector" is calculated in accordance with the provisions in Law 55-A/2010, with the amount determined based on: (i) the annual average liability stated on the balance sheet, minus core own funds (Tier 1 Capital) and supplementary own funds (Tier 2 Capital) and the deposits covered by the Deposit Guarantee Fund; and (ii) the notional value of the derivative financial instruments. For the year ended at 31 December 2020 and 31 December 2021, these amounts were, respectively, 304,284 Euros and 126,594 Euros and are booked under the caption “Taxes and other fees”.

The caption “Expenses of fees and commissions” is detailed as follows:

Group	2020	2021
Expenses of fees and commissions		
From banking services	3,391,067	3,805,026
From securities operations	108,109	116,896
From other services	47,466	29,623
	3,546,641	**3,951,545**

49. Gains/losses on disposals of assets

For the years ended 31 December 2020 and 31 December 2021, the heading Gains/losses on disposals of assets of the **Group** and the **Company** had the following detail:

	Group		Company	
	2020	2021	2020	2021
Losses on disposal of assets	(244,025)	(215,725)	(281)	(134,534)
Gains on disposal of assets	695,494	1,172,263	678,783	1,121,864
	451,469	**956,539**	**678,502**	**987,331**

In the year ended 31 December 2020, this caption includes, in the **Group** and **Company**, mainly the accounting gain obtained on the sale of properties and goods, previously recognized as Tangible Assets and “Investment Properties”, standing out the gain of 590 thousand Euros associated with the sale contract of the building held by the company in Sintra.

In the period ended 31 December 2021, this caption includes the sale of the property located in Santarém, classified in the previous year as a non-current asset held for sale, with the amount of 1,026 thousand Euros as a gain.

50. Interest expenses and Interest income

For the years ended 31 December 2020 and 31 December 2021, the heading Interest Expenses of the **Group** and the **Company** had the following detail:

	Group		Company	
	2020	2021	2020	2021
Interest expenses				
Bank loans	1,678,800	1,724,653	1,627,967	1,645,907
Lease liabilities	3,270,933	3,066,925	2,075,214	1,853,571
Other interest	150,938	18,434	150,936	18,434
Interest costs from employee benefits (Note 32)	4,467,065	3,586,189	4,439,253	3,560,938
Other interest costs	92,450	136,212	72,643	89,132
	9,660,185	**8,532,413**	**8,366,012**	**7,167,982**

During the years ended 31 December 2020 and 31 December 2021, the **Group** and the **Company** heading Interest income was detailed as follows:

	Group		Company	
	2020	**2021**	**2020**	**2021**
Interest income				
Deposits in credit institutions	20,091	19,048	3,393	116
Loans to Group companies [(1)]	—	—	521,845	852,110
Other supplementary income	—	6,346	—	—
	20,091	**25,394**	**525,238**	**852,226**

(1) Includes subsidiary, associated and joint-ventures companies.

51. Income tax for the period

GRI 201-1, 207-1, 207-2

Companies with head office in Portugal are subject to tax on their profit through Corporate Income Tax (“IRC”) at the normal tax rate of 21%, whilst the municipal tax is established at a maximum rate of 1.5% of taxable profit, and State surcharge is 3% of taxable profit between 1,500,000 Euros and 7,500,00 Euros, 5% of taxable profit between 7,500,000 and to 35,000,000 Euros and 9% of the taxable profit above 35,000,000 Euros. CTT – Expresso, S.A., Spain branch is subject to income taxes in Spain, through income tax (Impuesto sobre Sociedades - “IS”) at a rate of 25%, and the subsidiary CORRE is subject to corporate income tax in Mozambique (“IRPC”) at a rate of 32%.

Corporate income tax is levied on CTT and its subsidiaries CTT – Expresso, S.A., Payshop Portugal, S.A, CTT Contacto, S.A. and Banco CTT, S.A., 321 Crédito – Instituição Financeira de Crédito, S.A. e CTT Soluções Empresariais, S.A. as a result of the option for the Special Regime for the Taxation of Groups of Companies (“RETGS”) application. The remaining companies are taxed individually. The entities 321 Crédito – Instituição Financeira de Crédito S.A. and CTT Soluções Empresariais, S.A. integrated the RETGS in the current financial year.

Reconciliation of the income tax rate

For the years ended 31 December 2020 and 31 December 2021, the reconciliation between the nominal rate and the effective income tax rate of the **Group** and the **Company** was as follows:

	Group		Company	
	31.12.2020	31.12.2021	31.12.2020	31.12.2021
Earnings before taxes (a)	23,125,507	50,807,502	24,061,113	42,824,969
Nominal tax rate	21.0%	21.0%	21.0%	21.0%
	4,856,357	**10,669,575**	**5,052,834**	**8,993,243**
Tax Benefits	(414,000)	(282,207)	(291,026)	(213,856)
Accounting capital gains/(losses)	(142,485)	(85,469)	(142,485)	(207,339)
Tax capital gains/(losses)	79,823	136,741	79,823	139,305
Equity method	365,721	529,493	365,721	(4,634,486)
Provisions not considered in the calculation of deferred taxes	67,912	(99,550)	8,174	7,739
Impairment losses and reversals	543,524	606,781	397,220	601,841
Compensation for insurable events	56,265	139,276	23,946	110,238
Depreciation and car rental charges	50,916	29,084	21,841	22,763
Credits uncollectible	12,804	51,138	8,709	23,576
Difference between current and deferred tax rates	(12,451)	(13,378)	(12,451)	(13,378)
Fines, interest, compensatory interest and other charges	42,318	18,912	15,594	12,876
Other situations, net	(330,516)	(846,310)	(1,219,862)	277,632
Adjustments related with - autonomous taxation	753,513	794,710	654,732	698,546
Adjustments related with - undistributed variable remuneration	894,342	92,848	888,942	90,619
Tax losses without deferred tax	—	9,539	—	—
SIFIDE tax credit	(3,300,000)	(2,386,565)	(825,000)	(2,227,666)
Insuficiency / (Excess) estimated income tax	943,767	118,260	1,091,958	(19,099)
Subtotal (b)	4,467,808	9,482,879	6,118,669	3,662,554
(b)/(a)	19.32%	18.66%	25.43%	8.55%
Adjustments related with - Municipal Surcharge	561,129	792,701	326,873	387,033
Adjustments related with - State Surcharge	1,330,036	1,940,620	894,576	1,095,110
Income taxes for the period	**6,358,973**	**12,216,200**	**7,340,119**	**5,144,697**
Effective tax rate	27.50%	24.04%	30.51%	12.01%
Income taxes for the period				
Current tax	8,354,687	15,566,310	7,341,342	7,689,772
Deferred tax	360,519	(1,081,805)	(268,181)	(298,309)
SIFIDE tax credit	(3,300,000)	(2,386,565)	(825,000)	(2,227,666)
Insuficiency / (Excess) estimated income tax	943,767	118,260	1,091,958	(19,099)
	6,358,973	**12,216,200**	**7,340,119**	**5,144,697**

For the period ended 31 December 2021, the caption “SIFIDE Tax Credit” refers to the reimbursement of SIFIDE for the year 2018 and 2019, as well as the Tax Credit for 2020.

In 2021, the **Group** also recognized a tax credit in the amount of 1,120,914 Euros, the amount of which is reflected in the caption “SIFIDE Tax Credit”, as a result of contributions to the TechTree Fund. This credit was recognized under IFRIC 23 standard, considering its specificities and estimation of the probability of its effective attribution.

In 2020, the **Group** also recognized a tax credit in the amount of 3,300,000 Euros, as a result of contributions to the TechTree Fund, which estimate complied with the aforementioned standards. In the current year, under the same standard, the **Group** reassessed the estimate and concluded that the amount of 825,000 Euros would not be recoverable, so it derecognised it. This amount is recorded under the caption "Insufficiency/(Excess) estimated income tax". This caption also records the excess estimate of income tax for the year 2020, in the net amount of 706,740 Euros.

Deferred taxes

As at 31 December 2020 and 31 December 2021, the balance of the **Group** and the **Company** deferred tax assets and liabilities was composed as follows:

	Group		Company	
	31.12.2020	31.12.2021	31.12.2020	31.12.2021
Deferred tax assets				
Employee benefits - healthcare	75,968,984	73,832,987	75,924,327	73,787,451
Employee benefits - pension plan	73,758	68,583	—	—
Employee benefits - other long-term benefits	3,186,436	4,208,731	3,182,468	4,204,763
Impairment losses and provisions	4,936,452	4,139,032	3,229,146	2,848,123
Tax losses carried forward	786,994	2,078,911	—	—
Impairment losses in tangible fixed assets	408,756	481,187	408,756	481,187
Long-term variable remuneration (Board of diretors)	53,978	455,400	53,978	455,400
Land and buildings	355,770	343,652	355,770	343,652
Tangible assets' tax revaluation regime	1,603,577	1,282,862	1,603,577	1,282,862
Other	517,163	363,742	22,622	12,568
	87,891,868	**87,255,087**	**84,780,644**	**83,416,006**
Deferred tax liabilities				
Revaluation of tangible fixed assets before IFRS	1,955,171	1,684,213	1,955,171	1,684,213
Suspended capital gains	703,836	658,042	684,191	658,042
Non-current assets held for sale	83,010	42,718	—	—
Other	51,681	42,540	—	—
	2,793,698	**2,427,513**	**2,639,362**	**2,342,255**

The deferred tax asset related to Tangible assets tax revaluation regime was recognized following the Companies' accession to the regime established in Decree-Law no. 66/2016, of 3 November. In the year ended 31 December 2021 the deferred tax asset amounts to 1,282,862 Euros.

As at 31 December 2020, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 3.2 million Euros and 0.4 million Euros, respectively, regarding the **Group** and the **Company**.

During the years ended 31 December 2020 and 31 December 2021, the movements which occurred under the deferred tax headings of the **Group** and the **Company** were as follows:

	Group		Company	
	31.12.2020	31.12.2021	31.12.2020	31.12.2021
Deferred tax assets				
Opening balances	89,329,806	87,891,869	85,539,541	84,780,644
Changes in the consolidation perimeter				
Effect on net profit	(104,541)	(745,695)	(104,541)	(771,036)
Employee benefits - healthcare	—	3,037	—	—
Employee benefits - pension plan	317,812	1,022,295	313,844	1,022,295
Employee benefits - other long-term benefits	(90,940)	(797,419)	104,862	(381,023)
Impairment losses and provisions	(502,991)	1,291,917	—	—
Tax losses carried forward	22,946	72,431	22,946	72,431
Impairment losses in tangible fixed assets	53,978	—	53,978	—
Long-term variable remuneration (Board of diretors)	—	401,422	—	401,422
Land and buildings	(1,039)	(12,118)	(1,039)	(12,118)
Tangible assets' tax revaluation regime	(320,715)	(320,715)	(320,715)	(320,715)
Other	52,981	(154,405)	(17,110)	(10,054)
Effect on equity				
Employee benefits - healthcare	(766,465)	(1,390,302)	(811,122)	(1,365,840)
Employee benefits - pension plan	(10,910)	(7,230)	—	—
Other	(88,054)	—	—	—
Closing balance	**87,891,868**	**87,255,087**	**84,780,644**	**83,416,006**

	Group		Company	
	31.12.2020	31.12.2021	31.12.2020	31.12.2021
Deferred tax liabilities				
Opening balances	2,958,115	2,793,698	2,855,318	2,639,362
Changes in the consolidation perimeter				
Effect on net profit	(182,111)	(270,958)	(182,111)	(270,958)
Revaluation of tangible fixed assets before IFRS adoption	(33,845)	(26,149)	(33,845)	(26,149)
Suspended capital gains	—	(40,292)	—	—
Other	—	16,344	—	—
Effect on equity				
Fair Value Reserve	19,645	(13,384)	—	—
Other	31,895	(31,746)	—	—
Closing balance	**2,793,698**	**2,427,513**	**2,639,362**	**2,342,255**

The tax losses carried forward are related to the losses of the subsidiaries Tourline and Transporta which were merged by incorporation into CTT Expresso, S.A., in 2019, and are detailed as follows:

	31.12.2020		31.12.2021	
Group	**Tax losses**	**Deferred tax assets**	**Tax losses**	**Deferred tax assets**
CTT – Expresso, S.A., branch in Spain	72,471,042	—	75,434,282	—
CTT Expresso/Transporta	6,142,786	783,366	13,747,683	2,075,283
Total	**78,613,828**	**783,366**	**89,181,965**	**2,075,283**

Regarding CTT – Expresso, S.A., branch in Spain (prior Tourline), the tax losses of the years 2008, 2009 and 2011 may be reported in the next 15 years, the tax losses related to 2012, 2013 and 2014 may be carried forward in the next 18 years and the tax losses of the years 2015, 2016, 2017,2018, 2019, 2020 and 2021 have no time limit for deduction. No deferred tax assets associated with CTT Expresso branch in Spain's tax losses were recognized, given its losses history. The **Group** will continue to monitor in 2021 the compliance with the new approved business plan, which foresees an increase in revenues and profitability of the Express operation in Spain, reassessing whether the compliance degree with the defined purposes allows to ensure of those amounts' recoverability and the possibility of deferred tax assets recognition.

Regarding to CTT Expresso/ Transporta, the tax losses presented refer to the losses of Transporta for the years 2014 and 2015 and 2017 and 2018, since in 2019 this company was incorporated into CTT Expresso, which can be reported in the next 14 years (previously 12 years, but extended to 14 years under exceptional measures approved to deal with adverse consequences caused by the COVID Pandemic), for the years 2014 and 2015 and 7 years (previously 5 years, but extended to 7 years within the scope of exceptional measures approved to deal with adverse consequences caused by the COVID Pandemic) for the years 2017 and 2018. The recognition of deferred tax assets related to Transporta's tax losses is supported by the estimate of future taxable profits of CTT Expresso, based on the company's 8-year business plan (ie, until 2029). The main assumptions used in the preparation of the company's business plan are disclosed in note 9 - Goodwill (impairment tests with a timeliness of 5 years), and the growth for the 8-year plan was subsequently projected, based on the results background, experience and future growth prospects of this business unit.

It should be noted that, following the acquisition of Transporta, a request was made to maintain the tax losses that had been determined with reference to the periods of 2014 and 2015 (in the amounts of 4,536,810 Euros and 3,068,088 Euros, available for reporting until 2028 and 2029, respectively), for which a favourable response was obtained from the Tax Authority during 2021.

The sensitivity analysis performed allows us to conclude that a 1% reduction in the underlying rate of deferred tax would imply an increase in the income tax for the period of about 2.45 million Euros in the **Group** and in the **Company**.

<u>SIFIDE</u>

Considering the historical data associated with this reality, the **Group** and the **Company** policy for recognition of fiscal credits regarding SIFIDE tend to be the recognition of the credit at the moment of the effective receipt from the commission certification statement, certifying the eligibility of expenses presented in the applications for tax benefits.

With regard to R&D expenses incurred by the **Group** and the **Company** in the 2019 financial year, during the 2021 period, a tax credit of 753,235 Euros and 594,336 Euros, respectively, was attributed by the Certifying Committee.

With regard to R&D expenses incurred by the **Group** and the **Company** in the 2020 financial year, with the submission of the application, these amounted to approximately 5,304,741 Euros and 2,863,555 Euros, respectively, with the **Group** and the **Company** the possibility of benefiting from an income tax deduction estimated at 3,850,195 Euros and 1,889,956 Euros respectively.

As for the 2021 financial year, the **Group** and the **Company** are still identifying and quantifying the expenses incurred with R&D that will be included in the applications that will be submitted during the course of 2022.

Other information

Pursuant to the legislation in force in Portugal, income tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except when there have been tax losses, tax benefits have been received, or when inspections, claims or challenges are in progress, in which cases, depending on the circumstances, these years are extended or suspended. Therefore, CTT's income tax returns from 2018 and onwards may still be reviewed and corrected.

The Board of Directors of the **Company** believes that any corrections arising from reviews/inspections by the tax authorities of these income tax returns will not have a significant effect on the consolidated financial statements as at 31 December 2021.

52. Related parties

The Regulation on Assessment and Control of transactions with CTT related parties defines related party as: qualified shareholder, manager, subsidiaries companies' managers or third party with any of these related through relevant commercial or personal interest (under the terms of IAS 24) and also subsidiaries, associates and joint ventures of CTT. It is considered that there is a "relevant commercial or personal interest" in relation to (i) close family members of the managers, subsidiaries companies' managers and qualified shareholders who, at each moment, have significant influence on CTT, as well as (ii) controlled entities (individually or jointly), either by management, subsidiaries companies' managers qualified shareholders or by the persons referred to in (i). For this purpose, "control" is considered to exist when an investor is exposed or holds rights in relation to variable results through its relationship with it and has the capacity to affect those results through the power it exercises over the investee.. Additionally, "close family members" are: (i) the spouse or domestic partner and (ii) the children and dependents of the person and persons referred to in (i).

According to the Regulation, the significant transactions with related parties, as well as transactions that members of the Board of Directors of CTT and/or its subsidiaries conduct with CTT and/or its subsidiaries, must be previously approved by resolution of Board of Directors, preceded by a prior favorable opinion of Audit Committee , except when included in the normal company´s business and no special advantage is granted to the director directly or by an intermediary. Significant transaction is any transaction with a related party whose amount exceeds one million Euros, and / or carried out outside current activity scope of CTT and / or subsidiaries and / or outside market conditions.

The other related parties' transactions are approved by Executive Committee, to the extent of the related delegation of powers, and subject to subsequent examination by the Audit Committee.

During the years ended 31 December 2020 and 31 December 2021, the following transactions took place and the following balances existed with related parties, regarding the **Group:**

Group	2020					
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends	Financial investments / Increase in share capital
Shareholders	—	—	—	25,850	—	—
Group companies						
Associated companies	—	—	6,675	63,788	—	—
Jointly controlled	504,980	—	1,109,947	—	—	2,678,381
Members of the (Note 44)						
Board of Directors	—	—	—	2,550,344	—	—
Audit Committee	—	—	—	153,779	—	—
Remuneration Committee	—	—	—	31,910	—	—
General Meeting	—	—	—	14,000	—	—
	504,980	**—**	**1,116,622**	**2,839,671**	**—**	**2,678,381**

Group	2021					
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends	Financial investments / Increase in share capital
Shareholders	—	—	—	—	12,750,000	—
Group companies						
Associated companies	—	—	—	—	—	—
Jointly controlled	257,998	—	1,104,799	377,459	—	1,789,528
Members of the (Note 44)						
Board of Directors	—	—	—	4,090,171	—	—
Audit Committee	—	—	—	141,429	—	—
Remuneration Committee	—	—	—	19,800	—	—
General Meeting	—	—	—	14,000	—	—
	257,998	**—**	**1,104,799**	**4,642,859**	**12,750,000**	**1,789,528**

During the years ended 31 December 2020 and 31 December 2021, the following transactions took place and the following balances existed with related parties, regarding the **Company**:

Company	2020							
	Accounts receivable	**Shareholders and Group companies (DB)**	**Accounts payable**	**Shareholders and Group companies (CB)**	**Revenues**	**Costs**	**Interest income**	**Financial investments / Increase in share capital**
Shareholders	—	—	—	—	—	25,850	—	—
Group companies								
Subsidiaries	16,014,307	34,670,773	3,584,532	25,403,385	38,665,470	3,276,842	521,845	1,250,000
Associated companies	—	—	—	—	—	—	—	—
Joint Ventures	332,450	—	—	—	—	—	—	2,678,381
Other related parties	123,370	73,691	255,574	—	918,404	2,693,601	—	—
Members of the (Note 44)								
Board of Directors	—	—	—	—	—	2,550,344	—	—
Audit Committee	—	—	—	—	—	153,779	—	—
Remuneration Committee	—	—	—	—	—	31,910	—	—
General Meeting	—	—	—	—	—	14,000	—	—
	16,470,126	**34,744,464**	**3,840,106**	**25,403,385**	**39,583,874**	**8,746,326**	**521,845**	**—**

DB - Debit balance; CB - Credit balance

Company	2021										
	Accounts receivable	**Shareholders and Group companies (DB)**	**Rights-of-Use**	**Lease liabilities**	**Accounts payable**	**Shareholders and Group companies (CB)**	**Revenues**	**Costs**	**Interest income**	**Dividends**	**Financial investments / Increase in share capital**
Shareholders	—	—	—	—	—	—	—	—	—	12,750,000	—
Group companies											
Subsidiaries	28,296,849	59,967,805	140,883	141,275	3,389,371	23,551,847	44,659,307	5,753,706	852,110	—	12,275,500
Associated companies	—	—	—	—	—	—	—	—	—	—	—
Joint Ventures	111,593	—	—	—	—	—	272,294	60,679	—	—	1,789,528
Other related parties	216,222	—	—	—	625,019	—	1,118,759	3,130,482	—	—	—
Members of the (Note 44)											
Board of Directors	—	—	—	—	—	—	—	4,090,171	—	—	—
Audit Committee	—	—	—	—	—	—	—	141,429	—	—	—
Remuneration Committee	—	—	—	—	—	—	—	19,800	—	—	—
General Meeting	—	—	—	—	—	—	—	14,000	—	—	—
	28,624,664	**59,967,805**	**140,883**	**141,275**	**4,014,390**	**23,551,847**	**46,050,361**	**13,210,267**	**852,110**	**12,750,000**	**14,065,028**

DB - Debit balance; CB - Credit balance

Regarding the **Company**, as at 31 December 2020 and 31 December 2021, the nature and detail, by company of the **Group**, of the main debit and credit balances was as follows:

	2020					
Company	**Accounts receivable**	**Shareholders and Group companies (DB)**	**Total accounts receivable**	**Accounts payable**	**Shareholders and Group companies (CB)**	**Total accounts payable**
Subsidiaries						
Banco CTT, S.A.	842,112	—	842,112	724	13,650,982	13,651,705
CTT Expresso,S.A.	14,236,012	33,630,000	47,866,012	3,401,415	11,752,403	15,153,817
CTT Contacto, S.A.	285,617	40,773	326,390	182,394	—	182,394
CORRE - Correio Expresso Moçambique, S.A.	650,565	—	650,565	—	—	—
CTT Soluções Empresariais, S.A.	—	1,000,000	1,000,000	—	—	—
Associated companies						
Multicert - Serviços de Certificação Electrónica, S.A.	—	—	—	—	—	—
Joint Ventures						
NewPost, ACE	332,450	—	332,450	—	—	—
Mktplace - Comércio Eletrónico, S.A	—	—	—	—	—	—
Other related parties						
Payshop Portugal, S.A.	106,741	73,691	180,432	255,574	—	255,574
321 Crédito – Instituição Financeira de Crédito, S.A.	16,629	—	16,629	—	—	—
	16,470,126	**34,744,464**	**51,214,590**	**3,840,106**	**25,403,385**	**29,243,491**

DB - Debit balance; CB - Credit balance

	2021							
Company	**Accounts receivable**	**Shareholders and Group companies (DB)**	**Total accounts receivable**	**Right of use**	**Lease liabilities**	**Accounts payable**	**Shareholders and Group companies (CB)**	**Total accounts payable**
Subsidiaries								
Banco CTT, S.A.	832,324	—	832,324	—	—	—	11,796,267	11,796,267
CTT Expresso,S.A.	26,085,362	39,830,001	65,915,363	140,883	141,275	2,938,595	10,971,080	13,909,676
CTT Contacto, S.A.	251,049	749,999	1,001,048	—	—	450,775	711,510	1,162,286
CORRE - Correio Expresso Moçambique, S.A.	686,979	—	686,979	—	—	—	—	—
CTT Soluções Empresariais, S.A.	441,136	14,700,000	15,141,136	—	—	—	72,988	72,988
CTT IMO - Sociedade Imobiliária, S.A.	—	4,687,804	4,687,804	—	—	—	—	—
Associated companies								
Joint Ventures								
NewPost, ACE	111,593	—	111,593	—	—	—	—	—
Mktplace - Comércio Eletrónico, S.A	—	—	—	—	—	—	—	—
Other related parties								
Payshop Portugal, S.A.	190,712	—	190,712	—	—	625,019	—	625,019
321 Crédito – Instituição Financeira de Crédito, S.A.	25,191	—	25,191	—	—	—	—	—
NewSpring Services, S.A.	319	—	319	—	—	—	—	—
HCCM - Outsourcing Investment, S.A.	—	—	—	—	—	—	—	—
	28,624,664	**59,967,805**	**88,592,469**	**140,883**	**141,275**	**4,014,390**	**23,551,847**	**27,566,236**

DB - Debit balance; CB - Credit balance

As far as the **Company** is concerned, during the years ended 31 December 2020 and 31 December 2021, the nature and detail, by company of the **Group**, of the main transactions was as follows:

Company	2020									
	Assets acquired	Services to be reinvoiced	Assets sold	Sales and services rendered	Other operating revenues	Supplies and external services	Other operating costs	Depreciation of rights of use / Interest on lease liabilities	Interest Income	Financial investments / Increase in share capital
Subsidiaries										
Banco CTT, S.A.	—	—	—	1,213,785	3,104,527	—	—	—	—	—
CTT Expresso,S.A.	168,150	93,590	272,758	356,025	31,928,782	2,161,114	—	44,820	521,845	—
CTT Contacto, S.A.	—	119,488	20,506	1,790	2,060,561	1,070,908	—	—	—	—
CORRE - Correio Expresso Moçambique, S.A.	—	—	—	—	219,261	—	—	—	—	—
CTT Soluções Empresariais, S.A.	—	—	—	—	—	—	—	—	—	250,000
Fundo Techtree, FCR	—	—	—	—	—	—	—	—	—	1,000,000
Associated companies										
Multicert - Serviços de Certificação Electrónica, S.A.	—	—	—	13,349	—	33	48,550	—	—	—
Joint Ventures										
NewPost, ACE	—	—	—	—	—	—	—	—	—	—
Mktplace - Comércio Eletrónico, S.A	—	—	—	617,809	—	—	—	—	—	2,678,381
Other related parties										
Payshop Portugal, S.A.	—	—	179,439	188,944	729,460	2,693,601	—	—	—	—
321 Crédito – Instituição Financeira de Crédito, S.A.	—	—	—	150,962	—	—	—	—	—	—
	168,150	**213,078**	**472,703**	**2,542,663**	**38,042,592**	**5,925,655**	**48,550**	**44,820**	**521,845**	**3,928,381**

Company	2021									
	Assets acquired	Services to be reinvoiced	Assets sold	Sales and services rendered	Other operating revenues	Supplies and external services	Other operating costs	Depreciation of rights of use / Interest on lease liabilities	Interest Income	Financial investments / Increase in share capital
Subsidiaries										
Banco CTT, S.A.	—	—	—	1,324,512	3,907,622	—	152	—	—	10,000,000
CTT Expresso,S.A.	410,800	77,316	672,861	388,411	36,198,449	1,869,753	—	52,232	739,907	—
CTT Contacto, S.A.	—	67,913	20,512	1,447	2,238,000	3,831,570	—	—	—	—
CORRE - Correio Expresso Moçambique, S.A.	—	—	—	—	222,581	—	—	—	—	—
CTT Soluções Empresariais, S.A.	—	—	52,019	5,139	373,146	—	—	—	112,203	—
CTT IMO - Sociedade Imobiliária, S.A.	—	—	—	—	—	—	—	—	—	250,000
Open Lockers, S.A.	—	—	—	—	—	—	—	—	—	25,500
Fundo Techtree, FCR	—	—	—	—	—	—	—	—	—	2,000,000
Joint Ventures										
NewPost, ACE	—	—	—	—	—	—	—	—	—	—
Mktplace - Comércio Eletrónico, S.A	—	—	—	—	272,294	58,779	1,900	—	—	1,789,528
Other related parties										
Payshop Portugal, S.A.	—	—	173,110	187,233	634,791	3,127,982	—	—	—	—
321 Crédito – Instituição Financeira de Crédito, S.A.	—	—	—	266,424	—	—	—	—	—	—
NewSpring Services, S.A.	—	—	—	30,310	—	2,500	—	—	—	—
HCCM - Outsourcing Investment, S.A.	—	—	—	—	—	—	—	—	—	—
	410,800	**145,229**	**918,502**	**2,203,477**	**43,846,884**	**8,890,583**	**2,052**	**52,232**	**852,110**	**14,065,028**

In the context of transactions with related parties, no commitments were made, nor were any guarantees given or received in addition to the comfort letters assumed regarding CTT Expresso, branch in Spain, mentioned in Note 33.

No provision was recognized for doubtful debts or expenses recognized during the period in respect of bad or doubtful debts owed by related parties.

The remunerations attributed to the members of the statutory bodies of CTT, S.A. are disclosed in note 44 – Staff Costs.

53. Fees and services of the external auditors

The audit and legal review fees recorded in 2021 related to all companies' annual accounts that integrate the **Group**, amounted to 658,774 Euros. In addition, other assurance services fees, which include the half-yearly review, and other non-review or audit services amounted to 220,429 Euros.

The information concerning the fees and services provided by the external auditors is detailed in chapter 5.2.5 section 47 of the Integrated Report.

54. Information on environmental matters

The environmental responsibility is one of the relevant topics identified in the course of CTT stakeholders' materiality exercise and mapping and integrates the Sustainability strategy of the **Group**, from a perspective of risk and opportunity management, as presented in more detail in sections 2.3, 2.4 and 4.5 of the Integrated Report.

To the extent of our knowledge, there are no current environmental liabilities or obligations, whether legal or constructive, related to environmental matters that should lead to the constitution of provisions.

55. Provision of insurance mediation service

In accordance with the Regulatory Standard of the Instituto de Seguros de Portugal (Portuguese Insurance Institute) no. 15/2009-R of 30 December 2009, the **Group** and the **Company** disclose the relevant information regarding the activity of insurance mediation according to article 4 of the above-mentioned Regulatory Standard.

a) Description of the accounting policies adopted for the recognition of revenue

   The accounting policies adopted for the recognition of revenue regarding the provision of insurance mediation services is detailed in Note 2.29.

b) Indication of total revenue received detailed by nature

	Group		Company	
By nature	**2020**	**2021**	**2020**	**2021**
Cash	5,354,859	7,166,037	1,050,363	1,197,302
Kind	—	—	—	—
Total	**5,354,859**	**7,166,037**	**1,050,363**	**1,197,302**

	Group		Company	
By type	**2020**	**2021**	**2020**	**2021**
Commissions	5,354,859	7,166,037	1,050,363	1,197,302
Fees	—	—	—	—
Other remuneration	—	—	—	—
Total	**5,354,859**	**7,166,037**	**1,050,363**	**1,197,302**

c) Indication of total revenues relating to insurance contracts intermediated by the **Company** detailed by Branch Life and Non-Life

	Group		Company	
	2021		2021	
By entity	**Branch Life**	**Branch Non-Life**	**Branch Life**	**Branch Non-Life**
Insurance Companies	6,417,189	748,848	1,116,903	80,400
Other mediators	—	—	—	—
Customers (other)	—	—	—	—
Total	**6,417,189**	**748,848**	**1,116,903**	**80,400**

d) Indication of the existence of concentration levels at the level of insurance companies, other mediators, which are equal or greater than 25% of the total remuneration earned by the portfolio

	Group		Company	
By entity	**2020**	**2021**	**2020**	**2021**
Insurance Companies	—	—	—	—
FIDELIDADE	19.42%	22.45%	95.86%	73.61%
ZURICH	42.66%	41.43%	—	—
Other mediators	—	—	—	—
Customers (other)	—	—	—	—

e) Values of customers' accounts, at the beginning at the end of the year, as well as the volume handled over the year applicable to insurance intermediaries that handle funds related to insurance contracts

	Group		Company	
Accounts 'Customers'	**2020**	**2021**	**2020**	**2021**
Open Balance	—	—	—	—
Closing Balance	—	—	—	—
Volume handled				
Debt	32,285,639	208,208,154	23,248,050	201,892,159
Credit	9,918,148	44,298,592	111,671	38,347,543

f) Accounts receivable and payable broken down by source

	Group			
	Accounts receivable		Accounts payable	
By entity	**2020**	**2021**	**2020**	**2021**
Policyholders, insureds or beneficiaries	—	—	—	—
Insurance companies	9,233,482	7,037,050	1,044,407	2,495,600
Reinsurance undertakings	—	—	—	—
Other mediators	—	—	—	—
Customers (other)	—	—	—	—
Total	**9,233,482**	**7,037,050**	**1,044,407**	**2,495,600**

By entity	Company			
	Accounts receivable		Accounts payable	
	2020	2021	2020	2021
Policyholders, insureds or beneficiaries	—	—	—	—
Insurance companies	8,405,693	5,844,314	145,035	777,458
Reinsurance undertakings	—	—	—	—
Other mediators	—	—	—	—
Customers (other)	—	—	—	—
Total	**8,405,693**	**5,844,314**	**145,035**	**777,458**

g) Indication of the aggregate amounts included in accounts receivable and payable

By entity	Group			
	Accounts receivable		Accounts payable	
	2020	2021	2020	2021
Funds received in order to be transferred to insurance companies for payment of insurance premiums	1,624,005	40,071,637	1,256,699	38,728,375
Collecting funds in order to be transferred to insurance companies for payment of insurance premiums	—	—	—	—
Funds entrusted to it by insurance companies in order to be transferred to policyholders, insureds or beneficiaries (or insurance companies in case the activity of reinsurance mediation)	16,279,443	203,061,528	23,248,050	201,892,159
Remuneration in respect of insurance premiums already collected and to be collected	5,354,859	7,166,037	—	—
Other mediators	—		—	—
Total	**23,258,307**	**250,299,202**	**24,504,749**	**240,620,534**

By entity	Company			
	Accounts receivable		Accounts payable	
	2020	2021	2020	2021
Funds received in order to be transferred to insurance companies for payment of insurance premiums	111,671	38,347,543	9,254	37,819,925
Collecting funds in order to be transferred to insurance companies for payment of insurance premiums	—	—	—	—
Funds entrusted to it by insurance companies in order to be transferred to policyholders, insureds or beneficiaries (or insurance companies in case the activity of reinsurance mediation)	16,279,443	203,061,528	23,248,050	201,892,159
Remuneration in respect of insurance premiums already collected and to be collected	1,050,363	1,197,302	—	—
Other mediators	—	—	—	—
Total	**17,441,477**	**242,606,373**	**23,257,304**	**239,712,084**

Note: The remaining paragraphs of the standard do not apply.

The amounts presented above are amounts moved during the year 2020 and 2021.

56. Other information

The **concession agreement** of 01 September 2000 remained in force until 31 December 2021, beyond its expiration date - 31 December 2020 -, following its unilateral extension until 31.12.2021 decided by the Government, as per article 35-W(a) of Decree-Law No. 10-A/2020, of 13 March, as amended by Decree-Law No. 106-A/2020 of 30 December. In February 2021, CTT initiated a formal procedure aimed at the resolution of the issues related to the sustainability of the current concession agreement concerning the years 2020 and 2021. In this context, and following the Government's understanding that the proper mechanism for the resolution of said issues would be via arbitration, on 11 June 2021, CTT initiated arbitration proceedings against the Portuguese Government, as Grantor of the concession. This proceeding aims to protect CTT's rights, specifically: (a) the impact and contractual effects, as those of a compensatory nature (which CTT calculates at around €23m), of the pandemic associated with COVID-19, as well as the public measures adopted in this context, particularly in light of the clauses of the Concession Agreement which regulate changes of circumstance; and (b) the legality, impacts and contractual effects, as those of a compensatory nature (which CTT calculates at around €44m), of the decision to extend the agreement. The proceedings are pending a decision and the production of evidence will start soon.

The aforementioned amounts are those that CTT considers it is entitled to in accordance with currently available data and are subject to updating, assessment and decision in the proceedings that are underway.

Through Executive Order no. 1849/2021, of 18 February, the Government created a working group with the purpose of analysing the evolution of the universal postal service, as well as assessing the need to introduce adjustments in the scope of the universal service and the obligations of its provider. On 3 November 2021, the Portuguese Government approved the Resolution of the Council of Ministers no. 144/2021 of 23 September 2021, which determines the opening of a direct award procedure aimed at appointing CTT as the provider of the universal postal service.

On 29 April 2021, ANACOM approved several decisions relative to the provision of the universal postal service ("USO") after the term of the current concession. These decisions refer to: (i) the criteria setting the formation of prices; (ii) the quality of service parameters and performance targets; (iii) the concept of unreasonable financial charge for purposes of compensation of the net cost of the universal postal service; (iv) the methodology for calculating the net costs of the universal service; (v) the information to be provided by the universal service provider(s) to the users; and (vi) the delivery of postal items at premises other than the domicile.

On 23 December 2021, the Council of Ministers communicated the approval of the decree amending the legal framework applicable to the provision of postal services in Portugal. The corresponding decree was promulgated on 5 February 2022 and Decree-Law no. 22-A/2022 was published on 7 February 2022. The new concession agreement thus came into force and will have a duration of approximately seven years – until 31 December 2028. The main amendments considered in the new regulatory framework arising from the law and the new concession contract are as follows:

1. With regard to pricing criteria:

- Pursuant to the law, pricing criteria will be defined by agreement between CTT, ANACOM and the Consumer Directorate-General for periods of three years; if no agreement is reached, the Government will set out the criteria. This definition shall take into consideration the sustainability and the economic and financial viability of the USO provision, and shall also consider the variation in volumes, the change in relevant costs, the quality of the service provided and the incentive to an efficient provision of the universal service.

- For the year 2022, which will be the transition period, the prices to be implemented by CTT shall respect a maximum annual average variation of 6.80%, which considers the decline in volumes observed in the first nine months of 2021 and the variation of the Consumer Price Index for the Transport expense category, as communicated by the National Statistics Institute for the month of October 2021.

2. With regard to quality of service indicators and performance targets:

- Quality criteria shall be approved by the Government upon ANACOM's proposal, also for three-year periods, following a set of clear guidelines: ensure high levels of quality of service in line with current best practices in the European Union and the relative importance of the postal services covered by the USO, and taking into account the average standards of the European Union countries, applicable for each indicator.
- Quality indicators and performance targets defined by ANACOM on 29 April 2021 shall apply until the definition of new indicators and performance targets; as long as the current indicators remain in force, specifically in 2022, should there be any penalties, these will be translated into investment obligations that result in improvements for the benefit of the service provision and end users.
- In the event of non-compliance with the new quality indicators, the penalty to be applied by the Government will translate into investment obligations or price revisions, in accordance with the principles of proportionality, adequacy, non-discrimination and transparency.

3. Density of the postal network:

- The procedure to define the objectives of postal network density and minimum service offers is maintained, which foresees a decision by ANACOM upon CTT's proposal.
- The current criteria for the definition of objectives remain in force, with the additional obligation of ensuring the existence of a post office in each municipality. This situation already occurs, following the reopening of post offices in municipality seats voluntarily concluded by the Company.

This framework improves the decision-making mechanisms and provides clear criteria to guarantee the provision of the USO under sustainable economic conditions, promoting a better balance between the continuity of the postal service provision and the reinforcement of the Company's capacity to face the challenges of digital transition, pursuing the consistent implementation of its transformation process. For reasons of general interest, only the following activities and services have remained reserved to the concessionaire: sitting of letter boxes on the public highway intended for the deposit of postal items, issue and sale of postage stamps bearing the word Portugal and the registered mail service used in court or administrative proceedings.

As the international public health emergency continued due to the COVID-19 pandemic, Portugal remained in a state of emergency until 30.04.2021, followed by a declaration of disaster situation and by the state of alert as of 19.02.2022, which shall be in force until 22.03.2022. As in the previous year and in the scope of the force majeure clause of the concession agreement, CTT continues to implement the public health rules issued by the competent authorities and to adopt the necessary and appropriate measures to protect workers and customers while ensuring the functioning and continuity of postal services. Until 21.02.2022, CTT continues to periodically submit an update on the situation of the postal network to the Government, as a counterparty in the agreement, and to ANACOM, the regulatory authority responsible for overseeing the provision of the universal postal service. By decision on 28 October 2021, ANACOM granted CTT's request regarding the records deduction, in all domestic flows directly affected by the COVID-19 pandemic for the purposes of calculating the Quality of Service Indicators (QSI) for the year 2021.

The proposal regarding the prices of the universal postal service submitted by CTT on 17 February 2021 was approved by ANACOM by its resolution of 25 March 2021[86]. The prices underlying this proposal, which complied with the defined principles and criteria of price formation, entered into force on 01 April 2021. This update corresponded to an average annual change in the price of the basket of letter mail, editorial mail and parcels services of 1.35%, not including the offer of the universal postal service to bulk mail senders, to whom special prices apply.

The special prices of the postal services included in the universal postal service offer applicable to bulk mail senders were also updated[87] on 01 April 2021 following a proposal presented to the Regulator on 25 March 2021. The aforementioned updates correspond to an average annual price change of 1.72% for 2021, and also take into account the increase in the prices of the reserved services (services for the transmission of judicial and other postal notifications) and of the special prices of bulk mail.

On 24 June 2021, ANACOM stipulated the cost of capital rate to be taken into account in CTT's cost accounting system results in 2021, which was set at 7.4712%, under the terms of the methodology approved by that authority in 2019.

By decision dated 02 September 2021, ratified on 06.09.2021, ANACOM approved the statement of conformity of the results of CTT's cost accounting system for the 2018 financial year, as well as the final decision regarding the determinations to improve the system, following the respective audit, and the report of the prior hearing. The determinations will remain in force after 2021, until the approval of a new decision on this matter.

With regard to the legal proceedings relating to ANACOM's Decision regarding the quality of service parameters and performance targets applicable to the universal postal service provision, dated of July 2018, a decision was passed in the arbitration procedure filed against the Portuguese State. Said decision declared the court incompetent to rule on the merit of the referred quality of service parameters and performance targets and their application, (due to the lack of necessary passive litigation, given that ANACOM, entity responsible for the decision, was not a party to the proceedings); however, with respect to the claim for compensation, the court recognised that ANACOM's decision embodied an abnormal and impressionable change of circumstances, causing damages amounting to €1,869,482. On 19 January 2022, CTT was notified of the State's appeal to the South Administrative Central Court, considering that the arbitration court should have considered itself incompetent to judge both requests.

The administrative proceedings brought against ANACOM, the first one regarding the same decision and the second one concerning the December 2018 resolution regarding the new measurement procedures to be applied to the quality of service indicators, had no relevant developments. The process related to the proposal to enforce eleven contractual fines, initiated in 2018 by ANACOM, within the scope of the Universal Postal Service Concession Agreement, based on alleged breaches of contract obligations during 2015, 2016 and 2017 is still pending a decision. On 30 July 2021, ANACOM initiated new administrative proceedings against CTT for four administrative offences related to the measurement of quality of service indicators, relating to events occurred in 2016 and 2017, partially contested in the administrative action brought against ANACOM in March 2019, relating to the December 2018 resolution on the new measurement procedures to be applied to QSI. The deadline for CTT to reply is in progress. CTT presented its written defence on 30 August 2021. On the same date, CTT was notified of a new indictment for 26 administrative offences concerning facts related to the compliance with the objectives of network density and minimum service offer already covered by the contractual fines proceeding initiated in 2018. CTT presented its defence on 27 September 2021.

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[86] Pursuant to the price formation criteria defined by decision of ANACOM of 12.07.2018, supplemented by decision of 05.11.2018, in the scope of article 14(3) of Law no. 17/2012, of 26 April (Postal Law), as amended by Decree-Law no. 160/2013, of 19 November, and by Law no. 16/2014, of 4 April.

[87] As per article 14(3) of Law no. 17/2012, of 26 April (Postal Law), as amended by Decree-Law no. 160/2013, of 19 November.

COVID-19 Impact

The health situation deterioration in the beginning of 2021, led to a worsening of the containment measures and the introduction of a new general confinement in Portugal, which led to a generalized decrease in economic activity in the first quarter of 2021. The negative impact was concentrated , specially, in private consumption and exports of services, particularly in the tourism sector.

However, this decrease was more moderated than in the first quarter of 2020, due to greater resilience of economic activity, as a result of the adaptation by families and companies to the restrictive measures.

In the second and third quarter, the economic situation has shown a very positive change with the lifting of the containment measures, whose process of returning to normality has initially influenced by the emergence of new strains of the COVID-19 virus. However, the dissemination of vaccination allowed, at the end of the third quarter, an acceleration of the lifting of these restriction measures.

The information available for the fourth quarter points to a continued recovery in economic activity. Exports, especially services, and the components of domestic demand contribute to this growth.

In the coming years, Banco de Portugal projects a growth of the Portuguese economy of 4.8% in 2021 and 5.8% in 2022, followed by a more moderate pace of expansion in 2023 and 2024, 3.1% and 2.0%, respectively. It should be noted that these estimates were made before the most recent developments in Eastern Europe. There is, too, problems have currently been seen in global supply chains, caused by the previously imposed restrictions related to the COVID-19 pandemic. Additionally, it is assumed that these disturbances, which have been reflected in the scarcity of raw materials and other goods and an increase in their costs, will dissipate from the second half of 2022.

The expectation of global economic recovery for 2022 may be conditioned by the latest international developments in Ukraine, harming economic confidence and in particular the prospects of inflation in the near future, especially impacted by the appreciation of energy goods. The inflation rate is expected to remain high, with the Central Banks' reaction to the possibility of a stagflation scenario being particularly uncertain.

Nevertheless, in the year 2021, the COVID-19 pandemic continued to affected consumers and companies, however, the Group maintained its activity in operation, simultaneously seeking to preserve the value of traditional services and continued to invest in new businesses, more linked to digital platforms and e-commerce. In the period end 31 December 2021, there was a growth in operating income and EBIT, driven mainly by the remarkable growth from Expresso and Parcels business followed by Banco CTT, Financial Services & Retail and Mail.

In the context of a pandemic, the Group continued to carry out the following additional analyses:

a. Within the scope of public moratoria (Decree-Law 10-J/2020 and Decree-Law 26/2020): As of 31 December 2021, there were no living moratoria. Of the total expired moratoria, there are around 3.5 million Euros with delays of more than 30 days, which represent about 5.4% of the total of expired moratoria as at 31 December 2021.

b. Analysis of whether there are additional signs of impairment arising from the impacts of COVID-19 on the results of the various businesses of the Group, according to the current forecasts, which could indicate the existence of impairment of goodwill and other non-current assets, namely tangible and intangible assets, with no additional impairments to be recognized;

c. Review of the existence of onerous contracts due to the current situation. No contracts were identified that should be considered as onerous contracts;

d. Monitoring of the evolution of compliance with the financing covenants. No situations of default were identified.

Although the uncertainty regarding the evolution of the pandemic and its effects on the economy and the Group's businesses continues, it is the understanding of the Board of Directors that in view of its financial and liquidity situation, the Group will overcome the negative impacts of this crisis, without jeopardizing the continuity of the business. Management will continue to monitor the threat evolution and its implications in the business and provide all necessary information to its stakeholders.

57. Subsequent events

The Decree-Law no. 22-A/2022, of 7 February, that approved the decree amending the legal framework applicable to the provision of postal services in Portugal was published. The new concession contract entered into force on 8 February 2022. These documents result in a new framework, which improves the decision-making mechanisms and provides clear criteria to ensure the provision of the universal postal service under sustainable economic conditions, promoting a better balance between the continuity of the postal service provision and the reinforcement of the company's capacity to face the challenges of the digital transition, proceeding with the consistent implementation of its transformation process.

On 13 January 2022, the investment in Mktplace - Comércio Eletrónico, SA, (Dott) was sold to Worten - Equipamentos para o Lar, SA. The sale of the investment in Dott, created as an e-commerce benefit with the purpose of promoting the digitization of companies and entry into e-commerce, arise in the context of strengthening the partnership between CTT and Worten in the area of e-commerce. As two logistics companies working to deepen their partnership at the Iberian level, in areas such as instant delivery, several distribution flows for e-commerce and business orders, including fulfilment for sellers on the Worten marketplace, in order to maximize the of the respective businesses.

On 18 January 2022, CTT was notified of the action brought against the company by the companies Vasp Premium – Entrega Personalizada de Publicações, LDA. (Vasp) and Iberomail – Correio Internacional, S.A., (Iberomail) before the Competition, Regulation Court. The action against CTT for abuse of dominant position in the postal services market, from 2012 to the present day, claims for damages estimated at between €69.5m and €158m by Vasp and between €9.5m and €31m by Iberomail, to be ascertained in the course of the proceedings. The lawsuit also requests the conviction of CTT to immediately cease the anti-competitive practices, giving Vasp and Iberomail access to its postal distribution network for their products, at the access points and in the manner intended by those companies, or in the conditions that the Court deems necessary for the access offer to be, in the opinion of those companies, viable. In this context, it should be recalled that, following VASP's complaint to the Competition Authority on 21 November 2014, the proceedings then opened were subject to a decision to close the proceedings, with the imposition of commitments on 5 July 2018. CTT follows the best market practices and considers the request to be totally unfounded. The time limit for contesting the claim is ongoing.

On 16 March 2022, CTT announced the intention of its Board of Directors to propose to the 2022 Annual General Meeting the payment of a dividend of Euro 12 cents per share. This proposal represents a dividend yield of approximately 2.6% and a payout ratio of approximately 47.3% . The proposal is subject to several conditions, including market conditions, CTT’s financial and patrimonial situation and other applicable legal and regulatory terms.

At the same time, CTT announced that its Board of Directors approved the implementation of a share buyback program amounting to the overall value of €18m, equivalent to 2.7% of CTT's market capitalization. This program, to be implemented until the end of 2022, has the objectives of (1) repurchasing a maximum of up to 4.65 million shares, representing a maximum of up to Euro 2,325,000, which corresponds to 3.1% of the share capital, and (2) reducing the same amount of the share capital through the cancellation of the acquired shares.

Recent geopolitical events in Ukraine, military actions taken by Russia and the response of several countries, namely Europeans and the United States, in the form of economic sanctions, could affect global markets, logistics chains and economic developments in general. This is a subsequent non-adjustable event and although CTT has no direct exposure to Russian entities, the conflict may also have indirect impacts for the **Group** which, at the present date, it is not possible to estimate with a reasonable degree of confidence.

With the exception of those mentioned above, after 31 December 2021 and up to the present date, no relevant or material facts have occurred in the **Group**'s and **Company**'s activities that have not been disclosed in the notes to the financial statements.

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Declaration of conformity

8. DECLARATION OF CONFORMITY

For the purposes of article 245(1) currently article 29-G(1)(c) of the Portuguese Securities Code, the members of the Board of Directors and of the Audit Committee of CTT - Correios de Portugal, S.A. ("CTT") identified below hereby declare that, to the best of their knowledge, the management report, the annual individual and consolidated accounts, the statutory auditors' report and auditors' report, and other accounting documents (i) were prepared in compliance with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial position and the results of CTT and the companies included in its consolidation perimeter, (ii) faithfully describe the business evolution, the performance and position of CTT and the companies included in the consolidation perimeter, and (iii) contain a description of the major risks faced by CTT in its activity.

Lisbon, 16 March 2022

The Board of Directors

The (non-executive) Chairman of the Board of Directors

____
Raul Catarino Galamba de Oliveira

The Chief Executive Officer (CEO)

____
João Afonso Ramalho Sopas Pereira Bento

The Member of the Board of Directors and of the Executive Committee

____
António Pedro Ferreira Vaz da Silva

The Member of the Board of Directors and of the Executive Committee (CFO)

____
Guy Patrick Guimarães de Goyri Pacheco

The Member of the Board of Directors and of the Executive Committee

____
João Carlos Ventura Sousa

The Member of the Board of Directors and of the Executive Committee

____
João Miguel Gaspar da Silva

The (non-executive) Member of the Board of Directors and Chairwoman of the Audit Committee

____
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia

The (non-executive) Member of the Board of Directors and of the Audit Committee

____
Steven Duncan Wood

The (non-executive) Member of the Board of Directors

____
Duarte Palma Leal Champalimaud

The (non-executive) Member of the Board of Directors

____
Isabel Maria Pereira Aníbal Vaz

The (non-executive) Member of the Board of Directors

____

Jürgen Schröder

The (non-executive) Member of the Board of Directors

____

Margarida Maria Correia de Barros Couto

The (non-executive) Member of the Board of Directors and of the Audit Committee

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María del Carmen Gil Marín

The (non-executive) Member of the Board of Directors

____

Susanne Ruoff

(SIGNED ON THE ORIGINAL)

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Reports – audit report, report and opinion of the audit committee and independent limited assurance report

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*(Translation from the original document in the Portuguese language.
In case of doubt, the Portuguese version prevails)*

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of CTT - Correios de Portugal, S.A. (the Group), which comprise the Consolidated Statement of Financial Position as at 31 December 2021 (showing a total of 3,585,198,598 euros and a total equity of 174,546,069 euros, including a net profit for the year of 38,591,303 euros), and the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the CTT - Correios de Portugal, S.A. as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent of the entities comprising the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the current year audit are the following:

1. Revenue recognition

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As at 31 December 2021, sales and services rendered in the consolidated financial statements of CTT - Correios de Portugal, S.A. amounts to 758 million euros, of which 741 million euros related to the business segments Mail, Express & Parcels and Financial Services & Retail (note 4).	Our approach included carrying out the following procedures: ► Understanding and evaluation of the design and testing of the operational effectiveness of the relevant controls related with revenue recognition associated with the business segments Mail, Express & Parcels and Financial Services & Retail; ► Understanding of information systems and controls associated with revenue recognition and testing of the integration process; ► Tests of detail for a sample of transactions, obtaining contractual support documentation when applicable and evidence of

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
Revenue recognition associated with these business segments is based on several different contractual terms, different prices by type of sale or service rendered and different revenue recognition policies taking into account the timing of the performance obligation fulfilment, as referred to in note 2.23 of the consolidated financial statements. In addition, there is a complex set of information systems associated with revenue recognition, with the purpose of ensuring its completeness, accuracy and cut-off. Taking into account the materiality of the amounts involved, the degree of judgment associated with the criteria for revenue recognition, as well as the complexity of the information systems associated with it, determines that we consider this topic as a key audit matter.	performance obligation fulfilment, from the initial recognition of the transaction to its receipt; ► Analytical review procedures, namely through monthly analysis compared to the same period of last year, as well as benchmark with observable market data for the business segments of Mail, Express & Parcels and Financial Services & Retail; ► Obtaining support documentation of the most significant manual journal entries, in order to verify the accuracy of the amounts and its accurate cut-off; ► Cut-off tests of detail based on a sample of transactions carried out before and after 31 December 2021; and ► External confirmations for a representative sample of accounts receivable. Our approach has also included checking the adequacy of the applicable disclosures included in notes 2.23 and 4 of the notes to the consolidated financial statements.

2. Employee benefits liabilities

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As at 31 December 2021, employee benefits liabilities in the consolidated financial statements of CTT - Correios de Portugal, S.A. amounts to 282 million euros, mainly related to healthcare and other long-term employee benefits (note 32). CTT - Correios de Portugal, S.A., with the support of an independent actuarial, determine the current value of liabilities with post-employment benefits, however the calculation requires the use of estimates and assumptions by the actuarial and Management, which depend on demographic and financial forecasts, namely the discount rate, the pensions and salaries growth rates, mortality and disability tables and the growth rate of health costs, among others, as disclosed in note 2.21, 2.30 and 32 of the consolidated financial statements. The relevance of this matter in our audit results from the complexity and high level of judgment of the liability assessment model as well as the fact that changes to demographic and financial assumptions may lead to a significant change in the value of employee	Our approach included carrying out the following procedures: ► Understanding and evaluation of the design and testing of the operational effectiveness of the relevant controls in the assessment of the employee benefits liabilities; ► Meetings with Management and the independent actuarial in order to understand the methodology, the main demographic and financial assumptions considered and the main changes that occurred in these assumptions compared to the previous period; ► Reading of the actuarial study prepared with reference to 31 December 2021 and evaluation of the reasonableness of the main assumptions, namely the discount rate, the pensions and salaries growth rates, mortality and disability tables and the growth rate of health costs, with the support of our actuarial specialists; ► Reconciliation of the information included in the actuarial study with the consolidated financial statements as at 31 December 2021; ► Review the accuracy of the beneficiaries' information used in the calculation of the employee benefit liability, for a selected sample; and ► Confirmation of the professional credentials and independence statement of the actuary in relation to the actuarial study prepared as at 31 December 2021.

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
benefit liabilities, determines that we consider this topic as a key audit matter.	Our approach has also included checking the adequacy of the applicable disclosures included in notes 2.21, 2.30 and 32 of the notes to the consolidated financial statements.

3. 321 Crédito S.A. Goodwill recoverability

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As at 31 December 2021, goodwill in the consolidated financial statements of CTT - Correios de Portugal, S.A. amounts to 81 million euros, of which 61 million euros related with the control acquisition of the subsidiary 321 Crédito, S.A. in May 2019 (note 9). Goodwill's recoverability analysis requires Management to define a set of estimates and assumptions based on economic and market forecasts, in particular those relating to the projection of future cash-flows, market shares, margin developments and discount rates. The materiality of the amounts and the degree of judgment associated with the assessment of Goodwill's recoverability require the definition of complex estimates and assumptions by Management, in an environment of constant volatility and increasing uncertainty arising from the macroeconomic impacts of the COVID-19 pandemic, determines that we consider this topic as a key audit matter.	Our approach included carrying out the following procedures: ► Understanding and evaluation of the Group's process for defining the cash generating units, through meetings with Management in order to identify methodologies and main assumptions; ► Understanding of the internal control procedures regarding the process of calculating the recoverable value of the cash generating unit; ► Tests to the arithmetic accuracy and completeness of the impairment test models prepared by Management; ► We evaluated, with the support of internal specialists, the reasonableness of the assumptions that present highest sensitivity and judgment in determining the recoverable value, namely, discount rate, growth rate in the perpetuity and dividends distribution; ► Reconciliation of future cash flows with approved budgets and forecast plans and financial indicators for 2021, as well as the reasonableness assessment of estimates through a retrospective analysis of the actual versus budgeted; and ► Sensitivity analyses evaluation on the assumptions of the impairment model. Our approach has also included checking the adequacy of the applicable disclosures included in notes 2.9 and 9 of the consolidated financial statements.

4. Impairment losses on loans to customers

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As at 31 December 2021, Credit to banking clients, according to note 20 of the notes to the consolidated financial statements, amounts to 1,542 million euros corresponding to credit to bank customers net of impairment charges (note 25 and 45) amounting to 31.1 million euros. The detail of impairment on credit to banking clients and	Our audit approach to impairment on credit to customers included (i) an overall response to the way the audit was conducted and (ii) a specific response that resulted in the design, and subsequent implementation, of audit procedures that included, namely: ► obtaining the understanding, assessment of the design and testing of the operational effectiveness of internal control

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
the accounting policies, methodologies, concepts and assumptions used are disclosed in the notes to the consolidated financial statements (Notes 2.11 and 2.17). The impairment on credit to clients represents Management best estimate of the expected credit loss of the credit portfolio to customers. To calculate this estimate, Management made critical judgments such as the evaluation of the business model, the assessment of the significant increase in credit risk, the classification of exposures in default, the definition of an asset group with similar credit risk characteristics and the use of models and parameters. These parameters are calculated based on historical indicators, when available or benchmarks, in the remaining cases. For relevant individual exposures, the impairment is calculated based on judgments of experts in the credit risk assessment. In addition to the complexity of the models for quantifying impairment losses of the credit portfolio ("models"), its use requires the processing of significant data, the availability and quality of which may not be adequate. Additionally, the effects of the COVID-19 pandemic may not be completely outdated or fully materialized, and its full extent is still uncertain. In this sense, the impairment on credit should weigh on the potential impacts on asset quality. In view of the degree of subjectivity and complexity involved, the use of alternative approaches, models or assumptions may have a material impact on the estimated impairment amount, which, together with its materiality, determines that we consider this topic as a key audit matter.	procedures existing in the process of quantifying impairment losses for credit to customers; ► conducting analytical review tests on the evolution of the amount of impairment on credit to clients, comparing it with the same period and with the expectations, which highlight the understanding of the variations occurred in the credit portfolio and changes in the impairment assumptions and methodologies; ► reading the minutes of the Equity and Risk Committee and Global Risk Committee and correspondence with Banco de Portugal; ► obtaining the understanding and evaluation of the design of the model of the expected loss calculation, test to the calculation, comparison of the information used in the model with source data, through the reconciliations prepared by the Bank, analysis of the assumptions used to fill gaps in the data, comparison of the parameters used with the results of the estimation models and comparison of the results of the models with the values recorded in the financial statements; ► with the support of specialists we performed tests on the reasonableness of the parameters used in the calculation of the impairment, namely: i. understanding of the methodology formalized and approved by Management and comparison with the one actually used; ii. understanding of the changes to the models used by the Bank to determine the parameters used in the calculation of expected loss and results in the parameters; iii. on a sampling basis, comparison of the data used in the clearance of risk parameters with source information; iv. inquiries to the Bank's experts responsible for the models and inspection of internal audit reports and regulators; and v. inspection of the reports with the results of the operational evaluation of the model (back-testing); ► test the reasonableness of adjustments made to the model and outside the model, in particular those to respond to additional areas of judgment resulting from the effects of the COVID-19 pandemic, including the end of the moratoriums and understanding of the management process associated with those adjustments; and ► analysis of the disclosures included in the notes to the consolidated financial statements, based on the requirements of international financial reporting standards and accounting records.

Responsibilities of management and the supervisory board for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that presents a true and fair view of the Group´s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as endorsed by the European Union;
- the preparation of the Management Report, the Corporate Governance Report, the Non-financial information statement and the Remunerations report, in accordance with the laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Group´s ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion; and
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the supervisory body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- we also provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the Management Report with the consolidated financial statements, and the verifications under nr. 4 and nr. 5 of article 451 of the Commercial Companies Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Consolidated Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Consolidated Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatement. As referred to in article 451, nr. 7 of the Commercial Companies Code this opinion is not applicable to the non-financial statement included in the Consolidated Management Report.

On the Corporate Governance Report

In our opinion, the Corporate Governance Report includes the information required to the Group to provide as per article 29-H of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of nr. 1 of the said article.

On non-financial statement

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the Group has included in its Consolidated Management Report the non-financial statement, as provided for in article 66-B of the Commercial Companies Code.

On the Remunerations Report

Pursuant to article 26-G, nr. ° 6 of the Securities Code, we hereby inform that the Group has included in a separate chapter of its Corporate Governance Report the information provided for in paragraph 2 of the said article.

On additional items set out in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed as auditors of CTT - Correios de Portugal, S.A. (Group´s Parent Entity) for the first time in the shareholders' general meeting held on 29 April 2020 for a mandate from 2021 to 2023.
- Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work we have not identified any material misstatement to the consolidated financial statements due to fraud;
- We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the supervisory body of the Group on 15 March 2022;
- We declare that we have not provided any prohibited services as described in article 77, nr. 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Group in conducting the audit; and

- We declare that, in addition to the audit, we provided the Group with the following services as permitted by law and regulations in force:
  - Limited review of the interim consolidated financial statements of CTT - Correios de Portugal, S.A., for the six-month period ended 30 June 2021;
  - Limited review of the interim consolidated financial statements of Banco CTT, S.A., for the six-month period ended 30 June 2021;
  - Independent limited assurance report on the sustainability information of CTT - Correios de Portugal, S.A.;
  - Assessment of the adequacy and effectiveness of the internal control system of CTT – Correios de Portugal, S.A., in relation to the prevention of money laundering and terrorist financing with regard to the issuance and payment of postal vouchers (national and international) in accordance with Banco de Portugal notice No. 2/2018;
  - Assessment of the adequacy and effectiveness of the internal control system of Banco CTT, S.A., 321 Crédito - Sistema Financeira de Crédito, S.A. and Payshop (Portugal), S.A., in relation to the prevention of money laundering and terrorist financing in accordance with Banco de Portugal notice No. 2/2018;
  - Evaluation of the process of quantifying the impairment of the credit portfolio of Banco CTT, S.A. and 321 Crédito - Banco Financeira de Crédito, S.A.; and
  - Verification of invoices for payment to suppliers of Corre - Correio Expresso de Moçambique, S.A..

European Single Electronic Format (ESEF)

The accompanying consolidated financial statements of CTT – Correios de Portugal, S.A. for the year ended 31 December 2021 must comply with the applicable requirements set out in the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (ESEF Regulation).

Management is responsible for preparing and disclosing the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements, included in the annual report, are presented in accordance with the requirements set out in the ESEF Regulation.

Our procedures considered the OROC Technical Application Guide on report in ESEF and included, among others:

- obtaining an understanding of the financial reporting process, including the submission of the annual report in valid XHTML format; and
- the identification and evaluation of the risks of material distortion associated with the marking-up of the information of the consolidated financial statements, in XBRL format using iXBRL technology. This evaluation was based on the understanding of the process implemented by the Group to mark-up the information.

In our opinion, the accompanying consolidated financial statements included in the annual report are presented, in all material respects, in accordance with the requirements set out in the ESEF Regulation.

Lisbon, 16 March 2022

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Luís Pedro Magalhães Varela Mendes - ROC n.º 1841
Registered with the Portuguese Securities Market Commission under license nr. 20170024

Building a better working world

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(Translation from the original document in the Portuguese language. In case of doubt, the Portuguese version prevails)

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of CTT – Correios de Portugal, S.A. (the Entity), which comprise the Statement of Financial Position as at 31 December 2021 (showing a total of 1,036,085,335 euros and a total equity of 173,310,807 euros, including a net profit for the year of 37,680,272 euros), and the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of the CTT – Correios de Portugal, S.A. as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the current year audit are the following:

1. Revenue recognition

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As at 31 December 2021, sales and services rendered in the individual financial statements of CTT – Correios de Portugal, S.A. amounts to 475 million euros related to the business segments Mail and Financial Services & Retail (note 40). Revenue recognition associated with these business segments is based on several different contractual terms, different prices by type of sale or service rendered and different revenue recognition policies taking	Our approach included carrying out the following procedures: ► Understanding and evaluation of the design and testing of the operational effectiveness of the relevant controls related with revenue recognition associated with the business segments Mail and Financial Services & Retail; ► Understanding of information systems and controls associated with revenue recognition and testing of the integration process; ► Tests of detail for a sample of transactions, obtaining contractual support documentation when applicable and evidence of

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
into account the timing of the performance obligation fulfilment, as referred to in note 2.23 of the individual financial statements. In addition, there is a complex set of information systems associated with revenue recognition, with the purpose of ensuring its completeness, accuracy and cut-off. Taking into account the materiality of the amounts involved, the degree of judgment associated with the criteria for revenue recognition, as well as the complexity of the information systems associated with it, determines that we consider this topic as a key audit matter.	performance obligation fulfilment, from the initial recognition of the transaction to its receipt; ► Analytical review procedures, namely through monthly analysis compared to the same period of last year, as well as benchmark with observable market data for the business segments of Mail and Financial Services & Retail; ► Obtaining support documentation of the most significant manual journal entries, in order to verify the accuracy of the amounts and its accurate cut-off; ► Cut-off tests of detail based on a sample of transactions carried out before and after 31 December 2021; and ► External confirmations for a representative sample of accounts receivable. Our approach has also included checking the adequacy of the applicable disclosures included in notes 2.23 and 40 of the notes to the individual financial statements.

2. Employee benefits liabilities

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As at 31 December 2021, employee benefits liabilities in the individual financial statements of CTT - Correios de Portugal, S.A. amounts to 280 million euros, mainly related to healthcare and other long-term employee benefits (note 32). CTT - Correios de Portugal, S.A., with the support of an independent actuarial, determine the current value of liabilities with post-employment benefits, however the calculation requires the use of estimates and assumptions by the actuarial and Management, which depend on demographic and financial forecasts, namely the discount rate, the pensions and salaries growth rates, mortality and disability tables and the growth rate of health costs, among others, as disclosed in note 2.21, 2.30 and 32 of the individual financial statements. The relevance of this matter in our audit results from the complexity and high level of judgment of the liability assessment model as well as the fact that changes to demographic and financial assumptions may lead to a significant change in the value of employee	Our approach included carrying out the following procedures: ► Understanding and evaluation of the design and testing of the operational effectiveness of the relevant controls in the assessment of the employee benefits liabilities; ► Meetings with Management and the independent actuarial in order to understand the methodology, the main demographic and financial assumptions considered and the main changes that occurred in these assumptions compared to the previous period; ► Reading of the actuarial study prepared with reference to 31 December 2021 and evaluation of the reasonableness of the main assumptions, namely the discount rate, the pensions and salaries growth rates, mortality and disability tables and the growth rate of health costs, with the support of our actuarial specialists; ► Reconciliation of the information included in the actuarial study with the individual financial statements as at 31 December 2021; ► Review the accuracy of the beneficiaries' information used in the calculation of the employee benefit liability, for a selected sample; and ► Confirmation of the professional credentials and independence statement of the actuary in relation to the actuarial study prepared as at 31 December 2021.

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
benefit liabilities, determines that we consider this topic as a key audit matter.	Our approach has also included checking the adequacy of the applicable disclosures included in notes 2.21, 2.30 and 32 of the notes to the individual financial statements.

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for:

- the preparation of financial statements that presents a true and fair view of the Entity´s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as endorsed by the European Union;
- the preparation of the Management Report, the Corporate Governance Report, the non-financial information and remunerations report in accordance with the laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Entity´s ability to continue as a going concern.

The supervisory body is responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the supervisory body, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- we also provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the Management Report with the financial statements, and the verifications under nr. 4 and nr. 5 of article 451 of the Commercial Companies Code in matters of corporate governance, as well as the verification that the non-financial statement and the remunerations report have been presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment over the Entity, we have not identified any material misstatement. As referred to in article 451, nr. 7 of the Commercial Companies Code this opinion is not applicable to the non-financial statement included in the Management Report.

On the Corporate Governance Report

In our opinion, the Corporate Governance Report includes the information required to the Entity to provide as per article 29-H of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of nr. 1 of the said article.

On non-financial statement

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the Entity has included in its Management Report the non-financial statement, as provided for in article 66-B of the Commercial Companies Code.

On the Remunerations Report

Pursuant to article 26-G, nr. º 6 of the Securities Code, we hereby inform that the Group has included in a separate chapter of its Corporate Governance Report the information provided for in paragraph 2 of the said article.

On additional items set out in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed as auditors of the Entity for the first time in the shareholders' general meeting held on 29 April 2020 for a mandate from 2021 to 2023.
- Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work we have not identified any material misstatement to the financial statements due to fraud;
- We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the supervisory body of the Entity on 15 March 2022;
- We declare that we have not provided any prohibited services as described in article 77, nr. 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Entity in conducting the audit; and
- We declare that, in addition to the audit, we provided the Entity with the following services as permitted by law and regulations in force:
    - Limited review of the interim consolidated financial statements of CTT - Correios de Portugal, S.A., for the six-month period ended 30 June 2021;
    - Limited review of the interim consolidated financial statements of Banco CTT, S.A., for the six-month period ended 30 June 2021;

- Independent limited assurance report on the sustainability information of CTT - Correios de Portugal, S.A.;
- Assessment of the adequacy and effectiveness of the internal control system of CTT – Correios de Portugal, S.A., in relation to the prevention of money laundering and terrorist financing with regard to the issuance and payment of postal vouchers (national and international) in accordance with Banco de Portugal notice No. 2/2018;
- Assessment of the adequacy and effectiveness of the internal control system of Banco CTT, S.A., 321 Crédito - Sistema Financeira de Crédito, S.A. and Payshop (Portugal), S.A., in relation to the prevention of money laundering and terrorist financing in accordance with Banco de Portugal notice No. 2/2018;
- Evaluation of the process of quantifying the impairment of the credit portfolio of Banco CTT, S.A. and 321 Crédito - Banco Financeira de Crédito, S.A.; and
- Verification of invoices for payment to suppliers of Corre - Correio Expresso de Moçambique, S.A..

Lisbon, 16 March 2022

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Luís Pedro Magalhães Varela Mendes - ROC n.º 1841
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Report and Opinion of the Audit Committee

– 2021 Financial Year –

Pursuant tothe provisions of article 423-F(1)(g) of the Portuguese Companies Code ("PCC") and article 7(5) of the Internal Regulation of the Audit Committee ("CAUD" or "Committee") of CTT-Correios de Portugal, S.A. ("CTT" or "Company"), CAUD is hereby:

i. Submitting its report of the supervisory and oversight activities carried out during the 2021 financial year;
ii. Giving its opinion on the management report, the corporate governance report, the non-financial information, the CTT consolidated and individual accounts and the proposal for the appropriation of results, presented by the Board of Directors ("BoD") and included in the Integrated Report for the financial year ended on 31 December 2021; and
iii. Disclose the declaration of conformity regarding the Integrated Report in accordance with article 245(1)(c) of the Portuguese Securities Code, currently article 29-G(c)(1), following the amendments made to the Portuguese Securities Code by Law No. 99-A/2021, of 31 December.

Annual Activity Report of the Audit Committee

1. Introduction

CTT adopts an Anglo-Saxon type of governance model, which includes the BoD, as the management body of the Company, CAUD and the Statutory Auditor as responsible for its supervision and oversight.

The Audit Committee elected at the Annual General Meeting ("AGM") of 29 April 2020 for the 2020/2022 term of office is composed of the following non-executive Directors:

- Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia (Chair);
- Steven Duncan Wood (Member); and
- María del Carmen Gil Marín (Member).

According to the criteria set forth in Article 414(5) of the PCC, in section 18.1 of Annex I to CMVM Regulation no. 4/2013 on Corporate Governance, in recommendation III.4 of the 2018 Corporate Governance Code of the Portuguese Institute of Corporate Governance amended in 2020 ("2018 IPCG Code amended in 2020") and in the Institutional Shareholder Services (ISS) Guidelines, the majority of CAUD members elected at the AGM held on 29 April 2020 is independent.

The three Directors who are members of CAUD meet the compatibility criteria for the performance of their duties, assessed in accordance with the definition provided in article 414-A by reference to article 423-B(3) of the PCC, as well as the composition requirements stipulated in article 3(2) of Law 148/2015, of 9 September (Legal Framework for Audit Supervision), updated by Law No. 99-A/2021, of 31 December.

2. Activities Carried Out

During the 2021 financial year, CAUD held fourteen meetings wherein 100% of its members were present.

The meetings were attended, at the invitation of CAUD and when appropriate, by members of the Executive Committee of CTT, specifically the Chief Financial Officer, the Statutory Auditor, the Heads of Accounting & Taxes, Planning & Control, Audit & Quality, Legal Office and General Secretariat, People & Culture, Technology & Information and Investor Relations, and the managers of the Accounting and the Compliance divisions, as well as the Chairman of the Audit Committee, the Chief Executive Officer and the Chief Financial Officer of Banco CTT.

In order to ensure full compliance with the powers legally and statutorily attributed to it and contained in its regulations, the Committee carried out various activities and initiatives, with emphasis on those listed below in each of its main areas of intervention:

- **Monitor the functioning of the Company and ensure compliance with the law, the regulations and the articles of association**

  The regular monitoring of the of the activity and business evolution of the Company and its subsidiaries, particularly the decisions of fundamental importance for CTT, namely regarding strategic lines and associated risk factors, the future universal postal service concession agreement and the impact of the COVID-19 pandemic on the Company, as well as monitoring the legal, statutory and regulatory framework applicable to it. This was carried out by this Committee specifically through: ***(i)*** The participation of its members in the Board of Directors' meetings; ***(ii)*** Contacts with the Executive Committee or its members; ***(iii)*** Contacts and meetings with Company Heads of Department and managers of the Company; ***(iv)*** Meetings with the Statutory Auditor of CTT, KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A. ("KPMG") and Ernst & Young, Audit & Associados – SROC, S.A. ("EY"), taking into account the period of each one's term of office; ***(v)*** Analysis of the documents distributed to support its work, and information on and clarifications to the questions raised by this analysis; and ***(vi)*** Assessment of the compliance of the Regulation of the Audit Committee, the Regulation on the Provision of Services by the Statutory Auditor, the Whistleblowing Procedures Regulation and the Regulation on the Appraisal and Control of Transactions with Related Parties and the Prevention of Situations of Conflict of Interests with the legislation force and the purposes they are meant for.

In the performance of its duties the Committee did not come across any constraints or limitations to its action.

- **Supervising the quality and integrity of the financial information in the statements of accounts**

Within the competences laid down in article 423-F(1)(c) to (f) of the PCC and in article 3(3)(a) and (b) of the Legal Framework for Audit Supervision, particularly for the purpose of supervising the compliance with accounting policies, criteria and practices, and reliability of the financial information, the following main activities were carried out: ***(i)*** Regular monitoring of the preparation and disclosure of the financial information, as well as assessment of the accounting principles and standards and respective amendments, including the supervision of their compliance, of the estimates and judgements, the proceedings and the valuation criteria used, in order to ensure their consistent enforcement throughout each financial year; ***(ii)*** Assessment of compliance with the annual budget; ***(iii)*** Analysis of CTT's individual and consolidated quarterly and half-yearly financial statements; ***(iv)*** Analysis of the Annual Reports of CTT subsidiary companies; and ***(v)*** Assessment of the half-yearly and annual Integrated Reports of CTT and opinion on the annual Integrated Report as well as on the proposal for the appropriation of results.

- **Overseeing the internal control system, including internal audit, compliance and risk management of the activity**

In the scope of the oversight of the effectiveness of the internal control system in their components of risk management, compliance and internal audit, as well as within the assessment of the adequacy of their functioning and corresponding procedures, the following aspects should be noted: ***(i)*** Follow-up of the work of the Audit & Quality Department related to internal audit and compliance issues, and of the compliance with its Activity Plan; ***(ii)*** Monitoring of the risk policy and governance model; ***(iii)*** Appraisal of the CTT internal control systems for the prevention and combat of money laundering and terrorist financing, and cybersecurity in financial information systems; ***(iv)*** Follow-up of the main litigation underway related to workers and third parties; ***(v)*** *A posteriori* assessment of transactions with related parties submitted to it in accordance with the provisions of the corresponding regulation; no commercial transactions with related parties requiring its prior opinion have come to the Committee's attention; and ***(vi)*** Appraisal of claims received, none of which was considered as an irregularity covered by the Whistleblowing Procedures Regulation.

- **Supervising the performance of the duties of the Statutory Auditor**

In the 2021 financial year, the highlight is the fact that EY began its functions as CTT's Statutory Auditor for the 2021/2023 term, for which it had been appointed at CTT's AGM of 29 April 2020. KPMG fulfilled its responsibilities in terms of statutory audit and legal certification of accounts with reference to the 2020 financial year, under the usual terms, until the end of this process with the approval of the financial statements for the year ending in 2020 at CTT's AGM held on 21 April 2021.

In terms of the follow-up and monitoring of CTT's Statutory Auditor and the supervision of its compliance with independence rules, as required by the applicable laws and regulations, as well as of its audit work, the following activities carried out by this Committee, as its main liaison, stand out: ***(i)*** Analysis of the Statutory Auditor's Reports of consolidated and individual accounts and of the annual Additional Report, as well as of the Limited Review Report regarding the Interim Consolidated Financial Statements; ***(ii)*** Analysis and discussion with the Statutory Auditor on its annual work plan and materiality levels used in the statutory audit, the accounting policies and follow-up of the conclusions of the interim and half-yearly limited review work, the main audit issues and evaluation of the general internal control environment, as well as on the recommendations regarding accounting and internal control aspects; ***(iii)*** Prior approval of non-audit services, in order to ensure that these are not prohibited by the EU legislation; and ***(iv)*** Appraisal of the services provided by the Statutory Auditor and of the complementary information received therefrom under the terms of article 63 of the Statutory Auditors' Statute (currently article 78(2), following the amendments made to the Statutory Auditors' Statute by Law No. 99-A/2021, of 31 December), in order to assess that they do not jeopardize the its independence or condition its opinion.

Declaration of Conformity

Under the provisions of article 245(1)(c) of the Portuguese Securities Code (currently article 29-G(c)(1), following the amendments made to the Portuguese Securities Code by Law No. 99-A/2021, of 31 December), applicable by virtue of article 8(1)(a) of CMVM Regulation no. 5/2008, the members of the Audit Committee of CTT identified below, in the framework of the duties they are assigned with, hereby state that, to the best of their knowledge, the information in the Integrated Report regarding the management report, the annual consolidated and individual financial statements, the Statutory Auditor's Report of consolidated accounts, and the Statutory Auditor's Report of individual accounts, and other consolidated and individual accounting documents required by law or regulation, regarding the financial year ended on 31 December 2021:

i. Was prepared in accordance with the applicable accounting standards, giving a true and fair view of the assets and liabilities, the financial situation and the results of CTT and the companies included in its consolidation perimeter; and

ii. The management report, in particular, faithfully describes the business evolution, the performance and position of CTT and the companies included in its consolidation perimeter and contains a description of the major risks and uncertainties those entities are faced with.

Opinion on the Integrated Report

CAUD has reviewed, as parts of the Integrated Report, the management report and the consolidated and individual financial statements for the financial year ended on 31 December

2021, including the statement of financial position, the income statements, the statement of comprehensive income, the statement of changes in equity and the cash flow statement, as well as the notes attached thereto.

The consolidated and individual financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, in force as of 31 December 2021.

CAUD also analysed, as components of the Integrated Report, the corporate governance report, taking into account the provisions of article 420(5) of the PCC, by reference to the provisions of article 423-F(2), and article 245-A of the Portuguese Securities Code (currently article 29-H, following the amendments made to the Portuguese Securities Code by Law No. 99-A/2021, of 31 December), and the non-financial information, pursuant to articles 66-B and 508-G of the PCC. CAUD also verified the disclosure of key performance indicators for activities related to assets or processes associated with sustainable economic activities, in accordance with Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2018, and Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021.

CAUD checked that the presentation of the consolidated financial statements included in the Integrated Report for the 2021 financial year was made in accordance with the requirements established in the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018.

CAUD appraised with special attention the Statutory Auditor's Report issued by EY on 16 March 2022 related to: ***(i)*** the auditing of the consolidated and individual financial statements approved by the Board of Directors, which express a favourable opinion on said financial statements, with no limitations or qualifications; and ***(ii)*** the compliance with other legal and regulatory requirements applicable to the management report, the corporate governance report and the non-financial information, which express compliance with the requirements in force. CAUD also noted that the Statutory Auditor's Report includes the additional information required in Article 10 of Regulation (EU) No 537/2014 of 16 April, particularly, with regard to "Audit-Relevant Matters", a description of the most significant assessed risks of material misstatement and a summary of the auditor's response to those risks, as well as an explanation of the extent to which the statutory audit was considered capable of detecting irregularities, including fraud.

Given the above-mentioned data and the action carried out, as well as in compliance with the provisions of article 423-F(1)(g), article 420(5) and (6), applicable by reference to the provisions of article 423-F(2), and article 452, all of the PCC, the Audit Committee hereby states that, to the best of its knowledge, the information within the Integrated Report of CTT – Correios de Portugal, S.A. as of 31 December 2021 regarding:

- The management report, the corporate governance report, and the non-financial information,
- The consolidated and individual financial statements,
- The Statutory Auditor's Reports on the consolidated and individual accounts dated 16 March 2022, and
- The proposal for the appropriation of results

comply with the applicable legal and accounting rules and the Articles of Association. Accordingly, the Committee agrees with same and recommends that the General Meeting of CTT approves them.

Lisbon, 16 March 2022

The Audit Committee of CTT – Correios de Portugal, S.A.,

Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia (Chair)

Steven Duncan Wood (Member)

María del Carmen Gil Marín (Member)

EY
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www.ey.com

*(Translation from the original document in the Portuguese language.
In case of doubt, the Portuguese version prevails)*

Independent Limited Assurance Report of the sustainability information disclosed in the Integrated Report

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

Introduction

1. We have been engaged by the Board of Directors of CTT - Correios de Portugal, S.A. to proceed with the independent review of the sustainability information disclosed in the 2021 Integrated Report, hereinafter the "Integrated Report", relating to the sustainability performance from 1 January 2021 to 31 December 2021.

Responsibilities

2. The Board of Directors is responsible for preparing the sustainability information disclosed in the Integrated Report, and to maintain an appropriate internal control system that allows the information presented to be free of material misstatements due to fraud or error.

3. It is our responsibility to issue a limited assurance report, professional and independent, based on the procedures performed and described in the "Scope" section below.

Scope

4. Our review procedures have been planned and executed in accordance with the International Standard on Assurance Engagements (ISAE 3000, Revised) - "Assurance engagements other than Audits and Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standard Board, for a limited level of assurance about whether the sustainability information included in the Integrated Report, identified in the Annex IV "GRI Index", is free of relevant material misstatements.

5. A limited assurance engagement consists mainly in the formulation of questions to those in charge of the organization and in analytical procedures, including review tests on a sample basis. Therefore, the assurance provided by these procedures is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our independent review procedures comprised the following:

   - Conducting interviews with Management, in order to understand how the information system is structured and assess their level of knowledge of the topics addressed in the report;
   - Review of the processes, criteria and systems adopted to collect, consolidate, report and validate the data for the year 2021;
   - Analytical review, on a sample basis, of the data calculated by Management, and verification of quantitative and qualitative information disclosed in the report;
   - Confirmation on how collection, consolidation, validation and report procedures are being implemented in selected operating units;
   - Verification of the conformity of the sustainability information included in the Integrated Report with the results of our work.

6. Regarding sustainability reporting standards of the Global Reporting Initiative - GRI Standards, we performed a review of the self-evaluation made by Management of the adopted option to apply the GRI Standards and conformity with Article 508-G of the Portuguese Companies Act (Código das Sociedades Comerciais) and 245-A, paragraph r) of the Securities Market Code (Código do Mercado dos Valores Mobiliários) with respect to non-financial and diversity disclosures.

Quality and independence

7. Our firm applies International Standard on Quality Control 1 (ISQC 1), and consequently maintains a global quality control system which includes documented policies and procedures relating to compliance with ethical requirements, professional standards, and the legal and regulatory provisions applicable and we comply with the independence and ethical requirements of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics and the Code of Ethics of the Order of Chartered Accountants (OROC).

Conclusion

8. Based on our work and evidence obtained, nothing has come to our attention that causes us to believe that the information identified in paragraph 4 above, for the year ended 31 December 2021, is not free from relevant material misstatements. Additionally, nothing has come to our attention that causes us to believe that the Integrated Report does not include the required data and information for a Comprehensive option as defined by the GRI Standards and by the Article 508º G of the Portuguese Companies Act and paragraph r) of the article 245ºA of the Securities Market Code.

Lisbon, 16th March 2022

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Manuel Ladeiro de Carvalho Coelho da Mota - ROC nº 1410
Registered with the Portuguese Securities Market Commission under license nº 20161020

10

Investor Support

10. INVESTOR SUPPORT

GRI 102-34, 102-43, 102-44

The mission of the **Investor Relations** department of CTT is to ensure a solid and long-term two-way relationship between, on the one hand, shareholders, investors and research analysts, the Portuguese Securities Market Commission (CMVM), Euronext Lisbon, and the capital markets in general and, on the other hand, the Company and its corporate bodies. For that purpose, (i) it provides timely, clear and transparent information on the current evolution of CTT in economic, financial and corporate governance terms, (ii) it acts as an entry point for analysts and investors, and (iii) it benchmarks the Company's performance against other players in the sector. Additionally, the department ensures that the Company's strategy is proactively articulated with investors and research analysts and that the Company has a complete understanding of the perception that the markets have of it.

The Investor Relations team consists of 4 people, is managed by Nuno Vieira, and its contacts are as follows:

Address: Avenida D. João II, nº 13, 12th floor
1999-001 Lisboa
Portugal
investors@ctt.pt
Telephone: +351 210 471 087
Fax: +351 210 471 996
Website: www.ctt.pt

The **Market Relations Representative** of CTT is the Executive Director and CFO, Guy Patrick Guimarães de Goyri Pacheco.

In 2021, within the above-mentioned mission, the IR team carried out the following initiatives:

- In addition to the regular publication of financial accounts (2020 Integrated Report and Interim Integrated Report of the 1st half of 2021), 32 press releases with material information (including press releases and presentations of quarterly results) were issued, as well as 13 press releases regarding qualifying holdings in CTT and four concerning management transactions of CTT shares. In total, fifty communications to the market were produced in the 2021 financial year.

- One hundred and ten e-mails were received and processed from institutional investors, 52 from *research* analysts and 100 from other investors and the general public. The team responded to all information requests received within 24 hours (1 workday). At the end of 2021, no e-mail or other query was left unanswered.

- During the year, CTT met with 78 investors in 123 meetings held mostly online due to the COVID-19 pandemic. These meetings were organized by eight different brokers and gathered institutional and retail investors from Portugal and other European countries such as Spain, the UK, Germany, France and Italy, among others, as well as from non-European countries such as the USA, Israel or even South Africa.

As of 31 December 2021, the coverage of CTT shares was provided by six research analysts. As at that date, the average target price of the five analysts who provided regular coverage of the share (i.e., who issued research and recommendations in the last 12 months) was €4.38; Santander research was under review. Two analysts issued a negative recommendation on the share, another two held neutral recommendations and one held a positive recommendation.

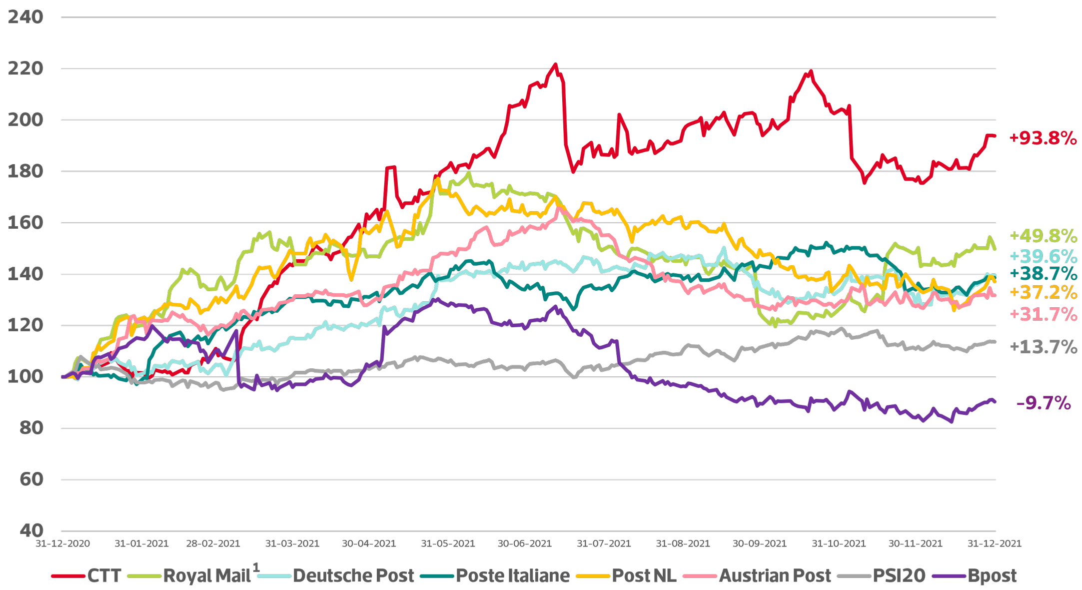
Throughout the year 2021, circa 121 million CTT shares were traded, corresponding to a daily average of 484 thousand shares, which translates into an annualized turnover ratio of around 81% of the share capital, which is a clear measure of the liquidity level of the stock. As of 31 December 2021, in the last trading session of the year, the closing price of the CTT share was €4.56.

In 2021, CTT distributed a dividend of €0.085 per share and the share price appreciated by 93.8%. Hence, the total shareholder return or TSR (capital gain + dividend (assuming reinvestment in the share), calculated on the basis of the share price as of 31 December 2020) was 98.0%. During this period, the PSI 20 appreciated by 13.7% and recorded a total shareholder return of 18.1%.

CTT was the best performer of the European postal sector in 2021 in terms of share price appreciation, followed by Royal Mail, whose shares appreciated by 49.8%, while the remaining peers recorded share price evolutions ranging from 39.8% to -9.7%, as shown in the graph below.

CTT share performance vs. PSI 20 & EU postal sector

(Year 2021 - rebased at 100 as of 31 Dec 2020)



[1.] Royal Mail share price in GBP
Source: Bloomberg as of 31 Dec 2021.

11

Website

11. WEBSITE

GRI 102-3, 102-5, 102-53

Address
CTT's website address is as follows: www.ctt.pt

Place where information on the firm, public company status, headquarters and other details of the Company are available
This information can be consulted at “Group CTT”, “About Us”, “Corporate Governance”, “Corporate identification” on CTT's website (www.ctt.pt).

Place where the articles of association and the regulations on the functioning of the boards and/or committees are available
This information can be consulted at “Group CTT”, “About Us”, “Corporate Governance”, “Rules and Regulations” on CTT's website (www.ctt.pt).

Place where information is available on the names of the corporate boards' members, the Market Liaison Officer, the Investor Assistance Office, respective functions and contact details
This information can be consulted at “Group CTT”, “Investors”, “Contacts” on CTT's website (www.ctt.pt).

Place where the documents are available that relate to financial accounts reporting, and the half-yearly calendar on company events
This information can be consulted at “Group CTT”, “Investors”, “Financial Information” on CTT's website (www.ctt.pt).

CTT's financial calendar for 2021 includes the following corporate events:

Event	Date
2021 Annual Results and Integrated Report	16 March 2022*
2022 Annual Shareholders’ Meeting	21 April 2022
1st Quarter 2022 Results	5 May 2022*
Ex-dividend date	18 May 2022
Dividend payment	20 May 2022
1st Half 2022 Results and Interim Report	27 July 2022*
9 months 2022 Results	3 November 2022*

* After market close

Place where the notice convening the general meeting and all the preparatory and subsequent information related thereto is disclosed
This information may be found at “Group CTT”, “Investors”, “Events”, “General Meetings” on CTT’s website (www.ctt.pt).

Place where the historical archive on the resolutions passed at the company's General Meetings, share capital and voting results
This information can be consulted at “Group CTT”, “Investors”, “Events”, “General Meetings”, on CTT's website (www.ctt.pt).

Place where the sustainability report and the sustainability principles and initiatives of the Company are available

This information can be consulted at “Group CTT”, “Investors”, “Financial Information”, “Consolidated Accounts” and additional information at “Group CTT”, “Sustainability”, on CTT's website (www.ctt.pt). We are interested in receiving comments or suggestions, which can be sent to the following address: sustentabilidade@ctt.pt, or to the physical address, CTT- Correios de Portugal, c/o Comunicação e Sustentabilidade/ Sustentabilidade e Ambiente.

Annex I

Curricula

ANNEX I – *CURRICULA*

GRI 102-24

CURRICULA OF THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES AND REMUNERATION COMMITTEE

I. Members of the management and supervisory bodies

Raul Catarino Galamba de Oliveira

Chairman of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT) (Non-Executive and Independent)

Date of birth and nationality	21 November 1964, born in Portugal
Date of 1st appointment at CTT	29 April 2020
Term of office	2020-2022

Academic qualifications

- ✓ **1990:** MBA, Universidade Nova de Lisboa
- ✓ **1989:** MSc in Systems Engineering (Expert Systems), Instituto Superior Técnico (IST), Universidade de Lisboa
- ✓ **1987:** Degree in Mechanical Engineering, Instituto Superior Técnico (IST), Universidade de Lisboa

Management and supervisory positions held internally

- ✓ **2020-**…: Chairman (non-executive) of the Board of Directors of CTT

Other internal positions held

- ✓ **2020-**…: Chairman of the Selection and Remuneration Committee of Banco CTT, S.A.
- ✓ **2020-**…: Chairman of the Selection Committee of Payshop (Portugal), S.A.
- ✓ **2020-**…: Chairman of the Selection Committee of 321 Crédito - Instituição Financeira de Crédito, S.A.
- ✓ **2020-**…: Member of the Ethics Committee of CTT
- ✓ **2020-**…: Chairman of the Corporate Governance, Evaluation and Nominating Committee of CTT

Professional experience

- ✓ Started his professional career as Assistant Professor and Researcher in Control Systems and Informatics at Instituto Superior Técnico and at Universidade Católica Portuguesa.
- ✓ Between 1990 and 2017, held positions at McKinsey & Company, namely as Senior Partner for the Financial Institutions are, Managing Partner for Spain and Portugal, Managing Partner for Global Risk Management, and Member of the Global Board of Directors, of the Global Remunerations Committee and of the Partner Election and Evaluation Committees. Since September 2017, has been Director *Emeritus* of McKinsey & Company.
- ✓ Currently, holds positions on the Boards of Directors of several companies in Portugal and Spain, including BBVA, José de Mello Capital and CUF (formerly José de Mello Saúde).

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

- ✓ **2020-**…: Non-executive Member of the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A.
- ✓ **2019-**…: Non-executive Member of the Board of Directors of José de Mello Capital, S.A.
- ✓ **2017-**…: Non-executive Member of the Board of Directors of CUF, S.A. (formerly José de Mello Saúde, S.A.)

Other external positions held (last 5 years)

- ✓ **2003-**…: Chairman of the Board of Directors of Fundação Manuel Violante

João Afonso Ramalho Sopas Pereira Bento

Member of the Board of Directors and Chief Executive Officer (CEO) of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	12 November 1960, born in Portugal
Date of 1st appointment at CTT	20 April 2017
Term of office	2020-2022

Academic qualifications

- ✓ **2018:** IDP-C, International Directors Programme - Certificate, INSEAD
- ✓ **1999:** Habilitation in Intelligent Systems at Instituto Superior Técnico (IST), Universidade de Lisboa
- ✓ **1992:** PhD in Civil Engineering, Imperial College, London and Doctoral equivalence awarded by Universidade de Lisboa
- ✓ **1987:** Master of Science in Structural Engineering, Instituto Superior Técnico (IST), Universidade de Lisboa
- ✓ **1983:** Degree in Civil Engineering, Instituto Superior Técnico (IST), Universidade de Lisboa

Management and supervisory positions held internally

- ✓ **2021-...**: Chairman of the Board of Directors of CTT IMO – Sociedade Imobiliária, S.A.
- ✓ **2021-...:** Chairman of the Board of Directors of HCCM Outsourcing Investment, S.A.
- ✓ **2020-…:** Chairman of the Board of Directors of CTT Soluções Empresariais, S.A.
- ✓ **2019-…:** Chairman of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. (appointed to the position of Chairman on June 27, 2019)
- ✓ **2017-…:** Member of the Board of Directors of CTT and Chief Executive Officer ("CEO") (appointed to the position of CEO on May 13, 2019 effective May 22, 2019. Until that date and since 2017 held the position of non-executive member of the Board of Directors of CTT)

Other internal positions held

- ✓ **2019-…:** Member of the Selection and Remuneration Committee of Banco CTT, S.A.
- ✓ **2019-…:** Member of the Selection Committee of Payshop (Portugal), S.A.
- ✓ **2019-…:** Member of the Selection Committee of 321 Crédito - Instituição Financeira de Crédito, S.A.
- ✓ **2019-…:** Chairman of the Board of the General Meeting of Correio Expresso de Moçambique, S.A. (CORRE)
- ✓ **2019-19:** Chairman of the Remuneration Committee of Banco CTT, S.A.
- ✓ **2019-19:** Member of the Selection Committee of Banco CTT, S.A.
- ✓ **2017-19:** Member of the Committee for the Monitoring of the Implementation of the Operational Transformation Plan of CTT
- ✓ **2017-19:** Member of the Corporate Governance, Evaluation and Nominating Committee of CTT

Professional experience

- ✓ Vice-Chairman of the Board and CEO at Gestmin SGPS, S.A. (now Manuel Champalimaud SGPS, S.A.) between 2015 and 2019, having been appointed in 2017 as non-executive member of the Board of Directors of CTT. In 2019 was appointed CEO of CTT having ceased, from that date on, all his functions at the Manuel Champalimaud Group.
- ✓ In CTT, as CEO, he is responsible for the areas of Institutional Relations, Strategy & Business Development, Audit & Quality, Communication (shared responsibility), Sustainability, Digital, Transformation & Innovation, Legal Office & General Secretariat, People and Culture (shared responsibility), Regulation & Competition, holding also the position of Chairman of the Board of Directors

of the subsidiaries CTT Expresso - Serviços Postais e Logística, S.A., CTT Soluções Empresariais, S.A.., HCCM Outsourcing Investment, S.A. and CTT IMO - Sociedade Imobiliária, S.A.

- ✓ Has a vast professional experience in executive and non-executive positions in large, listed companies in Portugal and Brazil, particularly in the infrastructure and energy sectors. Between 2011 and 2015 was CEO of Efacec, an industrial company recognised for its innovation in equipment and automation in the power sector, at that time present in 22 countries, being responsible for areas such as risk management, human resources, communication, innovation and international business development.
- ✓ In the same period, became a member of the Board and of the Executive Committee of the José de Mello Group and was President of COTEC Portugal, the association of corporates for innovation.
- ✓ Was an executive member of the Board of Directors of Brisa for 11 years (at the time operating in 5 countries), being responsible, among others, for the areas of operations, innovation, business development and international development, chairing several infrastructure concessionaires and other Brisa participated companies.
- ✓ From 2000 to 2003, he was a non-executive member of the Board of Directors of EDP, then the largest listed company in Portugal.
- ✓ Started his professional career as an academic, being a tenured Full Professor at Instituto Superior Técnico (IST) since 2000. Started a long-term leave of absence in 2002 in order to carry out full-time functions in business management positions.

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

- ✓ **2020-…:** Member of the Board of Directors of International Post Corporation (IPC)
- ✓ **2015-…:** Managing Partner of QPDM Consulting, Lda. (previously S.A.; between 2019 and 2020 held the position of Chairman of the Board of Directors and in 2020 became managing partner)
- ✓ **2019-19:** Chairman of the Board of Directors of I.-Charging, Mobilidade Eléctrica, S.A.
- ✓ **2016-19:** Chairman of the Board of Directors of OZ Energia, S.A.
- ✓ **2016-19:** Manager of Manuel Champalimaud Serviços, Unipessoal, Lda.
- ✓ **2015-19:** Vice-Chairman of the Board of Directors and Chief Executive Officer of Manuel Champalimaud, SGPS, S.A.
- ✓ **2016-16:** Member of the Board of Directors of Sogestão, S.A.
- ✓ **2014-16:** Member of the Board of Directors of CCB - Fundação Centro Cultural de Belém
- ✓ **2012-15:** Member of the Board of Directors and of the Executive Committee of Grupo José de Mello, SGPS, S.A.
- ✓ **2011-15:** Member of the Board of Directors and Chief Executive Officer of Efacec Capital, SGPS, S.A.
- ✓ **2011-15:** Chairman of several subsidiaries of Efacec: Efacec-Sistemas de Gestão (PT), Efacec Energia - Máquinas e Equipamentos Eléctricos (PT), Efacec Engenharia e Sistemas (PT), Efacec-Serviços de Manutenção e Assistência (PT), Efacec Marketing Internacional (PT), Gemp - Empreendimentos Imobiliários (PT), Empovar (PT), Efacec USA, Inc. (US), Efacec India Private Limited (IN), Efacec Handling Solutions (PT), Efacec Moçambique (MZ), Efasa (ZA).

Other external positions held (last 5 years, *pro bono*)

- ✓ **2019-…:** Member of the Board of Trustees of Fundação Alfredo de Sousa
- ✓ **2019-…:** Member of the Advisory Council of Reshape (formerly, APAC Portugal – Associação de Apoio ao Preso)
- ✓ **2018-…:** Member of the Board of ICF – Inclusive Community Forum – Nova SBE
- ✓ **2017-…:** Member of the Strategic Innovation Council of VdA - Vieira de Almeida & Associados, Sociedade de Advogados, RL
- ✓ **2016-…:** Member of the General Council of IPCG (Portuguese Institute of Corporate Governance) in an individual capacity

- ✓ **2013-…:** Permanent member of the Advisory Council of AICEP (Agency for Investment and External Trade of Portugal)
- ✓ **2011-…:** Vice-President and Acting President of Academia de Engenharia
- ✓ **2015-20:** President of Quinta do Perú Golf Club
- ✓ **2014-20:** Member of the Advisory Council of ANI (National Innovation Agency)
- ✓ **2014-19:** Member of the General Council of Universidade de Lisboa
- ✓ **2012-18:** President of COTEC Portugal, the Business Association for Corporate Innovation (2012-15) and Member of the Board (2015-18)
- ✓ **2014-15:** Chairman of the General Meeting of APGEI (Portuguese Association of Industrial Management and Engineering)
- ✓ **2012-15:** Member and coordinator of CNEI (National Council for Entrepreneurship and Innovation)

Distinctions

- ✓ Honorary President of ASECAP (European Association of Operators of Toll Road Infrastructures), since 2007
- ✓ Was awarded the *Grã Cruz da Ordem do Infante D. Henrique* (Grand Cross of Order of Prince Henry the Navigator), by the President of the Portuguese Republic in 2016

António Pedro Ferreira Vaz da Silva

Member of the Board of Directors and of the Executive Committee of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	13 November 1966, born in Portugal
Date of 1st appointment at CTT	20 April 2017
Term of office	2020-2022

Academic qualifications

- ✓ **2020:** Qualification course for Insurance Agent, Insurance Broker or Reinsurance Mediator - Non-Life and Life Branches, APS – Associação Portuguesa de Seguradores
- ✓ **2016:** Banco CTT, S.A. Top Management Training Programme, Instituto Superior de Gestão Bancária and Associação Portuguesa de Bancos
- ✓ **2014:** Corporate Management Programme, AESE Business School
- ✓ **1984:** High School degree, Escola Secundária da Amadora

Management and supervisory positions held internally

- ✓ **2021-…:** Member of the Board of Directors of CTT IMO – Sociedade Imobiliária, S.A.
- ✓ **2021-…:** Member of the Board of Directors of HCCM Outsourcing Investment, S.A.
- ✓ **2020-…:** Member of the Board of Directors of CTT Soluções Empresariais, S.A.
- ✓ **2018-…:** Member of the Board of Directors of Payshop (Portugal), S.A.
- ✓ **2017-…:** Member of the Board of Directors and of the Executive Committee of CTT
- ✓ **2017-…:** Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A.
- ✓ **2017-…:** Non-executive Member of the Board of Directors of Banco CTT, S.A.

Other internal positions held

- ✓ ---

Professional experience

- ✓ As executive member of the Board of Directors of CTT he is responsible for the areas of Philately, Management of B2C External Channels, Retail Network Management, Management of B2C Products, Management of B2C Segment, Physical Assets and People & Culture (shared responsibility).
- ✓ With a 20-year professional career in commercial and retail banking at Millennium BCP, he held several roles within the group in Portugal. He joined the Private and Business team of Millennium BCP in 2000.
- ✓ In 2004, he joined CTT as Senior Sales Manager, being responsible for the operational and sales on the south area at Retail Network. He successfully developed his career at CTT, becoming the Head of the Retail Network in 2013, acquiring a vast experience in managing and motivating teams and Human Resources, and in sales and marketing of the various products placed through the Retail Network (from Mail and Express & Parcels to Financial Services, as well as services of general interest). Throughout this 16-year period at CTT he has been engaged in several key initiatives and projects related to the optimisation and rationalisation of the Retail Network and its portfolio, as well as in the promotion of the proximity and capillarity associated with this network.
- ✓ His background at CTT contributed to make the Retail Network an increasingly important sales and services channel in CTT's revenue growth in all business units and a national wide platform of convenience and multi-services, having played an active role in the launching in 2016 of Banco CTT which is supported by the CTT's Retail Network.

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

- ✓ ---

Other external positions held (last 5 years)

- ✓ ---

Guy Patrick Guimarães de Goyri Pacheco

Member of the Board of Directors and Chief Financial Officer (CFO) of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	25 May 1977, born in Portugal
Date of 1st appointment at CTT	19 December 2017
Term of office	2020-2022

Academic qualifications

- ✓ **2011:** Leaders who transform - The Lisbon MBA Católica |Nova
- ✓ **2010:** Leadership Executive Program, Universidade Católica Portuguesa
- ✓ **2000:** Degree in Economics, Faculdade de Economia, Universidade do Porto

Management and supervisory positions held internally

- ✓ **2021-…:** Member of the Board of Directors of CTT IMO – Sociedade Imobiliária, S.A.
- ✓ **2021-…:** Member of the Board of Directors of Newspring Services, S.A.
- ✓ **2021-…:** Member of the Board of Directors of HCCM Outsourcing Investment, S.A.
- ✓ **2020-…:** Member of the Board of Directors of CTT Soluções Empresariais, S.A.
- ✓ **2018-…:** Non-executive Member of the Board of Directors of Banco CTT, S.A.
- ✓ **2017-...:** Member of the Board of Directors and Chief Financial Officer (CFO) of CTT
- ✓ **2017-…:** Member of the Board of Directors of CTT Expresso - Serviços Postais e Logística, S.A.
- ✓ **2018-2019:** Member of the Board of Directors of Tourline Express Mensajería, S.L.U.

Other internal positions held

- ✓ ---

Professional experience

- ✓ As Executive Director, he is currently responsible at CTT for the areas of Investor Relations, Corporate Finance, Procurement & Logistics, Accounting & Taxes, Planning & Control and Technology & Information.
- ✓ Between 2015 and 2017 he had as main occupation the functions of CFO of PT Portugal, SGPS, S.A. and between 2011 and 2015 the functions of Head of Planning and Control of Portugal Telecom, SGPS, S.A. (listed company).
- ✓ Financial, planning and control and financial and operational reporting are his core expertise areas, having performed top management functions in these domains over 17 years in PT Group.
- ✓ With an extensive experience and transformational profile in functions related to strategic transformation of the telecommunications and digital business sector both nationally and internationally (having worked between 2001 and 2017 in markets marked by a challenging regulatory, technological and competitive context, having been, between 2007 and 2011, specially involved in transformation and continuous improvement projects), he led, as CFO, plans for the optimisation and cost reduction in the same sector.

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

- ✓ **2017-…:** Member of the Board of Directors of Finerge, S.A.
- ✓ **2017-2019:** Member of the Board of Directors of Âncora Wind – Energia Eólica, S.A.
- ✓ **2017-2018:** Member of the Board of Directors of First State Wind Energy Investments, S.A.
- ✓ **2017-2017:** Non-executive Member of the Board of Directors of Sport TV Portugal, S.A.
- ✓ **2016-2017:** Chairman of the Board of Directors of Janela Digital – Informática e Telecomunicações, S.A.
- ✓ **2016-2017:** Non-executive Member of the Board of Directors of Capital Criativo, SCR, S.A.
- ✓ **2015–2017:** Member of the Executive Committee (Chief Financial Officer) of PT Portugal, SGPS, S.A.

- ✓ **2015-2017:** Chairman of the Fiscal Board of Hungaro Digitel Plc.
- ✓ **2015-2017:** Member of the Board of Directors of PT Pay, S.A.
- ✓ **2015-2016:** Chairman of the Fiscal Board of Fibroglobal – Comunicações Electrónicas, S.A.
- ✓ **2013-2015:** Member of the Board of Directors of PT Centro Corporativo, S.A.
- ✓ **2013-2015:** Member of the Fiscal Board of Fundação Portugal Telecom
- ✓ **2011-2014:** Non-executive Member of the Board of Directors of PT PRO – Serviços Administrativos e de Gestão Partilhados, S.A.

Other external positions held (last 5 years)

- ✓ **2018 -...:** Member of the Board of AEM (Portuguese Issuers Association)

João Carlos Ventura Sousa

Member of the Board of Directors and of the Executive Committee of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	26 March 1975, born in Portugal
Date of 1st appointment at CTT	18 September 2019
Term of office	2020-2022

Academic qualifications

- ✓ **2011:** Leadership and Innovation Programme, Católica School of Business & Economics
- ✓ **1999:** Master of Business Administration, INDEG/ISCTE
- ✓ **1998:** Degree in Management and Marketing, Instituto Superior de Línguas e Administração

Management and supervisory positions held internally

- ✓ **2021-…:** Member of the Board of Directors of CTT IMO – Sociedade Imobiliária, S.A.
- ✓ **2021-…:** Chairman of the Board of Directors of Newspring Services, S.A.
- ✓ **2021-…:** Member of the Board of Directors of HCCM Outsourcing Investment, S.A.
- ✓ **2020-…:** Member of the Board of Directors of CTT Soluções Empresariais, S.A.
- ✓ **2020-…:** Chairman of the Board of Directors of CTT Contacto, S.A.
- ✓ **2019-…:** Member of the Board of Directors of Correio Expresso de Moçambique, S.A. (CORRE)
- ✓ **2019-…:** Member of the Board of Directors and of the Executive Committee of CTT
- ✓ **2019-…:** Member of the Board of Directors of CTT Expresso - Serviços Postais e Logística, S.A.
- ✓ **2019-2019:** Chairman of the Board of Directors of Tourline Express Mensajería, S.L.U.

Other internal positions held

- ✓ ---

Professional experience

- ✓ Since 2015, he has been performing management functions, in particular as executive member of the Board of Directors (Chief Sales and Marketing Officer) of Altice Portugal (formerly Portugal Telecom), member of the Board of Directors and Chief Executive Officer (CEO) of PT Cloud and Data Centers and Portugal Telecom Data Center, having been appointed, as from September 2019, as executive member of the Board of Directors of CTT, holding also the positions of member of the Board of Directors of CTT Expresso - Serviços Postais e Logística, S.A., CTT Soluções Empresariais, S.A., Correio Expresso de Moçambique, S.A. (CORRE), HCCM Outsourcing Investment, S.A. and CTT IMO - Sociedade Imobiliária, S.A., and Chairman of the Board of Directors of CTT Contacto, S.A. and Newspring Services, S.A.

- ✓ As executive member of the Board of Directors of CTT he is responsible for the areas of e-commerce, Commercial Departments (Public Administration, Medium Companies, Large Companies (South & North) and Small Companies), Management of B2B Products, Express, Cargo & Logistics Product Management, Management of B2B Segment, Communication (shared responsibility), and for the businesses of the participated companies operating abroad: CORRE in Mozambique and CTT Expresso (branch in Spain).

- ✓ He started his professional career at Marconi as a Product and Market Manager responsible for the management of international products and tariffs and business development, having joined, two years later, Teleweb as New Businesses and Tariffs Manager being one of the members of the original team that launched this operator.

- ✓ He joined Portugal Telecom Group (currently Altice Portugal) from 2001 on, as a SME manager at TMN, in charge of product development, sales channels and business development. During this period, he achieved market leadership in the B2B segment and launched the first convergent solution (Officebox). In 2004 he was the corporate market manager for TMN and in 2007 he was the director of the B2B segment of Portugal Telecom where he was responsible, among others, for the implementation of the sales strategy and for the management and operational development of several sales channels, namely for the management of the marketing plan and pricing strategy of the B2B offer (Wireline, Wireless and ICT) in all variables and for the Up & Cross Sell, having then played a fundamental role in the automation of the commercial processes.

- ✓ Throughout his professional career at the Portugal Telecom Group (currently Altice Portugal), he was also responsible for the development and implementation of several organic restructuring programmes and, in this context, for mergers and acquisitions initiatives, having actively participated in the launch of new technological services and in the outsourcing of business processes in which he was responsible for the definition, communication and implementation of a medium and long-term strategy for customers, partners and employees.

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

- ✓ **2017-2019:** Member of the Board of Directors and Chief Executive Officer (CEO) of PT Cloud and Data Centers, S.A.
- ✓ **2017-2019:** Member of the Board of Directors and Chief Executive Officer (CEO) of Portugal Telecom Data Center, S.A.
- ✓ **2015-2019:** Member of the Board of Directors and of the Executive Committee (CMO) of Altice Portugal, S.A.

Other external positions held (last 5 years)

- ✓ ---

João Miguel Gaspar da Silva

Member of the Board of Directors and of the Executive Committee of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	1 June 1976, born in Portugal
Date of 1st appointment at CTT	6 January 2020
Term of office	2020-2022

Academic qualifications

- ✓ **2004:** MBA, Kellogg School of Management, Northwestern University (Evanston-IL, USA)
- ✓ **2000:** Degree in Electrical Engineering, Instituto Superior Técnico, Lisboa

Management and supervisory positions held internally

- ✓ **2021-…:** Member of the Board of Directors of CTT IMO – Sociedade Imobiliária, S.A.
- ✓ **2021-…:** Member of the Board of Directors of Newspring Services, S.A.
- ✓ **2021-…:** Member of the Board of Directors of HCCM Outsourcing Investment, S.A.
- ✓ **2020-…:** Member of the Board of Directors of CTT Soluções Empresariais, S.A.
- ✓ **2020-…:** Member of the Board of Directors of CTT Expresso - Serviços Postais e Logística, S.A.
- ✓ **2020-…:** Member of the Board of Directors and of the Executive Committee of CTT
- ✓ **2018-…:** Member of the Board of Directors of CTT Contacto, S.A.
- ✓ **2018-2019:** Member of the Board of Directors of Transporta – Transportes Porta a Porta, S.A.
- ✓ **2018-2018:** Member of the Board of Directors of Mailtec Comunicação, S.A.

Other internal positions held

- ✓ ---

Professional experience

- ✓ His professional activity has been focused on areas of operations in different sectors, namely Strategic Consulting, Logistics and Transport of Valuables, as well as Courier and Express and Parcels. He joined CTT in 2018 as Head of Operations having been appointed, still in 2018, as member of the Board of Directors of CTT Contacto, S.A., Mailtec Comunicação, S.A. and Transporta – Transportes Porta a Porta, S.A., all companies of the CTT Group. As CTT's Head of Operations, he managed all operations of collection, printing and finishing, handling and distribution of mail, parcels and express and cargo, with direct responsibilities in the definition and execution of CTT's Modernisation and Investment Plan.
- ✓ Currently, as executive member of the Board of Directors of CTT (COO), he is responsible for the areas of Mail Production Operations, Transport & Delivery Operations, International & Autonomous Regions Operations, Business Solutions Operations and Express, Cargo & Logistics Operations, Operations Planning & Development, Operations Efficiency and Productivity, and Customer Support and Quality of Operations, in addition to the positions of member of the Board of Directors of the subsidiaries CTT Expresso - Serviços Postais e Logística, S.A., CTT Contacto, S.A., CTT Soluções Empresariais, S.A., HCCM Outsourcing Investment, S.A., Newspring Services, S.A. and CTT IMO - Sociedade Imobiliária, S.A.
- ✓ Having started his professional career as a Junior Teaching Assistant (1998-1999) at the mathematics department of Instituto Superior Técnico, he joined Motorola in 1999 as a Junior Researcher, where he took part in the UMTS radio interface development team.
- ✓ In 2000 he joined McKinsey & Company as Business Analyst (2000-2002) and later as Associate (2004-2006), during which he developed various skills as a consultant in different areas of this company's activity. From 2007 to 2009, he served as Engagement Manager, leading various operations projects in the services sector and gaining experience in implementing Lean Operations programmes in various business sectors.

- ✓ In 2009, he joined Prosegur as Managing Director of the Logistics and Values Unit and later accumulated the duties of Managing Director of the security technology unit. In 2013, he was appointed Country Manager of Prosegur in Portugal, taking under his responsibility the entire P&L of the Prosegur Group in the country. Two years later and following the separation of the businesses carried out by this multinational company in the various geographies in which it operates, he was appointed Managing Director of Prosegur Security Portugal, the company's human, and technological surveillance area.

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

- ✓ **2013-2018:** Manager of Prosegur – Companhia de Segurança, Lda.

Other external positions held (last 5 years)

- ✓ ---

Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia

Non-Executive Member of the Board of Directors and Chairwoman of the Audit Committee of CTT - Correios de Portugal, S.A. (CTT) (Independent)

Date of birth and nationality	14 December 1967, born in Portugal
Date of 1st appointment at CTT	20 April 2017
Term of office	2020-2022

Academic qualifications

- ✓ **2009:** PhD in Management, ISCTE-Instituto Universitário de Lisboa
- ✓ **2002:** Statutory Auditor, Ordem dos Revisores Oficiais de Contas (OROC)
- ✓ **1999:** Master in Economics, Universidade do Porto
- ✓ **1991:** Degree in Management, Universidade Católica Portuguesa (UCP)

Management and supervisory positions held internally

- ✓ **2017-…:** Non-executive Member of the Board of Directors of CTT
- ✓ **2017-…:** Chairwoman of the Audit Committee of CTT

Other internal positions held

- ✓ **2017-2019:** Member of the Committee for the Monitoring of the Implementation of the Operational Transformation Plan of CTT

Professional experience

- ✓ Her top-level academic activity and functions in supervisory bodies of large listed companies are her main occupation. She was elected in April 2017 as Chair of the Audit Committee of CTT, having been re-elected for the term of office 2020-2022.
- ✓ She has over 25 years of academic experience, being a Professor at the UCP (since 1993) in the areas of Accounting and Tax. Between 2010 and 2017, she was Director of Msc in Audit and Tax of the Faculdade de Economia e Gestão of the UCP and Scientific Coordinator of the Católica Porto Business School of the UCP. She was also a Deputy Director of the Presidency of Centro Regional do Porto of the UCP for management and entrepreneurship.
- ✓ Being a Statutory Auditor for more than 15 years, she became Chairwoman of the Fiscal Board of Ordem dos Revisores Oficiais de Contas (Statutory Auditors Bar (OROC)) in 2012 and became a member of the Management Board in November 2017. She was the representative of OROC in the Comissão de Normalização Contabilística (Commission of Accounting Standards). Since 2008 she is a member of the management and supervisory bodies of large listed and non-listed companies in Portugal, having been Chairwoman of the Fiscal Board of Centro Hospitalar Universitário de São João, EPE from 2017 to 2021. In August 2021 she was elected as non-executive Member of the Board of Directors and as Member of the Audit Committee of Banco Português de Fomento, S.A.

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

- ✓ **2021-…:** Non-executive Member of the Board of Directors and Member of the Audit Committee of Banco Português de Fomento, S.A.
- ✓ **2016-…:** Non-executive Member of the Board of Directors of SFS – Gestão de Fundos, SGOIC, S.A. (formerly Sonaegest - Sociedade Gestora de Fundos de Investimento, S.A.)
- ✓ **2016-…:** Chairwoman of the Fiscal Board of Sogrape, SGPS, S.A.
- ✓ **2008-...:** Non-executive Member of the Board of Directors and Member of the Audit Committee of Impresa, SGPS, S.A.
- ✓ **2017-2021:** Chairwoman of the Fiscal Board of Centro Hospitalar Universitário de S. João, EPE
- ✓ **2012-2018:** Chairwoman of the Fiscal Board of Ordem dos Revisores Oficiais de Contas (Portuguese Statutory Auditors Bar) and its representative in the Fédération des Experts-Comptables Européens

Other external positions held (last 5 years)

- ✓ **2021-…:** Invited member of the Executive Committee of the Commission of Accounting Standards
- ✓ **2014-…:** Managing Partner of Novais, Anacoreta & Associado, SROC
- ✓ **2011-…:** Member of the Scientific Council of Associação Fiscal Portuguesa
- ✓ **2011-…:** Tax Arbitrator at CAAD (Portuguese Administrative Arbitration Centre)
- ✓ **2009-…:** Assistant Professor at Católica Porto Business School
- ✓ **2017-Feb.2021:** Member of the General Council and of the Executive Committee of Comissão de Normalização Contabilística (Commission of Accounting Standards), representing Ordem dos Revisores Oficiais de Contas (Portuguese Statutory Auditors Bar)
- ✓ **2018-2020:** Member of the Management Board of Ordem dos Revisores Oficiais de Contas (Portuguese Statutory Auditors Bar) and its representative in the Accountancy Europe

Steven Duncan Wood

Non-Executive Member of the Board of Directors and Member of the Audit Committee of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	17 December 1982, born in the USA
Date of 1st appointment at CTT	23 April 2019
Term of office	2020-2022

Academic qualifications

- ✓ **2005:** BA in Economics, Political Economy and International Relations, Tulane University, USA

Management and supervisory positions held internally

- ✓ **2020-…:** Member of the Audit Committee of CTT
- ✓ **2019-…:** Non-executive Member of the Board of Directors of CTT

Other internal positions held

- ✓ **2019-2019:** Member of the Committee for the Monitoring of the Implementation of the Operational Transformation Plan of CTT

Professional experience

- ✓ He is a Chartered Financial Analyst (“CFA”), who focuses on distressed, deep value and special situations investment strategies, having founded GreenWood Investors in 2010.
- ✓ He began his career with the special situations team at Kellogg Capital Group, and later worked as an Investment Banking Analyst for RBC Capital Markets in the Syndicated and Leveraged Finance group, having deepened his knowledge of distressed, deep value, and special situations strategies as a Research Analyst at Carr Securities from 2009 to 2013. Walter Carucci from Carr Securities provided the inspiration for founding GreenWood Investors.
- ✓ Since 2016, he has also served on the Investment Advisory Board of Cortland Associates, a value-oriented St. Louis (in USA)-based investment advisor.
- ✓ In 2017, he founded the Builders Institute Inc., an educational non-profit organisation that is dedicated to the field of long-term value creation, transparency of corporate strategy, and conscious capitalist principles.
- ✓ He is currently the Managing Member of GreenWood Performance Investors, LLC and the General Partner of GreenWood Global Micro Fund I, LP, a fund launched in February 2014, as well as of the GreenWood Builders Fund I, LP, GreenWood Offshore Builders Fund I, GreenWood Global Fund, GrenWood Builders Fund II, LP and the GreenWood Offshore Builders Fund II.

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

- ✓ **2017-…:** Founder and Managing Member of the Builders Institute, Inc.
- ✓ **2010-…:** Managing Member of GreenWood Performance Investors, LLC
- ✓ **2010-…:** Founder and Managing Member of Greenwood Investors, LLC

Other external positions held (last 5 years)

- ✓ **2016-…:** Advisory Board Member of Cortland Associates, Inc.

Duarte Palma Leal Champalimaud

Non-Executive Member of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	5 December 1975, born in Brazil
Date of 1st appointment at CTT	19 June 2019
Term of office	2020-2022

Academic qualifications

- ✓ **2018:** OPM 51 Class, Harvard Business School, USA
- ✓ **2009:** Leading the Family Business Program, IMD, Switzerland
- ✓ **2008:** MBA International, Católica Porto Business School
- ✓ **2001:** Postgraduate studies in Business Management, Fundação Dom Cabral, Brazil
- ✓ **2000:** Degree in Mechanical Engineering, Kingston University, England

Management and supervisory positions held internally

- ✓ **2019-…:** Non-executive Member of the Board of Directors of CTT
- ✓ **2018-2019:** Member of the Board of Directors of Tourline Express Mensajería, S.L.U.

Other internal positions held

- ✓ **2020-…:** Member of the Corporate Governance, Evaluation and Nominating Committee of CTT
- ✓ **2019-2019:** Member of the Committee for the Monitoring of the Implementation of the Operational Transformation Plan of CTT

Professional experience

- ✓ His position as a member of the Board of Directors of Gestmin SGPS, S.A., which changed its corporate name in 2019 to Manuel Champalimaud SGPS, S.A., has been his main occupation since 2005.
- ✓ He joined the CTT Group in 2018 having then been appointed as a member of the Board of Directors of the subsidiary Tourline Express Mensajería, S.L.U., a position he held till July 2019. As of June 2019, he became a non-executive member of the Board of Directors of CTT, a position that he holds in addition to those of Vice-Chairman of the Board of Directors of Manuel Champalimaud SGPS, S.A.
- ✓ He has a vast professional background in management and senior management positions, with a large experience in the industrial and technological areas within the Manuel Champalimaud Group, having led the acquisition of some of its main assets and played an important role in the internationalisation of the Group, namely through the expansion of GLN to Mexico, an industrial company known for its technological innovation work in the sector of plastic moulds. He held within this company, from 2013 to 2016, the functions of Chief Executive Officer (CEO) having, during this period, been responsible for the development of the company IT systems and for the acquisition of Famolde, a company specialised in the design and production of high technical content moulds, particularly in micro-moulds. Throughout his professional career, he was also responsible for several operational areas including human resources and technological innovation areas and was co-founder of a digital startup directed to the healthcare area, the consultaclick.com, from which the first European online appointment booking platform was developed.

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

- ✓ **2022-…:** Chairman of the Board of Directors of Pentapack - Sistema de Embalagem, S.A.
- ✓ **2021-...:** Manager of Star Swan Unipessoal, Lda.
- ✓ **2007-…:** Manager of Sotaque – Assessoria de Comunicação e Traduções, Lda.
- ✓ **2005-…:** Member of the Board of Directors of Manuel Champalimaud SGPS, S.A. (having been appointed Vice-Chairman in 2019)
- ✓ **2016-2018:** Member of the Board of Directors of PIEP (Innovation in Polymer Engineering)
- ✓ **2014-2017:** Chairman of the Board of Directors of GLN, S.A., having also held the position of CEO between 2013 and 2016

Other external positions held (last 5 years)

- ✓ Chairman of the Strategy and Investment Committee of the Manuel Champalimaud Group
- ✓ **2016-…:** Chairman of the Board of the General Meeting of APIP (Portuguese Plastics Industry Association)

Isabel Maria Pereira Aníbal Vaz

Non-Executive Member of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT) (Independent)

Date of birth and nationality	2 January 1966, born in Portugal
Date of 1st appointment at CTT	29 April 2020
Term of office	2020-2022

Academic qualifications

- ✓ **1994:** MBA with specialisation in Management, Universidade Nova de Lisboa
- ✓ **1990:** Degree in Chemical Engineering (Processes and Industry Branch), Instituto Superior Técnico de Lisboa (IST), Universidade de Lisboa

Management and supervisory positions held internally

- ✓ **2020-…:** Non-executive Member of the Board of Directors of CTT

Other internal positions held

- ✓ **2020-…:** Member of the Corporate Governance, Evaluation and Nominating Committee of CTT

Professional experience

- ✓ Began her professional career as a researcher at Instituto de Biologia Experimental e Tecnológica and worked as a factory project engineer at the pharmaceutical group Atral Cipan (between 1990 and 1992). From 1992 to 1999, she was a Senior Consultant at McKinsey & Company, in the banking and insurance area.
- ✓ Over the past 20 years, she has held management positions in several companies in Portugal, mainly in the Luz Saúde Group, among which those of Vice-Chairwoman and Chairwoman of the Executive Committee of Luz Saúde, S.A., and Chairwoman of the Boards of Directors of Hospital da Luz, S.A., Hospital da Arrábida - Gaia, S.A. and SGHL - Sociedade Gestora do Hospital de Loures, S.A. stand out.
- ✓ She was a member of the Faculty Board of the Nova School of Business and Economics of the Universidade Nova de Lisboa and is currently a member of the International Advisory Board of The Lisbon MBA, of the same Faculty.

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

- ✓ **2021-…:** Member of the Board of Directors of Mota- Engil, SGPS, S.A.
- ✓ **2018-…:** Chairwoman of the Board of Directors of Capital Criativo HealthCare Investments II, S.A.
- ✓ **2018-…:** Chairwoman of the Board of Directors of Hospital da Luz - Coimbra S.A.
- ✓ **2017-…:** Chairwoman of the Board of Directors of H.M.E. – Gestão Hospitalar, S.A.
- ✓ **2017-…:** Member of the Board of Directors of Hospital da Luz Funchal, S.A. (formerly called S.C.H. - Sociedade de Clínica Hospitalar S.A.)
- ✓ **2015-…:** Chairwoman of the Board of Directors of Hospital da Luz - Guimarães, S.A.
- ✓ **2015-…:** Chairwoman of the Board of Directors of GLSMED Learning Health, S.A.
- ✓ **2011-…:** Chairwoman of the Board of Directors of Luz Saúde – Serviços, A.C.E.
- ✓ **2009**-…: Chairwoman of the Board of Directors of Hospital da Luz – Centro Clínico da Amadora, S.A.
- ✓ **2009-…:** Chairwoman of the Board of Directors of SGHL – Sociedade Gestora do Hospital de Loures, S.A.
- ✓ **2009-…:** Chairwoman of the Board of Directors of Casas da Cidade – Residências Sénior, S.A.
- ✓ **2009-…:** Chairwoman of the Board of Directors of CRB – Clube Residencial da Boavista, S.A.
- ✓ **2006-…:** Chairwoman of the Board of Directors of Hospital da Luz - Oeiras, S.A.
- ✓ **2005-…:** Chairwoman of the Board of Directors of Hospital da Luz, S.A. (LISBOA)
- ✓ **2005-…:** Chairwoman of the Board of Directors of Surgicare – Unidades de Saúde, S.A.

- ✓ **2005-…:** Chairwoman of the Board of Directors of Vila Lusitano – Unidades de Saúde, S.A.
- ✓ **2005-…:** Chairwoman of the Board of Directors of Hospital Residencial do Mar, S.A.
- ✓ **2005-…:** Chairwoman of the Board of Directors of Hospor – Hospitais Portugueses, S.A.
- ✓ **2004-…:** Chairwoman of the Board of Directors of Casas da Cidade – Residências Sénior de Carnaxide, S.A.
- ✓ **2004-…:** Member of the Board of Directors of Genomed - Diagnósticos de Medicina Molecular, S.A.
- ✓ **2003-…:** Chairwoman of the Board of Directors of RML – Residência Medicalizada de Loures, SGPS, S.A.
- ✓ **2001-…:** Chairwoman of the Board of Directors of Hospital da Luz Arrábida – Gaia, S.A.
- ✓ **2001-…:** Chairwoman of the Board of Directors of Luz Saúde – Unidades de Saúde e de Apoio à Terceira Idade, S.A.
- ✓ **2000-…:** Chairwoman of the Board of Directors of Hospital da Luz - Aveiro, S.A.
- ✓ **2000-…:** Vice -Chairwoman the Board of Directors and Chairwoman of the Executive Committee of Luz Saúde, S.A.
- ✓ **2000-2021:** Member of the Board of Directors of Sonae Capital, SGPS, S.A.

Other external positions held (last 5 years)

- ✓ **2009-…:** Member of the International Advisory Board of The Lisbon MBA of Nova School of Business and Economics of Universidade Nova de Lisboa
- ✓ **2009-2018:** Member of the Faculty Council of Nova School of Business and Economics of Universidade Nova de Lisboa

Jürgen Schröder

Non-Executive Member of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT) (Independent)

Date of birth and nationality	2 October 1963, born in Germany
Date of 1st appointment at CTT	29 April 2020
Term of office	2020-2022

Academic qualifications

- ✓ **1993:** PhD in Economics, Ruhr-Universität Bochum, Germany
- ✓ **1988:** Degree in Economics, Ruhr-Universität Bochum, Germany

Management and supervisory positions held internally

- ✓ **2020-…:** Non-executive Member of the Board of Directors of CTT

Other internal positions held

- ✓ ---

Professional experience

- ✓ He started his professional career at McKinsey & Company in 1994, and since 2007 he has been a Senior Partner at the Düsseldorf office. Throughout his career at McKinsey & Company, he has assumed management and supervisory functions as responsible for the Travel, Transport and Logistics practice in Germany, as well as Chairman of the Regional Pricing Committee Europe, of the German Finance and Infrastructure Committee and of the Orphoz Board in Germany and Member of the Boards of eFellows.net and Lumics GmbH & Co. KG. He is also a member of the German Client Committee and the German OpCo (Board).
- ✓ Currently, he is responsible for the Global Marketing and Sales practice at McKinsey & Company and the transport and logistics sector in Germany and is the founder of the Digital Marketing Factory, with extensive experience in the Postal and Logistics sectors, in the Marketing and Sales areas and Digital Marketing, as well as in transformational programs that contribute to improving the performance of companies through the use of agile methods and digital technologies to improve their commercial transformation.

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

- ✓ **2020-…:** Executive Partner of JS-Rat&Tat GmbH

Other external positions held (last 5 years)

- ✓ **2015-…:** Member of the Board of ISR (International School on the Rhine) (Germany)
- ✓ **2014-…:** Member of the Board of Marketing Club Düsseldorf (Germany)

Margarida Maria Correia de Barros Couto

Non-Executive Member of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	16 September 1964, born in Portugal
Date of 1st appointment at CTT	29 April 2020
Term of office	2020-2022

Academic qualifications

- ✓ **1988:** Postgraduate studies in European Studies, Faculdade de Direito, Universidade Católica de Lisboa
- ✓ **1987:** Degree in Law, Faculdade de Direito, Universidade Católica de Lisboa

Management and supervisory positions held internally

- ✓ **2020-…:** Non-executive Member of the Board of Directors of CTT

Other internal positions held

- ✓ **2020-…:** Chairwoman of the Ethics Committee of CTT

Professional experience

- ✓ Founding Partner at Vieira de Almeida & Associados (VdA), being part of this law firm since 1988, she has as main professional occupation the practice of law in regulated sectors and in social economy.
- ✓ She is IP & Digital Group Senior Partner and Partner of the ICT practice area (Information, Communications and Technology), having been involved, in her professional activity, in the main transactions related to communications, media and data privacy sectors, working on both economic and transactional regulation matters. She has also developed a vast activity in infrastructure projects and worked on public tenders in regulated and non-regulated sectors.
- ✓ She is the Partner responsible for the Social Economy practice area, providing legal and strategic advice to the most relevant Foundations and Associations operating in Portugal and to several projects of social impact, being also responsible for the *Pro Bono* Program of VdA, leading the *Pro Bono* Committee of the firm, and leading its Sustainability Program. Currently she is the Chairwoman of Associação VdA Academia, the firm's corporate academy, in which she is responsible for the executive program Women on Boards.
- ✓ As lecturer at the Universidade Católica, she has been teaching in matters related to her practice areas, namely Telecommunications Law, Economic Regulation and Social Economy.
- ✓ Author of several articles on economic regulation, telecommunications, social economy and social responsibility/sustainability published in national and international publications, she is frequently invited to speak at conferences related to her practice areas in Portugal and abroad, having been distinguished throughout her career by the main international law directories as a leading lawyer in these areas.

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

- ✓ ---

Other external positions held (last 5 years)

- ✓ **2018-…:** Chairwoman of GRACE - Empresas Responsáveis – Associação (Association of Responsible Business)
- ✓ **2017-…:** Member of the Board of Directors and Chief Executive Officer (CEO) of Fundação Vasco Vieira de Almeida
- ✓ **2017-…:** Secretary of the General Assembly of Fórum Oceano - Associação da Economia do Mar (Association of Maritime Economy)
- ✓ **2016-…:** Secretary of the General Assembly of BCSD Portugal – *Business Council for Sustainable Development*
- ✓ **2015-…:** Chairwoman of the Board of Associação VdA Academia
- ✓ **2013-2017:** Vice-President of GRACE (Group for Reflection and Support for Corporate Citizenship)

María del Carmen Gil Marín

Non-Executive Member of the Board of Directors and Member of the Audit Committee of CTT - Correios de Portugal, S.A. (CTT) (Independent)

Date of birth and nationality	11 February 1973, born in Spain
Date of 1st appointment at CTT	29 April 2020
Term of office	2020-2022

Academic qualifications

- ✓ **2021**-…: Enrolled in International Directors Programme (IDP), INSEAD, France
- ✓ **2020**: Cyber Security and Executive Strategy, Stanford University, USA
- ✓ **2019:** Santander-UCLA W50, UCLA Anderson School of Management, USA
- ✓ **2019**: Corporate Governance: The leadership of the Boards, Nova School of Business & Economics Executive Education
- ✓ **2019**: The Women´s Leadership Forum, Harvard Business School, USA
- ✓ **1999:** MBA Programme, INSEAD, France (Dean´s List)
- ✓ **1999:** Academic cycle in Environment and Alternative Energies PhD, UNED, Spain
- ✓ **1996:** Degree in Electronic Engineering, Universidad Pontificia Comillas (ICAI), Spain (National Honours)

Management and supervisory positions held internally

- ✓ **2020-**…: Non-executive Member of the Board of Directors of CTT
- ✓ **2020-**…: Member of the Audit Committee of CTT

Other internal positions held

- ✓ ---

Professional experience

- ✓ She began her professional career in 1996 as a consultant at The Boston Consulting Group, office in Madrid, having participated in several strategic projects related to sectors such as electrical, telecommunications, oil & gas, and retail. Between 1999 and 2000 she was a Professor of Industrial Marketing at the Industrial Management Engineer degree at the Universidad Pontificia Comillas (ICAI) in Madrid. In 1999, she was an Associate at Lehman Brothers, Investment Banking in London and New York, where she performed functions related to acquisitions and IPO operations in different economic sectors.
- ✓ Leadership positions have been her main professional occupation since 2001, having initiated her professional career as from this date at Grupo Novabase as responsible for the launching of the Venture Capital area with a technological focus, within the scope of her functions as a Member of the Board of Directors of Novabase Capital, Sociedade de Capital de Risco, S.A., with a direct participation in the innovation and M&A processes of the Group. At the same time, she has been coordinating the processes of investment and valuation, financial supervision, risk assessment and operational monitoring of the participated entities. In 2018, she became a member of the Executive Committee of Novabase, SGPS, S.A. as COO, CIO and CISO.
- ✓ Currently, she carries out the duties of Member of the Board of Directors of Novabase, SGPS, S.A., and independent and non-executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A. where she is also a Member of the Audit Committee and the Appointments, Assessment and Remunerations Committee.

Management and supervisory positions in other companies (last 5 years)

- ✓ **2021-…:** Non-executive Member of the Board of Directors and Member of the Audit Committee and the Appointments, Assessment and Remunerations Committee of Caixa Geral de Depósitos, S.A.
- ✓ **2021-…:** Member of the Board of Directors of Novabase, SGPS, S.A. and former executive Member of the Board of Directors (2018-2020)

- ✓ **2021-…:** Board Member in companies of the Novabase Group, namely Chairwoman of the Board of Directors of Novabase Capital, Sociedade de Capital de Risco, S.A., and former executive Member of the Board of Directors (2001-2021), and Member of the Board of Directors of Celfocus -Soluções Informáticas para Telecomunicações, S.A.
- ✓ **2018-2021:** Executive Member of the Board of Directors of Novabase IMS2, S.A.
- ✓ **2014-2020:** Manager of Radical Innovation, Lda.
- ✓ **2014-2020:** Manager of Tópico Sensível, Lda.
- ✓ **2012-2020:** Manager of Bright Innovation, Lda.
- ✓ **2018-2019:** Executive Member of the Board of Directors of Novabase Serviços – Serviços de Gestão e Consultoria, S.A.
- ✓ **2008-2019**: Executive Member of the Board of Directors of COLLAB – Soluções Informáticas de Comunicação e Colaboração, S.A.

Other external positions held (last 5 years)

- ✓ **2020-…:** Member of the General Board of AEM (Portuguese Issuers Association)
- ✓ **2018-…:** Chairwoman of the Board of the General Meeting of Novabase Enterprise Applications - Sistemas de Informação de Gestão Empresarial, S.A.
- ✓ **2015-…:** Chairwoman of the Board of the General Meeting of GLOBALEDA - Telecomunicações e Sistemas de Informação, S.A.
- ✓ **2012-…:** Member of the Advisory Committee of FCR ISTART I
- ✓ **2018-2021:** Chairwoman of the Board of the General Meeting of Celfocus - Soluções Informáticas para Telecomunicações, S.A.
- ✓ **2014-2021:** Member of the Board of Fórum de Investor Relations (FIR) (Portuguese Association of Investor Relations) and former Member of its Supervisory Board (2011-2013)
- ✓ **2014-2015:** Member of the Supervisory Board of AEM (Portuguese Issuers Association)

Susanne Ruoff

Non-Executive Member of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT) (Independent)

Date of birth and nationality	29 September 1958, born in Switzerland
Date of 1st appointment at CTT	29 April 2020
Term of office	2020-2022

Academic qualifications

- ✓ **2018:** Certification of the International Director Program, INSEAD, France/Singapore
- ✓ **2010**: Corporate Finance in Multinational Companies, ZfU, Switzerland
- ✓ **2007**: Corporate Governance in Executive Boards, Universität St. Gallen (HSG), Switzerland
- ✓ **2004** : MBA, Université de Fribourg, Switzerland
- ✓ **2003**: Degree in Economics, Université de Fribourg, Switzerland

Management and supervisory positions held internally

- ✓ **2020-…:** Non-executive Member of the Board of Directors of CTT

Other internal positions held

- ✓ ---

Professional experience

- ✓ She has a long career with more than 30 years of experience in management positions at international companies, standing out the more than 12 years in CEO positions as CEO of BT Switzerland, and IBM Global Technology Services and more recently as CEO of Swiss Post. She was also a member of the Boards of Directors of companies such as Postbank, Geberit International (Sanitary Leader in Europe), and BEDAG (Software Company) and a member of the Board of the International Post Corporation.
- ✓ Throughout her career, she acquired a vast knowledge of technologies in terms of change and transformation management, (IBM and BT) and solid experience in implementing digital transformation (Swiss Post), mainly in logistics, banking, services, telecommunications, as well as in the technology industry in general.
- ✓ Founded her own company Ruoff Advisory GmbH and as CEO of the company, she is dedicated to the activity of consultant and support international and national companies in the Digital Transformation and Digital Business Modeling in the Telecommunications, ICT and postal sectors, mainly (Board advisor for different companies).

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

- ✓ **2020-…**: Member of the Board of Eldora AG (Gatronomy Companies in Switzerland) and of its Organisation & Compensation Committee
- ✓ **2019-…:** Chief Executive Officer (CEO) of Ruoff Advisory GmbH (Switzerland)
- ✓ **2012-2018**: Chief Executive Officer (CEO) of Swiss Post, LTD (Switzerland)
- ✓ **2013-2018:** Member of the Board of Directors and Chairwoman of the Corebanking Transformation Committee of PostBank (Switzerland)

Other external positions held (last 5 years)

- ✓ **2021-...:** Board Advisor of Emirates Post, Dubai (UAE)
- ✓ **2017-…:** Member of the Strategic Advisory Board of EPFL - École Polytechnique Fédérale de Lausanne (Switzerland)
- ✓ **2017-2018:** Member of the Advisory Council for Swiss Federal Government for Digital Transformation (Switzerland)
- ✓ **2012-2016:** Member of the Board of the International Post Corporation (Belgium)

- ✓ Formerly, she was an independent member of the Board of Directors of Geberit International S.A. and Bedag S.A. (Switzerland)

II. Members of the Remuneration Committee

Fernando Paulo de Abreu Neves de Almeida

Chairman of the Remuneration Committee of CTT - Correios de Portugal, S.A. (CTT) (Independent)

Date of birth and nationality	13 July 1961, born in Portugal
Date of 1st appointment at CTT	29 April 2020
Term of office	2020-2022

Academic qualifications

- ✓ **1994:** MBA, Faculdade de Gestão, Universidade Católica Portuguesa
- ✓ **1989:** Degree in Human Resources Management and Work Psychology, Universidade Europeia

Management and supervisory functions held internally

- ✓ ---

Other internal functions held

- ✓ **2020-…:** Chairman of the Remuneration Committee of CTT

Professional experience

- ✓ With a vast experience in management consulting specialized in Human Resources, he founded in 1993 the Neves de Almeida Consultores. Since 1998 he has been an International Partner and Managing Partner of the office in Lisbon of Boyden Global Executive Search. He is a member of the advisors' network LIORENTE E CUENTA, Iberian leader in business communication, and he is a member of the University Council of Universidade Europeia and of the Editorial Boards of the Executive Digest and Human Resources magazines. Since 2014 he has also been a member of REN's Remuneration Committee.
- ✓ He is also a teacher at the University since 1990 and was, until 2014, Executive Coordinator of the PhD's, Masters' and Bachelor's programmes in Human Resources Management at Universidade Europeia. He has written more than one hundred articles for a variety of economic publications and he is the author of the books "Psicologia para Gestores" and "Avaliação de Desempenho para Gestores" both by McGraw Hill publisher and of the book "O Gestor - A Arte de Liderar" by Editorial Presença. He is the co-author of the book "A Sorte dá Muito Trabalho" by Almedina and author of the books "Comandos para Liderar" published by Multipublicações and "Retribuições, Prémios e Incentivos" published by Almedina.

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

- ✓ **1993-…:** Manager of Neves de Almeida Consultores, Unipessoal, Lda.

Other external functions held (last 5 years)

- ✓ Member of the University Council of Universidade Europeia
- ✓ **2014-…:** Member of the Remuneration Committee of REN - Redes Energéticas Nacionais, SGPS, S.A.
- ✓ **1998-…:** Partner of the Lisbon office of Boyden Global Executive Search

Manuel Carlos de Melo Champalimaud

Member of the Remuneration Committee of CTT - Correios de Portugal, S.A. (CTT)

Date of birth and nationality	14 April 1946, born in Portugal
Date of 1st appointment at CTT	28 April 2016
Term of office	2020-2022

Academic qualifications

- ✓ **2019:** Orchestrating Winning Performance, IMD, Lausanne, Switzerland
- ✓ **2010:** High Performance Boards, IMD, Lausanne, Switzerland
- ✓ **2009:** Orchestrating Winning Performance, IMD, Lausanne, Switzerland
- ✓ **1993:** General Management Programme, Escola de Gestão do Porto (currently Porto Business School), Universidade do Porto
- ✓ **1971-1973:** Attendance of the Economics degree at Instituto de Ciências Ultramarinas, Universidade Técnica de Lisboa (currently ISCSP)

Management and supervisory functions held internally

- ✓ **2016-2017:** Non-executive Member of the Board of Directors of CTT

Other internal functions held

- ✓ **2020-…:** Member of the Remuneration Committee of CTT

Professional experience

- ✓ An entrepreneur since 1972, he was a promoter, investor and director in various companies in Portugal, Spain and Brazil.
- ✓ Activities in the industrial area stand out – in particular in the cement industry, with Cimentos do Tejo – and, more recently, in the moulds and plastics industry. The latter investment was made through Gestmin, currently Manuel Champalimaud SGPS, S.A., and entailed creating the GLN Group. He also gained corporate and management experience in real estate promotion – through the companies Raso Empreendimentos Turísticos, DaPraia and Sogestão and, furthermore, in hunting and industrial agriculture with São Barão. He has also been involved in the commercial area, in particular for the construction sector, through Rolim Comercial.
- ✓ In representation of a relevant shareholding, he was a member of the Board of Directors of REN – SGPS., S.A. for 7 years until 2016 and of CTT, from 2016 to 2017.
- ✓ In 2005, he created Gestmin SGPS, S.A., a family holding company, currently Manuel Champalimaud SGPS, S.A., where he concentrated all his investments, which he has led and operated since then. The group is currently exposed to the areas of energy, port logistics and moulds and plastics, while also holding important listed assets, among which are the shareholdings in REN and CTT.

Management and supervisory functions held internally (last 5 years)

- ✓ **2021-…:** Chairman of the Board of Directors of Digal - Distribuição e Comércio, S.A.
- ✓ **2015-…**: Manager of Sealion Finance, Lda.
- ✓ **2007-…:** Deputy Manager of Cela - Agropecuária, Lda.
- ✓ **2005-…:** Chairman of the Board of Directors of Manuel Champalimaud SGPS, S.A.(formerly Gestmin SGPS, S.A.)
- ✓ **2005-…:** Deputy Manager of Agrícola São Barão – Unipessoal, Lda.
- ✓ **1998-2017**: Chairman of the Board of Directors of Sogestão – Administração e Gerência, S.A.
- ✓ **1997-2017:** Deputy Manager of Sogolfe – Empreendimentos Turísticos, Sociedade Unipessoal, Lda.
- ✓ **2007-2016**: Non-executive Member of the Board of Directors of REN – Redes Energéticas Nacionais, SGPS, S.A.

Other external functions held (last 5 years)

- ✓ **2005-…:** Chairman of the Nominating and Remunerations Committee of Manuel Champalimaud Group

Christopher James Torino

Member of the Remuneration Committee of CTT - Correios de Portugal, S.A. (CTT) (Independent)

Date of birth and nationality	10 March 1986, born in the USA
Date of 1st appointment at CTT	29 April 2020
Term of office	2020-2022

Academic qualifications

- ✓ **2009:** MSc in Accountancy, Wake Forest University School of Business, USA
- ✓ **2008:** BSc in Analytical Finance, Wake Forest University, USA

Management and supervisory functions held internally

- ✓ ---

Other internal functions held

- ✓ **2020-…**: Member of the Remuneration Committee of CTT

Professional experience

- ✓ He started his professional career as a financial analyst monitoring a universe of about 30-50 funds with different strategies, and as a Senior Analyst at Morgan Creek Capital Management, LLC, where he worked in conjunction with the Private Investment Team to conduct diligence on numerous co-investment opportunities in private market transactions. In 2012 he joined LRV Capital Management, LLC where he deepened his skills, especially in the area of investments.
- ✓ He became Vice-President of Lazard Asset Management, LLC after the integration of the International Equity Value team of LRV Capital, a fundamental international-only long/short equity fund, by Lazard in 2018.
- ✓ In 2018, he joined GreenWood Investors and is currently a Partner at GreenWood Investors, LLC.

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

- ✓ **2018-2018:** Vice-President at Lazard Asset Management, LLC

Other external functions held (last 5 years)

- ✓ **2018-…**: Partner at GreenWood Investors, LLC
- ✓ **2012-2018:** Analyst at LRV Capital Management, LLC

Annex II

Transactions of CTT shares

ANNEX II – TRANSACTIONS OF CTT SHARES

Detail of the transactions of CTT shares carried out in 2021 in the context of the share buy-back programme of the Company mentioned in point 3 of chapter 5 of this Integrated Report.

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Acquisition	XLIS	3.95	5,219	20.05.2021
Acquisition	XLIS	3.96	6,000	20.05.2021
Acquisition	XLIS	3.965	6,000	20.05.2021
Acquisition	XLIS	4.03	12,000	20.05.2021
Acquisition	XLIS	4.04	956	20.05.2021
Acquisition	XLIS	4.045	2,029	20.05.2021
Acquisition	XLIS	4.05	10,437	20.05.2021
Acquisition	XLIS	4.01	35,000	21.05.2021
Acquisition	XLIS	4.02	25,000	21.05.2021
Acquisition	XLIS	4.025	4,161	21.05.2021
Acquisition	XLIS	4.035	22,000	21.05.2021
Acquisition	XLIS	4.05	8,000	21.05.2021
Acquisition	XLIS	4.06	15,000	21.05.2021
Acquisition	XLIS	3.98	10,000	24.05.2021
Acquisition	XLIS	3.99	15,000	24.05.2021
Acquisition	XLIS	4	7,600	24.05.2021
Acquisition	XLIS	4.005	17,184	24.05.2021
Acquisition	XLIS	4.01	216	24.05.2021
Acquisition	XLIS	4.03	5,400	24.05.2021
Acquisition	XLIS	4.04	20,004	24.05.2021
Acquisition	XLIS	4	20,000	25.05.2021
Acquisition	XLIS	4.025	65,000	25.05.2021
Acquisition	XLIS	4.18	55,093	26.05.2021
Acquisition	XLIS	4.19	10,000	26.05.2021
Acquisition	XLIS	4.195	25,000	26.05.2021
Acquisition	XLIS	4.16	20,000	27.05.2021
Acquisition	XLIS	4.17	30,000	27.05.2021
Acquisition	XLIS	4.2	30,000	28.05.2021

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Acquisition	XLIS	4.215	20,000	28.05.2021
Acquisition	XLIS	4.23	20,000	28.05.2021
Acquisition	XLIS	4.225	5,000	31.05.2021
Acquisition	XLIS	4.255	15,000	31.05.2021
Acquisition	XLIS	4.265	30,067	31.05.2021
Acquisition	XLIS	4.27	14,933	31.05.2021
Acquisition	XLIS	4.28	58,072	31.05.2021
Acquisition	XLIS	4.28	25,000	01.06.2021
Acquisition	XLIS	4.3	10,000	01.06.2021
Acquisition	XLIS	4.31	20,000	01.06.2021
Acquisition	XLIS	4.315	5,000	01.06.2021
Acquisition	XLIS	4.32	6,500	01.06.2021
Acquisition	XLIS	4.34	38,500	01.06.2021
Acquisition	XLIS	4.27	5,000	02.06.2021
Acquisition	XLIS	4.28	5,000	02.06.2021
Acquisition	XLIS	4.29	20,000	02.06.2021
Acquisition	XLIS	4.31	10,000	02.06.2021
Acquisition	XLIS	4.205	10,000	03.06.2021
Acquisition	XLIS	4.25	20,000	03.06.2021
Acquisition	XLIS	4.27	10,000	03.06.2021
Acquisition	XLIS	4.225	10,000	04.06.2021
Acquisition	XLIS	4.27	10,401	04.06.2021
Acquisition	XLIS	4.28	10,000	04.06.2021
Acquisition	XLIS	4.295	20,000	04.06.2021
Acquisition	XLIS	4.29	25,000	07.06.2021
Acquisition	XLIS	4.25	10,000	08.06.2021
Acquisition	XLIS	4.265	26,074	08.06.2021
Acquisition	XLIS	4.275	10,000	08.06.2021
Acquisition	XLIS	4.265	10,000	09.06.2021
Acquisition	XLIS	4.275	5,000	09.06.2021
Acquisition	XLIS	4.285	6,915	09.06.2021
Acquisition	XLIS	4.295	11,000	09.06.2021
Acquisition	XLIS	4.365	14,956	10.06.2021

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Acquisition	XLIS	4.38	23,000	10.06.2021
Acquisition	XLIS	4.39	30,000	10.06.2021
Acquisition	XLIS	4.315	7,651	11.06.2021
Acquisition	XLIS	4.325	4,966	11.06.2021
Acquisition	XLIS	4.33	10,366	11.06.2021
Acquisition	XLIS	4.345	1,108	11.06.2021
Acquisition	XLIS	4.35	1,318	11.06.2021
Acquisition	XLIS	4.355	5,295	11.06.2021
Acquisition	XLIS	4.4	20,000	14.06.2021
Acquisition	XLIS	4.415	33,000	14.06.2021
Acquisition	XLIS	4.43	25,000	14.06.2021
Acquisition	XLIS	4.415	13,875	15.06.2021
Acquisition	XLIS	4.44	5,000	15.06.2021
Acquisition	XLIS	4.445	14,000	15.06.2021
Acquisition	XLIS	4.465	40,000	15.06.2021
Acquisition	XLIS	4.38	5,000	16.06.2021
Acquisition	XLIS	4.415	20,000	16.06.2021
Acquisition	XLIS	4.415	40,000	17.06.2021
Acquisition	XLIS	4.345	5,000	18.06.2021
Acquisition	XLIS	4.355	15,000	18.06.2021
Acquisition	XLIS	4.365	10,000	18.06.2021
Acquisition	XLIS	4.37	15,000	18.06.2021
Acquisition	XLIS	4.48	15,000	21.06.2021
Acquisition	XLIS	4.545	10,000	21.06.2021
Acquisition	XLIS	4.55	28,157	21.06.2021
Acquisition	XLIS	4.565	20,000	21.06.2021
Acquisition	XLIS	4.47	5,000	22.06.2021
Acquisition	XLIS	4.5	20,000	22.06.2021
Acquisition	XLIS	4.56	20,000	22.06.2021
Acquisition	XLIS	4.58	20,000	22.06.2021
Acquisition	XLIS	4.59	2,547	22.06.2021
Acquisition	XLIS	4.595	15,000	22.06.2021

Annex III

ESG Indicators

ANNEX III – ESG INDICATORS

Table 1 - Employees

GRI 102-8, 102-41, GRI 202-1, GRI 401-1, 401-3, 403-9, 403-10, 404-1, 405-1, 405-2

Human Resources	'20			'21			CTT
Indicators	CTT	CTT SA	Subsidiaries	CTT	CTT SA	Subsidiaries	Annual variation %
Labor Indicators (number of people)							
Employees	**12,234**	**10,481**	**1,753**	**12,608**	**10,123**	**2,485**	**3.1**
Female	4,117	3,563	554	4,697	3,487	1,210	**14.1**
Male	8,117	6,918	1,199	7,911	6,636	1,275	**-2.5**
Type of contract (number of people)							
Permanent	**10,767**	**9,461**	**1,306**	**11,283**	**9,346**	**1,937**	**4.8**
Female	3,624	3,201	423	4,078	3,180	898	**12.5**
Male	7,143	6,260	883	7,205	6,166	1,039	**0.9**
Fixed-term	**1,467**	**1,020**	**447**	**1,380**	**832**	**548**	**-5.9**
Female	493	362	131	674	362	312	**36.7**
Male	974	658	316	706	470	236	**-27.5**
Full-time	**11,957**	**10,328**	**1,629**	**12,242**	**9,978**	**2,264**	**2.4**
Female	**4,007**	**3,496**	**511**	**4,490**	**3,421**	**1,069**	**12.1**
Permanent	3,572	3,176	396	3,970	3,151	819	**11.1**
Fixed-term	435	320	115	520	270	250	**19.5**
Male	**7,950**	**6,832**	**1,118**	**7,752**	**6,557**	**1,195**	**-2.5**
Permanent	7,116	6,249	867	7,161	6,152	1,009	**0.6**
Fixed-term	834	583	251	591	405	186	**-29.1**
Part-time	**277**	**153**	**124**	**366**	**145**	**221**	**32.1**
Female	**110**	**67**	**43**	**207**	**66**	**141**	**88.2**
Permanent	52	25	27	108	29	79	**107.7**
Fixed-term	58	42	16	99	37	62	**70.7**
Male	**167**	**86**	**81**	**159**	**79**	**80**	**-4.8**
Permanent	27	11	16	44	14	30	**63.0**
Fixed-term	140	75	65	115	65	50	**-17.9**
Age group (number of people)							
<30	**1,055**	**696**	**359**	**1,095**	**566**	**529**	**3.8**
Female	314	233	81	477	217	260	**51.9**
Male	741	463	278	618	349	269	**-16.6**
30 to 50	**6,693**	**5,543**	**1,150**	**6,773**	**5,117**	**1,656**	**1.2**
Female	2,451	2,037	414	2,765	1,915	850	**12.8**
Male	4,242	3,506	736	4,008	3,202	806	**-5.5**
>50	**4,486**	**4,242**	**244**	**4,740**	**4,440**	**300**	**5.7**
Female	1,352	1,293	59	1,455	1,355	100	**7.6**
Male	3,134	2,949	185	3,285	3,085	200	**4.8**
Professional category (number of people)							
Senior personnel	**1,399**	**995**	**404**	**1,443**	**1,000**	**443**	**3.1**
Female	**681**	**508**	**173**	**708**	**504**	**204**	**4.0**
<30	43	18	25	39	11	28	**-9.3**
30 to 50	456	324	132	483	324	159	**5.9**
>50	182	166	16	186	169	17	**2.2**
Male	**718**	**487**	**231**	**735**	**496**	**239**	**2.4**
<30	43	27	16	43	23	20	**—**
30 to 50	436	259	177	441	264	177	**1.1**
>50	239	201	38	251	209	42	**5.0**

Human Resources	'20			'21			CTT
Indicators	CTT	CTT SA	Subsidiaries	CTT	CTT SA	Subsidiaries	Annual variation %
Middle management	**498**	**367**	**131**	**566**	**382**	**184**	**13.7**
Female	**190**	**147**	**43**	**223**	**153**	**70**	**17.4**
<30	2	0	2	4	0	4	**100.0**
30 to 50	89	49	40	113	56	57	**27.0**
>50	99	98	1	106	97	9	**7.1**
Male	**308**	**220**	**88**	**343**	**229**	**114**	**11.4**
<30	7	0	7	12	0	12	**71.4**
30 to 50	145	83	62	165	86	79	**13.8**
>50	156	137	19	166	143	23	**6.4**
Counter service	**2,433**	**2,340**	**93**	**2,413**	**2,310**	**103**	**-0.8**
Female	**1,670**	**1,626**	**44**	**1,670**	**1,618**	**52**	**—**
<30	103	100	3	110	107	3	**6.8**
30 to 50	909	873	36	848	805	43	**-6.7**
>50	658	653	5	712	706	6	**8.2**
Male	**763**	**714**	**49**	**743**	**692**	**51**	**-2.6**
<30	45	40	5	51	44	7	**13.3**
30 to 50	298	263	35	268	233	35	**-10.1**
>50	420	411	9	424	415	9	**1.0**
Delivery	**5,693**	**4,924**	**769**	**5,393**	**4,733**	**660**	**-5.3**
Female	**852**	**717**	**135**	**843**	**696**	**147**	**-1.1**
<30	102	66	36	108	54	54	**5.9**
30 to 50	568	480	88	543	461	82	**-4.4**
>50	182	171	11	192	181	11	**5.5**
Male	**4,841**	**4,207**	**634**	**4,550**	**4,037**	**513**	**-6.0**
<30	514	267	247	330	165	165	**-35.8**
30 to 50	2,656	2,321	335	2,415	2,118	297	**-9.1**
>50	1,671	1,619	52	1,805	1,754	51	**8.0**
Other groups	**2,211**	**1,855**	**356**	**2,793**	**1,698**	**1,095**	**26.3**
Female	**724**	**565**	**159**	**1,253**	**516**	**737**	**73.1**
<30	64	49	15	216	45	171	**237.5**
30 to 50	429	311	118	778	269	509	**81.4**
>50	231	205	26	259	202	57	**12.1**
Male	**1,487**	**1,290**	**197**	**1,540**	**1,182**	**358**	**3.6**
<30	132	129	3	182	117	65	**37.9**
30 to 50	707	580	127	719	501	218	**1.7**
>50	648	581	67	639	564	75	**-1.4**
Leadership by gender (number of people)	**247**	**195**	**52**	**246**	**186**	**60**	**-0.4**
Board of Directors	**5**	**5**	**—**	**5**	**5**	**—**	**0.0**
Female	0	0	—	0	0	—	**—**
Male	5	5	—	5	5	—	**0.0**
Leadership - 1st line	**49**	**39**	**10**	**48**	**36**	**12**	**-2.0**
Female	10	10	0	6	6	0	**-40.0**
Male	39	29	10	42	30	12	**7.7**
Leadership - 2nd line	**193**	**151**	**42**	**193**	**145**	**48**	**0.0**
Female	90	74	16	92	73	19	**2.2**
Male	103	77	26	101	72	29	**-1.9**
Diversity (number of people)							
Foreign employees a)	**165**	**80**	**85**	**171**	**68**	**103**	**3.6**
Female	49	31	18	75	28	47	**53.1**
Male	116	49	67	96	40	56	**-17.2**
Employees with special needs a)	**254**	**239**	**15**	**297**	**272**	**25**	**16.9**

Human Resources		'20			'21			CTT
Indicators		CTT	CTT SA	Subsidiaries	CTT	CTT SA	Subsidiaries	Annual variation %
Female		123	116	7	146	131	15	**18.7**
Male		131	123	8	151	141	10	**15.3**
Schooling level (number of people)								
University education		2,038	1,546	492	2,249	1,531	718	**10.4**
12th year		5,933	5,168	765	6,316	5,017	1,299	**6.5**
3rd cycle elementary education		3,071	2,681	390	2,930	2,556	374	**-4.6**
< 3rd cycle of elementary education		1,192	1,086	106	1,113	1,019	94	**-6.6**
Turnover rate	**c)**	**16.3**	**15.4**	**21.9**	**18.5**	**16.0**	**33.3**	**2.2 p.p.**
Female		**14.7**	**15.0**	**13.0**	**15.7**	**14.9**	**19.8**	**1 p.p.**
<30		5.3	5.1	6.7	5.9	5.3	9.0	**0.6 p.p.**
30 to 50		6.5	6.6	5.6	7.5	7.0	9.9	**1 p.p.**
>50		2.9	3.3	0.7	2.3	2.6	1.0	**-0.6 p.p.**
Male		**17.2**	**15.7**	**26.0**	**20.1**	**16.6**	**41.0**	**2.9 p.p.**
<30		9.1	7.5	17.8	9.7	7.5	23.0	**0.6 p.p.**
30 to 50		5.0	4.7	4.6	7.3	6.1	9.3	**2.3 p.p.**
>50		3.1	3.4	1.4	3.1	3.1	3.3	**0 p.p.**
Contracting rate		**22.7**	**19.6**	**40.8**	**31.5**	**25.8**	**64.9**	**8.8 p.p.**
Female		**22.2**	**20.7**	**31.8**	**31.2**	**26.3**	**58.2**	**9 p.p.**
<30		9.7	9.2	12.8	14.1	11.5	28.5	**4.4 p.p.**
30 to 50		12.0	11.1	17.9	16.3	14.3	27.5	**4.2 p.p.**
>50		0.5	0.4	1.1	0.8	0.6	2.2	**0.3 p.p.**
Male		**22.9**	**19.1**	**45.0**	**31.7**	**25.6**	**68.7**	**8.7 p.p.**
<30		14.0	11.2	29.9	17.2	13.0	42.4	**3.2 p.p.**
30 to 50		8.2	7.2	13.8	13.4	11.6	24.6	**5.2 p.p.**
>50		0.8	0.7	1.3	1.0	0.9	1.7	**0.3 p.p.**
Rate of return		**—**	**—**	**—**	**95.7** [88]	**—**	**—**	**—**
Female		—	—	—	92.5	—	—	—
Male		—	—	—	98.4	—	—	—
Rate of retention		**90,9**	**90,9**	**—**	**90.1**	**90.0**	**—**	**-0,8 p.p.**
Female		—	—	—	96.1	96.1	—	—
Male		—	—	—	88.8	88.8	—	—
Prevention & safety	**b)**							
Total number of work accidents		**832**	**746**	**86**	**789**	**689**	**100**	**-5.2**
Female		210	200	10	196	173	23	**-6.7**
Male		622	546	76	593	516	77	**-4.7**
Injury rate due to work accidents	***10^(5)**	**3.0**	**3.1**	**2.8**	**2.9**	**3.0**	**2.2**	**-0.1 p.p.**
Female		2.1	2.3	0.9	2.0	2.1	1.5	**-0.1 p.p.**
Male		3.5	3.4	4.0	3.3	3.5	2.5	**-0.2 p.p.**
Rate of occupational diseases	***10^(5)**	**0.04**	**0.04**	**0.00**	**0.11**	**0.12**	**0.00**	**0.1 p.p.**
Female		0.06	0.07	0.00	0.15	0.17	0.00	**0.1 p.p.**
Male		0.02	0.03	0.00	0.08	0.10	0.00	**0.1 p.p.**
Rate of days lost due to work accidents	***10^(5)**	**99.7**	**106.6**	**50.0**	**102.3**	**110.0**	**53.1**	**2.7 p.p.**
Female		77.8	88.8	6.8	66.4	72.3	27.4	**-11.4 p.p.**
Male		110.9	115.5	75.6	120.8	129.5	65.9	**9.9 p.p.**
Deaths		**0**	**0**	**0**	**0**	**0**	**0**	**—**

[88] The Rate of return covers all employees who have not left the Company in less than one month after the end of the last period of parental leave. These figures include subsidiaries.

Human Resources

Indicators		'20 CTT	'20 CTT SA	'20 Subsidiaries	'21 CTT	'21 CTT SA	'21 Subsidiaries	CTT Annual variation %
Absenteeism (%)	**c)**	**6.3**	**6.8**	**3.1**	**6.9**	**7.5**	**3.4**	**0.5 p.p**
Training	**c)**							
Number of training hours		**187,598**	**163,258**	**24,340**	**215,046**	**183,002**	**32,045**	**14.6**
Average training hours		**15**	**16**	**15**	**18**	**18**	**19**	**18.5**
Female		23	24	22	26	27	24	**12.8**
Male		11	11	11	14	14	16	**22.5**
Average hours per category								
Senior personnel		**26**	**26**	**25**	**26**	**24**	**30**	**-0.1**
Female		25	26	22	25	24	30	**0.4**
Male		26	26	28	26	25	30	**-0.5**
Middle management		**24**	**21**	**35**	**24**	**19**	**37**	**0.6**
Female		32	24	67	27	20	43	**-16.4**
Male		19	19	20	23	18	33	**17.2**
Counter service		**35**	**36**	**20**	**42**	**43**	**17**	**19.5**
Female		36	36	33	42	43	22	**18.3**
Male		35	36	9	42	44	12	**22.3**
Delivery		**9**	**9**	**6**	**11**	**11**	**9**	**22.6**
Female		12	12	12	13	13	17	**9.1**
Male		8	9	5	10	11	7	**25.8**
Other		**1**	**0**	**10**	**3**	**0**	**16**	**54.5**
Female		3	0	17	4	0	17	**26.5**
Male		1	0	5	2	0.1	15	**96.6**
Wage ratio by gender (F/M)		**1.07**	**1.07**	**1.02**	**1.00**	**1.06**	**0.83**	**-0.06 p.p.**
Senior personnel		**0.83**	**0.86**	**0.71**	**0.80**	**0.87**	**0.67**	**-0.02 p.p.**
Female (€)		1,995.5	2,079.5	1,748.8	1,964.4	2,061.3	1,725.0	**-1.6**
Male (€)		2,418.2	2,405.0	2,446.1	2,444.4	2,382.1	2,573.9	**1.1**
Middle management		**0.97**	**0.96**	**0.92**	**0.94**	**0.95**	**0.91**	**-0.03 p.p.**
Female (€)		1,332.1	1,412.5	1,057.1	1,259.2	1,366.3	1,025.1	**-5.5**
Male (€)		1,377.1	1,466.9	1,152.6	1,336.3	1,440.2	1,127.5	**-3.0**
Counter service		**0.94**	**0.93**	**0.95**	**0.94**	**0.93**	**1.00**	**-0.01 p.p.**
Female (€)		1,067.6	1,076.4	742.9	1,075.0	1,082.5	841.8	**0.7**
Male (€)		1,140.9	1,163.1	782.1	1,141.6	1,163.4	845.2	**0.1**
Delivery		**0.92**	**0.89**	**1.12**	**0.92**	**0.89**	**1.15**	**0 p.p.**
Female (€)		823.3	828.4	796.5	844.6	848.4	826.9	**2.6**
Male (€)		897.5	926.0	708.4	922.7	948.9	716.8	**2.8**
Other		**0.96**	**0.97**	**0.94**	**0.87**	**0.96**	**0.88**	**-0.01 p.p.**
Female (€)		969.9	964.1	990.5	844.2	966.4	758.6	**-13.0**
Male (€)		1,005.8	998.2	1,055.0	969.5	1,002.3	861.5	**-3.6**
Labour relations (%)	**d)**							
Collective labour agreements		89.7	98.3	5.0	95.8	99.4	58.9	**6.1 p.p.**
Union membership (%)		73.6	77.0	40.4	75.4	77.8	51.6	**1.8 p.p.**

a) In 2020, CORRE data not included. In 2021, includes data of all the subsidiaries, including NNS and HCCM.

b) 321 Crédito, CORRE, NNS and HCCM data not included.

c) NNS and HCCM data not included *.

d) Excludes CTT Express, 321 Crédito, CORRE, NNS and HCCM data.

Table 2 – Environment

GRI 301-1, 301-10, 302-1, 302-3, 303-3, 303-5, 305-1, 305-2, 305-3, 305-4, 305-5, 306-1, 306-2, 306-3, 306-4, 306-5

Environment	'20			'21			
Indicators a)	**CTT**	**CTT SA**	**Subsidiaries**	**CTT**	**CTT SA**	**Subsidiaries**	**Annual variation %**
Energy consumption (GJ)	**361,358.3**	**328,908.8**	**32,449.5**	**358,273.1**	**316,942.9**	**41,330.2**	**-0.9 %**
Total electricity consumption	**132,777.2**	**115,876.8**	**16,900.3**	**127,218.2**	**107,398.5**	**19,819.7**	**-4.2 %**
Conventional electricity consumption	0.0	0.0	0.0	0.0	0.0	0.0	—
Green electricity consumption	132,777.2	115,876.8	16,900.3	127,218.2	107,398.5	19,819.7	**-4.2 %**
Solar panel power consumption	127.2	127.2	0.0	813.5	127.2	686.3	**539.5 %**
Thermal power consumption	5,785.0	5,785.0	0.0	4,549.0	4,549.0	0.0	**-21.4 %**
Total fuel consumption	221,577.0	206,027.9	15,549.2	224,589.5	203,765.3	20,824.2	**1.4 %**
Total gas consumption	1,091.9	1,091.9	0.0	1,102.9	1,102.9	0.0	**1.0 %**
Average fleet consumption (l/100)	**9.4**	**9.6**	**7.1**	**9.1**	**9.4**	**6.8**	**-3.2 %**
Less pollutant vehicles (unit)	**335.0**	**316.0**	**19.0**	**346.0**	**324.0**	**22.0**	**3.3 %**
Total direct atmospheric emissions of CO_2 (*scope* 1) (tons CO_2)	**15,949.0**	**14,842.2**	**1,106.8**	**15,999.4**	**14,517.5**	**1,481.9**	**0.3 %**
Fuel consumption	15,882.2	14,775.4	1,106.8	15,944.6	14,462.7	1,481.9	**0.4 %**
Gas consumption	66.8	66.8	0.0	54.8	54.8	0.0	**-18.0 %**
Total indirect atmospheric emissions (*scope* 2) (tons CO_2)	**164.9**	**164.9**	**—**	**9.0**	**9.0**	**—**	**-94.5 %**
Electricity consumption	0.0	0.0	0.0	0.0	0.0	0.0	—
Thermal power consumption	164.9	164.9	0.0	9.0	9.0	0.0	**-94.5 %**
Total other indirect atmospheric emissions (*scope* 3) (tons CO_2) b)	**42,733.3**	**12,507.8**	**30,225.3**	**50,245.6**	**16,095.3**	**34,150.2**	**17.6 %**
Air transport	11,762.2	7,776.4	3,985.8	13,217.8	8,289.9	4,927.8	**12.4 %**
Sea transport	105.9	14.2	91.7	118.4	7.2	111.2	**11.8 %**
Road transport by outsourced fleet b)	27,320.4	1,590.6	25,729.8	30,274.0	2,068.6	28,205.4	**10.8 %**
Delivery by motorcycle	1,484.6	1,484.6	0.0	1,374.4	1,374.4	0.0	**-7.4 %**
Air and rail travel on company business b)	30.8	30.8	0.0	18.0	18.0	0.0	**-41.6 %**
Commuting	2,029.4	1,611.2	418.0	5,243.0	4,337.2	905.8	**158.4 %**
Offset CO_2 emissions (tons CO_2)	**3,346.3**	**2,701.3**	**645.0**	**5,474.6**	**4,813.9**	**660.7**	**63.6 %**

a) CORRE, NNS and HCCM data not included.

b) CTT Express data not included.

Environment	'20			'21			
Indicators a)	**CTT**	**CTT SA**	**Subsidiaries**	**CTT**	**CTT SA**	**Subsidiaries**	**Annual variation %**
Offset CO_2 emissions (tons CO_2)	**3,346.3**	**2,701.3**	**645.0**	**5,474.6**	**4,813.9**	**660.7**	**63.6 %**
Scopes 1+2 (tons CO_2)	**16,113.9**	**15,007.1**	**1,106.8**	**16,008.4**	**14,526.5**	**1,481.9**	**-0.7 %**
Scopes 1+2+3 (tons CO_2)	**58,847.1**	**27,514.7**	**31,332.4**	**66,253.9**	**30,621.8**	**35,632.1**	**12.6 %**
Carbon incorporation by postal item (*scopes* 1 and 2) (g CO_2/item)	**16.2**	**28.6**	**2.3**	**15.7**	**29.5**	**2.8**	**-3.1 %**
Carbon incorporation by postal item (*scopes* 1, 2 and 3) b) (g CO_2/item)	**59.0**	**52.5**	**65.9**	**64.9**	**62.3**	**67.3**	**10.0 %**
Carbon intensity per €1000 turnover (*scopes* 1+2) (kg CO_2/€1000)	**21.0**	**29.2**	**4.3**	**17.8**	**27.6**	**4.0**	**-15.2 %**
Captured water by source (m^3) b)	**31,680.5**	**26,195.5**	**5,485.0**	**32,809.2**	**27,305.2**	**5,504.0**	**3.6 %**
Well	1,923.0	1,923.0	0.0	2,075.0	2,075.0	0.0	**7.9 %**
Public network	28,775.5	23,290.5	5,485.0	29,886.2	24,382.2	5,504.0	**3.9 %**
Rainwater	982.0	982.0	0.0	848.0	848.0	0.0	**-13.6 %**
Spillage (unit)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	—
Consumption of materials (tons)	**3,434.2**	**2,327.3**	**1,106.9**	**3,470.7**	**2,574.0**	**896.7**	**1.1 %**
Paper	2,478.2	2,137.2	341.0	2,705.1	2,318.9	386.2	**9.2 %**
Plastic	686.7	168.6	518.1	731.8	226.5	505.2	**6.6 %**
Metal	3.9	3.0	0.9	5.6	4.7	0.9	**43.6 %**
Other materials	265.4	18.5	246.9	28.2	23.9	4.4	**-89.4 %**
Waste routed to final destination	—	—	—	—	—	—	—
Total waste (tons)	2,433.9	1,088.9	1,345.0	2,303.7	902.0	1,401.7	**-5.3 %**
Recovery rate (unit/100)	1.0	1.0	1.0	1.0	0.9	1.0	—
Environmental certification	—	—	—	—	—	—	—
ISO 14001 certified Units/ Companies	Corporate + 3	Corporate	3 companies	Corporate + 3	Corporate	3 companies	—
FSC certified Units/ Companies	0.0	0.0	0.0	0.0	0.0	0.0	—
Environmental investment and costs (€1000) c)	**3,444.7**	**3,397.0**	**47.7**	**4,729.3**	**4,660.5**	**68.8**	**37.4 %**

a) CORRE, NNS and HCCM data not included.

b) 321 Crédito data not included.

c) 321 Crédito data not included.

Annex IV

GRI Index

ANNEX IV – GRI INDEX

GRI 102-55

Table of Environmental, Social and Economic performance indicators

Indicator	Description	Page(s)	Global Compact	SDG
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102-1	Name of the organisation	15; 222; 223		
102-2	Activities, brands, products and services	18; 46; 62; 68; 74; 76; 77; 79; 98; 223		
102-3	Location of organisation's headquarters	222; 450; 515		
102-4	Countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability issues covered in the report *Portugal, Spain and Mozambique.*	8; 223; 494		
102-5	Nature of ownership and legal form	15; 138; 450; 515		
102-6	Markets served, including geographic breakdown, sectors served and types of customers/beneficiaries *The Organisation also operates abroad in locally established companies in Spain and Mozambique. Although in both countries the provision of services is at the level of Express Mail of items and merchandise, in Spain the customers are especially classified in the area of private customers and in Mozambique there is a large proportion of public sector customers.*	46; 69; 79; 494		
102-7	Scale of the reporting organisation, including: total number of employees; total number of operations; net sales (for private sector organisations) or net revenues (for public sector organisations); quantity of products or services provided	89		
102-8	Total number of employees by employment type, contract and gender	89; 487	GC 3 GC 6	SDG 8
102-9	Description of the organisation's supply chain, including the main elements related to its activities, primary brands, products and services *The supply chain whose businesses were conducted by procurement and awarded in 2021 is composed of 97% national suppliers, or suppliers with representation in Portugal, and 3% foreign suppliers. The group of suppliers with the highest percentage of contracted value is that of Engineering and Technology-Based Research and Services (44%), followed by Mail and Goods Transport (27%), Machines, Accessories and Consumables for Materials Handling, Packaging and Storage (5%), and Information Technology, Broadcasting and Telecommunications (4%). Others accounted for 19%.*	15; 494		
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102-12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	56; 102		
102-13	Membership in sector associations and/or national or international advocacy organisations in which the organisation: holds a position in the governance body; participates in projects or committees; provides substantive funding beyond routine membership fees; views membership as strategic	59		

Indicator	Description	Page(s)	Global Compact	SDG
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102-20	Report whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether position holders report directly to the highest governance body	147		
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102-22	Composition of the highest governance body and its committees by executive or non-executive position, independence, gender, participation of underrepresented social groups and stakeholder participation. Governance tenure, responsibilities, commitments and competences of each individual relating to economic, environmental and social topics	138		
102-23	Report whether the Chair of the highest governance body is also an executive officer and, if so, their function within the organisation's management and the reasons for this arrangement	145		SDG 16
102-24	Nomination and selection processes for the highest governance body members and committees, including considerations on diversity, independence and experience related to economic, environmental and social topics	141		SDG 5 SDG 16
102-25	Processes used to avoid conflicts of interest and whether conflicts of interest are disclosed to the stakeholders	151; 199		SDG 16
102-26	Report the roles of the highest governance body and senior executives in the development, approval and updating of the organisation's purpose, values, vision and mission statements, and definition of strategies, policies and goals related to economic, environmental and social impacts	144; 198		
102-27	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	169		SDG 4
102-28	Processes for evaluation of the highest governance body's performance, especially with respect to economic, environmental and social performance Indicate whether the evaluation is independent, as well as the respective frequency and measures adopted	153; 203		
102-29	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities, including the highest governance body's role in the implementation of due diligence processes	60; 169; 199		SDG 16
102-30	Report the highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics	60; 108; 205		

Indicator	Description	Page(s)	Global Compact	SDG
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102-34	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	52; 447		
	Remuneration Policies			
102-35	Remuneration policies for the highest governance body, senior executives and other employees	150; 173; 175; 186		
102-36	Process adopted for determining remuneration	90; 150; 173; 175; 186		
102-37	Stakeholder involvement regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	90; 178; 199		SDG 16
102-38	Ratio of the total annual remuneration the organisation's highest-paid individual in each country where the organisation has significant operations to the mean total annual remuneration of all employees (excluding the highest-paid individual) in the same country *Ratio of 22.5 (for the CTT Group).*	496		
102-39	Ratio of the percent increase in the total annual remuneration of the organisation's highest-paid individual in each country where the organisation has significant operations to the mean percent increase in the total annual remuneration of all employees (excluding the highest-paid individual) in the same country *0*	496		
	Stakeholder Engagement			
102-40	List of stakeholder groups engaged by the organisation	52		
102-41	Total number and percentage of employees involved in collective negotiation agreements	52; 90; 94; 487	CG 3	SDG 8
102-42	Basis for identification and selection of stakeholders with whom to engage	49		
102-43	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	51; 52; 62; 72; 76; 77; 94; 105; 447		
102-44	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns	51; 52; 62; 72; 94; 98; 105; 447		
	Identified Material Aspects and Boundaries			
102-45	Entities included in consolidated financial statements (affiliates and joint ventures), included or not in the report	15; 46; 145; 147		
102-46	Process for defining the report content and aspect boundaries	15		
102-47	List of all material aspects identified in the process for defining report contents	49		
102-48	Effect of any restatements of information provided in previous reports resulting from mergers, acquisitions, measurement methods or other motives, and the reasons for such restatements	15		
102-49	Significant changes from previous reporting periods in the scope and aspect boundaries	15		
102-50	Reporting period (such as fiscal or calendar year) for the information provided	15		
102-51	Date of the most recent previous report (if any)	15		
102-52	Reporting cycle (such as annual, biennial)	15		
102-53	Contact for questions concerning the report or its contents	172; 450; 515		

Indicator	Description	Page(s)	Global Compact	SDG
102-54	Declaration of the organisation that the report was produced in compliance with GRI Standards, in the Core or Comprehensive option	15		
102-55	GRI indicators	15; 494		
102-56	Policy and current practice with regard to seeking external assurance for the report, with the involvement of senior management	15		
	Management Approach			
103-1	Explanation and boundaries pertaining to material aspects. Involvement of the organisation regarding the impacts caused thereby or for which it has contributed, or if the organisation is directly associated with these impacts through its business relationships	49	CG 1-10	
103-2	Management approach and its elements. Policies, commitments, objectives and goals, resources, complaint mechanisms, projects, programmes and initiatives for managing material aspects	22; 59; 107; 108	CG 1-10	
103-3	Evaluation of the management approach, results and improvements	22; 108	CG 1-10	
	Economic Performance (consolidated data)			
201-1	Direct economic value generated and distributed	68; 74; 77; 81; 88; 98; 213; 399		SDG 8
201-2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	62; 108	GC 7	SDG 13
201-3	Coverage of the organisation's defined benefit and other pension plan obligations	95; 248; 358		
201-4	Financial assistance received from the Government *CTT Group received 163.595 €, as tax benefits and 983.564 € as tax credits.*	497		
	Market Presence			
202-1	Ratios of standard entry level wage by gender compared to the local minimum wages at significant business premises *The lowest salary paid by CTT was €643 for men and €665 for women, corresponding to ratios of 0.97 and 1.0, respectively, in relation to the national minimum wage (€665).* *Note: CORRE and CTT Express data not included.* Percentage of employees earning the national minimum wage, irrespective of the type of employment contract *11%. It should be noted that variable remuneration should be added to this value (meal subsidies, operational bonuses and bonuses associated with the activity [delivery]).*	487; 497	GC 6	SDG 1
202-2	Percentage of senior managers at significant business premises hired from the local community *Managers are primarily hired according to their skills. However, CTT recruits managers across the entire country, owing to the wide service coverage offered, thus generating employment opportunities in the entire Portuguese territory, i.e. both in rural and urban areas.*	497	GC 6	
	Indirect Economic Impacts			
203-1	Development and impact of investment in infrastructures and services provided	19; 46; 62; 69; 76; 77; 79; 98		
203-2	Significant indirect economic impacts, including the extent of impacts, both positive and negative	19; 46; 62; 69; 76; 104		

Indicator	Description	Page(s)	Global Compact	SDG
	Procurement Practices			
204-1	Proportion of spending on local suppliers at significant business premises *CTT is committed to its policy of ensuring scrupulous compliance by its suppliers with labour standards. At the time of contracting, suppliers must ensure that: a) They comply with the principles and procedures concerning freedom of association, forced labour, child labour and equality defined in the eight fundamental Conventions of the International Labour Organisation; b) They do not exercise discrimination based on nationality, race, gender, religion, sexual orientation, political option, age, health conditions and disability; c) They comply with the principles and procedures concerning health, hygiene and safety at work defined in national laws and regulations; d) They have not been subject to any administrative or judicial sanction for the use of labour force legally subject to the payment of taxes and social security contributions that has not been declared in accordance to the rules that impose this obligation in Portugal. The guarantee indicated in paragraph d) must be supported by a declaration issued by the competent entity and renewed during the period of execution of the contract.*	498		SDG 12
	Anti-corruption			
205-1	Total number and percentage of operations assessed for risks related to corruption and the significant risks detected	57; 60; 92	GC 10	
205-2	Communication and training on anti-corruption policies and procedures *Anti-corruption policies and procedures were communicated to 10% of employees (1,211 in total); and 12% (1,469 employees) received training in this area.* *When suppliers start using the Ariba Spend Management platform, CTT inform those suppliers about their Ethics Code and Responsible Procurement Policy. we believe that commercial partners that know these policies are the ones that sign the declaration referring to them. Of the 187 suppliers that were hired, 185 accepted these terms,* i.e. *99%.*	47; 57; 498	GC 10	SDG 4 SDG 16
205-3	Confirmed cases of corruption and measures adopted *No cases of corruption occurred.*	57; 498	GC 10	SDG 16
	Anti-Competitive Practices			
206-1	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	59		SDG 16
	Taxes and Taxation			
207-1	Taxation approach	399		
207-2	Taxation governance structure and tax risk control	399		
207-3	Approach to stakeholder involvement and management of their concerns regarding taxation	51		
207-4	Tax jurisdictions where the entities included in the organisation's audited final consolidated financial statements or the financial information registered in public registry offices are considered resident for taxation purposes. Reporting by country.	223		
	Consumption of Materials			
301-1	Materials used by weight or volume	491	GC 7-9	
301-2	Percentage of materials used that are recycled input materials	119	GC 7-9	SDG 15
301-3	Recovered products and packaging	120	GC 7-9	

Indicator	Description	Page(s)	Global Compact	SDG
	Energy			
302-1	Energy consumption within the organisation	19; 109; 112; 491	GC 7-9	SDG 7 SDG 12
302-2	Energy consumption outside the organisation *Value calculated based on invoices issued to CTT pertaining to energy consumption, subcontracted transport activities and emission factors from reference sources.*	109; 499	GC 7-9	
302-3	Energy intensity	109; 112; 117; 491	GC 7-9	SDG 7 SDG 12
302-4	Reduction of energy consumption	69	GC 7-9	SDG 7 SDG 9 SDG 12 SDG 13
302-5	Reductions in energy requirements of products and services	19; 72; 76; 77; 111; 112	GC 7-9	SDG 7 SDG 9 SDG 12 SDG 13
	Water and Effluents			
303-1	Water sources significantly affected by withdrawal of water	119	GC 7-9	SDG 6
303-2	Management of impacts generated by wastewater *No water bodies are significantly affected by liquid effluents.*	499		SDG 6
303-3	Total water withdrawal	119; 491	GC 7-9	SDG 6
303-4	Wastewater	119	GC 7-9	SDG 6
303-5	Total water consumption	119; 491	GC 7-9	SDG 6
	Biodiversity			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas *All CTT premises are located in urban and/or industrial areas. Regarding land use, the impact on biodiversity is associated with the size and location of CTT's facilities, situated in urban and industrial areas. No evidence exists to suggest that CTT develops activities or operates facilities inside protected zones or areas with a high biodiversity index*	499	GC 7-9	SDG 15
304-2	Description of significant impacts of activities, products, and services on biodiversity *CTT is involved in partnerships/projects with public and private entities acting in favour of biodiversity and promotes in-house and public awareness-raising actions on the topic.*	121; 499	GC 7-9	SDG 15
304-3	Habitats protected or restored	121	GC 7-9	SDG 13 SDG 15
304-4	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by extinction risk level *Not applicable.*	499	GC 7-9	

Indicator	Description	Page(s)	Global Compact	SDG
	Emissions			
305-1	Direct greenhouse gas (GHG) emissions (scope 1)	19; 112; 115; 116; 491	GC 7-9	SDG 12 SDG 13
305-2	Indirect greenhouse gas (GHG) emissions generated as a result of the acquisition of energy (scope 2)	19; 115; 116; 491		SDG 12 SDG 13
305-3	Other indirect greenhouse gas (GHG) emissions (scope 3)	115; 116; 491		
305-4	Greenhouse gas (GHG) emissions intensity	117; 119; 491		
305-5	Reduction of greenhouse gas (GHG) emissions	47; 72; 76; 77; 112; 116; 491		SDG 11 SDG 13
305-6	Emissions of ozone-depleting substances (ODS) *There were no emissions of this type.*	500		SDG 13
305-7	NOx, SOx and other significant air emissions, by type and weight	116		

Indicator	Description	Page(s)	Global Compact	SDG
	Waste			
306-1	Generation of waste and significant impacts related to waste	491	GC 7-9	SDG 11 SDG 12 SDG 13
306-2	Management of significant impacts related to waste *Eco-friendly consumption measures have focused not only on reducing the environmental impact associated with the use of resources but also on the selection of suppliers through the inclusion of environmental criteria in tender procedures.*	19; 47; 72; 76; 77; 119; 120; 121; 501	GC 7-9	SDG 11 SDG 12 SDG 17
306-3	Total amount of waste	120; 491	GC 7-9	SDG 11 SDG 12 SDG 13
306-4	Total amount of recovered waste, by type	120; 491	GC 7-9	
306-5	Total amount of eliminated waste, by type	120; 491	GC 7-9	
	Environmental Compliance			
307-1	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations *CTT was not the object of any legal actions in the context of unfair competition and anti-trust conduct with application of significant fines or non-monetary penalties, derived from non-compliance with environmental or corporate laws and regulations.*	59; 501	GC 7-9	SDG 16
	Supplier Environmental Assessment			
308-1	Percentage of new suppliers that were screened using environmental criteria *Environmental criteria were used in 99.4% of pre-contractual procedures, and the agreements signed including environmental criteria represented 94.7% of the total.*	19; 501	GC 7-9	SDG 8 SDG 12 SDG 13 SDG 17
308-2	Negative environmental impacts in the supply chain and measures adopted *CTT has a Responsible Procurement Policy aimed at promoting the improvement of the environmental and social aspects of the value chain, through the involvement and accountability of its suppliers. This Policy includes the following features: the Policy is publicly available at www.ctt.pt; it covers the fields of Health, Safety, Environment, Working Conditions, Ethics and Business Continuity; it is integrated in the tender documents; it includes a rescission clause due to non-compliance; it is applicable to all suppliers.*	501		SDG 6 SDG 8 SDG 9 SDG 11 SDG 13 SDG 15 SDG 17
	Labour			
401-1	Total number and rates of new employee hiring and employee turnover by age group, gender and region *Number of individuals whose employment contract was terminated, by gender: A total of 44 individuals, including 26 men, terminated their employment contract.*	89; 487; 501	GC 6	SDG 5 SDG 8
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant business premises	95	GC 6	SDG 8
401-3	Return to work and retention rates after parental leave, by gender	89; 97; 487	GC 6	SDG 5 SDG 8
	Management of Labour Relations			
402-1	Minimum prior notice in relation to operational changes, including if this procedure is specified in collective agreements *Notice to enforce operational changes is given 30 days in advance. There are other notice periods according to the situation in question, all described in the Company Agreement.*	501	CG 3	
	Occupational Health and Safety			
403-1	Occupational health and safety management system. Activities, workplaces and employees included within the scope of the occupational health and safety management system. Explanation and reason for the non-inclusion of any employees, activities or workplaces	95; 501		SDG 3 SDG 8

Indicator	Description	Page(s)	Global Compact	SDG
403-2	Hazard levels, risk assessment and incident investigation. Processes used to investigate occupational incidents, including the processes used to identify hazard levels and assess risks related to incidents. Corrective measures, according to the control hierarchy and necessary improvements of the occupational health and safety management system	95		SDG 3 SDG 8
403-3	Occupational health services. Occupational health and safety functions that contribute to the identification and elimination of hazards and risk minimisation	95		SDG 3 SDG 8
403-4	Participation and consultation of employees concerning the development, implementation and assessment of the occupational health and safety management system. Responsibilities of the formal joint management-worker health and safety committees composed by employees of different hierarchical levels. Should any employees not be represented by these committees, indicate the corresponding reason *The employee representation structures have regular meetings in which possible health and safety-related non-conformities are identified with the intervention of health and safety professional. The objective is to mitigate risks.* *To complement these, regular risk evaluations are undertaken and constant contact is maintained with these professionals, the operational managers and those responsible for, which allows for a continued follow-up of risk factors and their mitigation*	502	GC 3 GC 6	
403-5	Employee training in occupational health and safety	92	GC 6	SDG 3 SDG 4 SDG 8
403-6	Promotion of employee health. Health services and programmes offered to employees for the purpose of addressing non-occupational health risks. How the organisation facilitates access to these services and programmes	95	GC 6	SDG 3 SDG 8
403-7	Prevention and mitigation of occupational health and safety impacts directly related to products and services	95	GC 6	SDG 3 SDG 8
403-8	Employees included within the scope of the occupational health and safety management system	95	GC 6	SDG 3 SDG 8
403-9	Occupational accidents	19; 47; 89; 95; 487		SDG 3
403-10	Occupational diseases *A total of 21 occupational diseases were reported (10 in women and 11 in men).* [89]	487; 502		SDG 3
	Training and Education			
404-1	Average hours of training per year per employee, by gender and employee category	92; 487	GC 6	SDG 4 SDG 5
404-2	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings *135,689 hours of training were conducted, involving the 27,527 participations of 9,846 (83%) employees, in 11 thematic areas for improvement of skills.*	91; 502	GC 6	SDG 4 SDG 8
404-3	Percentage of employees receiving regular performance and career development reviews, by gender and employee category	91	GC 6	SDG 5
	Diversity and Equal Opportunities			
405-1	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group and other indicators of diversity	19; 97; 136; 139; 141; 487	GC 6	SDG 5 SDG 8

[89] Excluding Corre.

Indicator	Description	Page(s)	Global Compact	SDG
405-2	Ratio of basic salary and remuneration of women to men, by employee category and significant business premises	90; 487	GC 6	SDG 5 SDG 8 SDG 10
	Non-Discrimination			
406-1	Total number of incidents of discrimination and corrective actions taken *No cases of discrimination occurred.*	97; 503	GC 1 GC 6	
	Freedom of Association and Collective Bargaining			
407-1	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights *There is no risk. This is consigned in the Portuguese Constitution and in the Company Agreement. Based on the Company Agreement, there are no impediments to the free exercise of the right to freedom of association or to collective bargaining.*	503	GC 1 GC 3	SDG 10
	Child Labour			
408-1	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour *All forms of child labour are prohibited by CTT. Regarding suppliers, supply agreement negotiations include the signing of a declaration of principles by suppliers whereby they state their commitment towards social responsibility, as expressed in clause "Observes all principles and procedures concerning the right to freedom of association, forced labour, child labour and equality defined in ILO's (International Labour Organisation) Fundamental Conventions", amongst others.*	97; 503	GC 1 GC 5	SDG 16
	Forced or Compulsory Labour			
409-1	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour See *408-1.*	97; 503	GC 1 GC 4	SDG 16
	Security Practices			
410-1	Percentage of security personnel trained in the organisation's Human Rights policies or procedures that are relevant to operations *The majority of security personnel is not employed by the company and the hiring process ensures that they hold the adequate certification by the state regulator, insuring that these workers received specific training that is inline with CTT's Human Rights requirements.*	503	GC 1	
	Indigenous Rights			
411-1	Total number of incidents of violations involving the rights of indigenous peoples and measures adopted *Not applicable.*	503	GC 1 GC 2	
	Human Rights Assessment			
412-1	Total number and percentage of operations that have been subject to human rights reviews or impact assessment, by country *0%.* See *408-1.*	503	GC 1 GC 2	SDG 4
412-2	Total hours of training on human rights policies and procedures relative to aspects of human rights that are relevant to operations, including the percentage of employees trained *49% of employees received 5,564 hours of training on human rights policies.*	503		
412-3	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening *The number of contracts considered significant stood at 358 (99.44%), including clauses relative to compliance with legislation and good practices on matters of human rights.*	461		SDG 10 SDG 12

Indicator	Description	Page(s)	Global Compact	SDG
	Local Communities			
413-1	Percentage of business premises with implemented local community engagement programmes. Assessment of the impact of local development programmes	102		
413-2	Operations with significant actual and potential negative impacts on local communities	62; 69; 102; 107; 108		
	Supplier Social Assessment			
414-1	Percentage of new suppliers that were screened using social criteria *100% of the new suppliers were selected in accordance with these criteria.*	504	GC 1 GC 2	SDG 8 SDG 12
414-2	Significant actual and potential negative impacts of the supply chain on society and measures adopted *No significant, real or potential negative impacts on society were detected in the supply chain. Of the 187 suppliers to which we awarded purchases, 185 accepted the statement, i.e. 99%. However, as noted above, the award of products and services is formally subordinated to compliance with the principles and procedures relative to human rights defined in the Universal Declaration of Human Rights. Any breach in this matter, whether due to indirect knowledge or observed during the monitoring visits made by the procurement team, shall be acted upon immediately and may constitute fair grounds for contractual rescission.* *CTT implemented a new platform – Ariba Spend Management – to centralise and manage consultation processes, contracts and suppliers. In order to complete their registration in this new platform, suppliers are required to read and accept the Code of Ethics and the Responsible Procurement Policy.* *CTT is strongly committed to ensuring strict compliance with labour regulations by its suppliers. No negative impacts were observed.*	69; 504		SDG 12
	Public Policy			
415-1	Total value of political contributions by country and recipient/ beneficiary *No contributions were made.*	504	GC 10	
	Customer Health and Safety			
416-1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement *The appraisal and selection of retail products for sale at CTT post offices is based on criteria such as the recognition of the partner, its environmental practices and product certification, in order to assure compliance with the legislated health and safety rules relative to merchandising products, especially those intended for use by children, as is the case of toys.*	504		
416-2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services, by type of outcomes *No cases were recorded of non-compliance relative to health and safety caused by products or services.*	504		SDG 16
	Marketing and Product and Service Labelling			
417-1	Type of product and service information required by the organisation's procedures for product and service information and labelling. Percentage of significant product and service categories subject to such information requirements *This year, 18 buildings were recorded in the integrated registration system of the Portuguese Environment Agency (APA) and CTT now participates in the Sociedade Ponto Verde integrated system for management of non-reusable packaging waste placed by CTT on the market.*	104; 504		SDG 12
417-2	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes *CTT recorded 42,527 incidents and 4,353 cases of non-compliance.*	107; 504		

Indicator	Description	Page(s)	Global Compact	SDG
417-3	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes *No cases of non-compliance were detected.*	504		
	Customer Privacy			
418-1	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data *0. With respect to mail, lost items, delays and occasional anomalies in delivery constitute the main causes of customer complaints. No complaints were received that might be associated with breach of customer privacy, namely the unlawful interception of letter mail.*	505	GC 1	SDG 16
	Socioeconomic Compliance			
419-1	Monetary value of significant fines for non-compliance with socioeconomic laws and regulations	59		

Source: GRI Standards (2016), directives for the preparation of Sustainability Reports

Annex V

Non-financial information

ANNEX V – NON-FINANCIAL INFORMATION (CMVM)

PART I - INFORMATION ON THE POLICIES ADOPTED	GRI Indicators (see Annex IV)	Chapter of the Report
A - INTRODUCTION		
Description of the Company's general policy regarding sustainability issues, including any eventual alterations to the previously approved policy.	102-10, 102-15, 102-40, 102-42, 102-46, 102-48	1.3 Explanation of the Nature of the Integrated Report - Scope and Boundary 2.2 Strategic Lines 2.3 Sustainable Development Goals
Description of the methodology and reasons for its adoption in non-financial information reporting, as well as any alterations in respect to previous years and the corresponding reasons.	102-43, 102-44, 102-49	1.3 Explanation of the Nature of the Integrated Report - Scope and Boundary Annex VI - Sustainable Finance and Taxonomy
B - CORPORATE MODEL		
General description of the business model and organization form of the Company/Group, indicating the main business areas and markets in which it operates (if possible, using organizational charts, graphs or functional tables).	102-2, 102-6, 102-45	3. CTT Business Units
C – MAIN RISK FACTORS		
Identification of the main risks associated with report topics, resulting from the Company's activities, products, services or trade relations, including supply chains and subcontracting, if applicable and whenever possible.	205-1	2.7 Risk Management
Indication of how these risks are identified and managed by the Company.	102-29	2.7 Risk Management
Description of the internal allocation of competences, including corporate bodies, commissions, committees and departments responsible for risk identification and management/monitoring.	102-30, 102-18	2.7 Risk Management - Governance Model
Express indication of all new risks identified by the Company, compared with previous years, and of risks that no longer exist.	201-2	2.7.2 Identification of risks and CTT response
Indication and brief description of the main opportunities identified by the Company within the scope of the reported topics.	102-31	1.2 Statement of the CEO 2.5 Stakeholder Engagement 3.5 Future Perspectives
D – POLICIES IMPLEMENTED		
Description of the Company's policies regarding: i. the environment; ii. social issues; iii. the employees, gender equality and non-discrimination; iv. human rights; and v. fight against corruption and attempted bribery, including due diligence, as well as the results of their adoption, including the associated key non-financial indicators and the respective comparison with the previous year.	102-43, 102-55, 103-1, 103-2, 103-3, 205-2	4. Performance

I. - ENVIRONMENTAL POLICIES		
1. Description of the Company's strategic goals and main actions to be undertaken such as to ensure their achievement.		4.5.1 Environmental management policy and systems
2. Description of the key performance indicators defined.	See indicators 301-308 in Annex IV	4.5.1 Environmental management policy and systems
3. Indication, compared with the previous year, of the degree of achievement of the goals set, regarding the following aspects:		
i. **Sustainable use of resources**: consumption of water, other raw materials and energy; measures adopted to improve resource use efficiency; measures adopted in order to increase energy efficiency and promote the use of renewable energy.		4.3 Intellectual Capital 4.5.4 Consumption, waste and biodiversity
ii. **Pollution and climate change**: Indication of the following: greenhouse gas emissions; emission of pollutants; penalties incurred; and measures adopted to prevent, reduce or mitigate the effects of the aforementioned emissions.		2.3 Sustainable Development Goals 4.5.3 Atmospheric emissions and climate change
iii. **Circular economy and waste management**: prevention measures, recycling, reuse or other ways to transform or eliminate waste.		2.2 Strategic Lines 2.3 Sustainable Development Goals 3.2 Express & Parcels - Eco portfolio 4.3 Intellectual Capital 4.5.4 Consumption, waste and biodiversity
iv. **Biodiversity protection**: impact of activities or operations on protected areas and measures adopted in order to protect or restore biodiversity.		4.5.4 Consumption, waste and biodiversity

II – SOCIAL AND TAX POLICIES		
1. Description of the Company's strategic goals and main actions to be undertaken such as to ensure their achievement.	102-55	2.2 Strategic Lines 2.3 Sustainable Development Goals 4.4 Social Capital
2. Description of the key performance indicators defined.	See indicators 401-419 in Annex IV.	4.4 Social Capital
3. Indication, compared with the previous year, of the degree of achievement of the goals set, regarding the following aspects:		
i. **Company commitment to the community**: impact of the Company's activities on local employment and development; impact of the Company's activities on local populations and the territory; relationships and communication with community representatives; partnerships or sponsorships.	413-2	1.6 ESG Commitments (Environmental, Social and Governance) 2.5 Stakeholder Engagement 2.6 Corporate Ethics
ii. **Subcontracting and suppliers**: inclusion of social, gender equality and environmental issues in the procurement policy; consideration of social responsibility, environmental responsibility and governance issues in relations with suppliers and subcontractors; control and audit systems and the respective results. Whenever possible, include a reference to the fact that the policies adopted by the Company's suppliers are aligned with those established by the Company.	204-1	1.6 ESG Commitments 2.5 Stakeholder Engagement 4.3 Intellectual Capital

iii. **Consumers**: measures aimed at ensuring consumer health and safety; complaint reception systems and complaints processing and resolution, namely the number of complaints received and the number of pending complaints, as well as the number of cases decided in favour of the complainant, satisfaction surveys and indication of the person responsible for complaints.	416-1, 417-2	1.6 ESG Commitments 4.4. Social Capital - Communication with customers 4.4. Social Capital - Customer satisfaction
iv. **Responsible investment**: if applicable, information on the responsible investment the Company sought to attract, including the issuing/acquisition of green bonds or SDG-linked bonds.		4.1 Financial Capital - Direct economic value generated and distributed by CTT
v. **Stakeholders**: information pertaining to eventual stakeholder consultation processes.	102-43, 102-21	2.5 Stakeholder Engagement
vi. **Tax information**: information on measures or actions with a fiscal impact, including eventual subsidies or any type of subvention or other capital advantage granted by the State.	201-1	3.4 Financial Services 4.1 Financial Capital - Economic value 4.3 Intellectual Capital
III – EMPLOYEES, GENDER EQUALITY AND NON-DISCRIMINATION		
1. Description of the Company's strategic goals and main actions to be undertaken such as to ensure their achievement.		1.6 ESG Commitments (Environmental, Social and Governance) 4.2 Human Capital
2. Description of the key performance indicators defined.		4.2.8. Diversity and equal opportunities
3. Indication, compared with the previous year, of the degree of achievement of the goals set, regarding the following aspects:	102-8, 405-1, 202-1, 405-2 Protocol of commitment to Inclusion signed in 2019.	
i. **Employment:** total number and distribution of employees by gender, age group, country of origin and professional category; distribution of types of contract (e.g. employment contract, service providers, temporary employees, etc.), by gender and age group; average contract duration; percentage of the workforce receiving the Portuguese minimum wage, irrespective of type of contract; remuneration of equal positions and middle management at the company, by gender; average remuneration of directors and managers, including variable remuneration, subsidies, compensation, long-term saving plans and any other payments, by gender; number of employees with disabilities (including a description of how the Company is ensuring or preparing itself to ensure compliance with Law no. 4/2019, of 10 January, concerning disability employment quotas).		4.2.1 Characterization of human capital Annex III – ESG Indicators – Table 1: Employees Annex IV – GRI Index
ii. **Work organization:** organization of working hours, including measures aimed at separating work from personal life.	403-9	4.2.5 Management of labour relations
iii. **Health and safety:** occupational health and safety and number of work-related accidents.	403-4	4.2.7 Occupational health and safety

iv. **Social relationships**: organization of social dialogue, including employee information and negotiation procedures, namely the number of interactions with trade unions and/or employee committees, if applicable; new agreements entered into or existing agreements reviewed; number of legal actions brought to Court and complaints to the Labor Authority; percentage of total employees covered by collective bargaining agreements, by country; evaluation of collective bargaining agreements, namely regarding occupation health and safety.	404-1, 404-2, 418-1, 412-2, 414-1	4.2.5 Management of labour relations
v. **Training**: training policies adopted and type of training (e.g. if the Company provides its employees with training on company performance evaluation, non-financial topics (e.g. privacy protection/GDPR, anti-money laundering, Human Rights in the value chain, etc.); the ratio between training hours and the number of employees.	401-1, 102-17 Diversity and Inclusion Policy	4.2.4 Training
vi. **Equality**: measures/policies adopted to promote equal treatment and opportunities between genders; equality plans; number of employment contracts terminated, by gender; protocols against sexual and gender-based harassment; integration and universal accessibility policies for persons with disabilities; policies against all types of discrimination; and, if applicable, diversity management.		4.2.8. Diversity and equal opportunities
IV – HUMAN RIGHTS		
1. Description of the Company's strategic goals and main actions to be undertaken such as to ensure their achievement.	See indicators 406-412 in Annex IV	1.6 ESG Commitments 2.3 Sustainable Development Goals Annex IV – GRI Index
2. Description of the key performance indicators defined.		Annex IV – GRI Index
3. Indication, compared with the previous year, of the degree of achievement of the goals set, regarding the following aspects:		1.6 ESG Commitments
i. **Due diligence procedures** followed in connection with human rights, particularly regarding contracting of suppliers and service providers.	412-3	2.7.1 Description of the risk management process
ii. **Measures aimed at preventing the risk** of violation of human rights and, if applicable, measures aimed at corrective eventual violations; elimination of employment discrimination (in cases not mentioned above); elimination of forced and/or compulsory labour; effective abolition of child labour.	414-1, 408-1, 414-2	2.7.1 Description of the risk management process Annex IV – GRI Index
~~iii.~~ **Legal actions** resulting from violation of human rights.	419-1, 413-1	2.7.1 Description of the risk management process Annex IV – GRI Index
V – FIGHT AGAINST CORRUPTION AND ATTEMPTED BRIBERY		
1. **Fight against corruption**: measures and instruments adopted to fight corruption and bribery; policies implemented to dissuade employees and suppliers from engaging in such practices; information on the *compliance system*, including responsible persons, if applicable; eventual legal actions related to corruption or bribery involving the Company, its directors or employees; measures adopted in connection with public procurement, if relevant.	102-17, 205-1, 205-2, 205-3, 206-1	2.1.3 Regulatory framework - Financial sector 2.6 Corporate Ethics
2. **Prevention of money laundering (for issuers subject to this regime)**: anti-money laundering measures; indication of the number of cases reported annually.	102-17	5.2.3 Oversight 5.3.3 Internal control and risk management

3. **<u>Codes of ethics:</u>** indication of an eventual code of ethic that the Company has adopted or implemented; indication of the respective implementation mechanisms and monitoring of compliance therewith, if applicable.	102-16	2.6 Corporate Ethics
4. **<u>Management of conflicts of interest</u>:** measures aimed at managing and monitoring conflicts of interest, namely the requirement for submission of declarations of interests, incompatibilities and impediments by management and employees.	102-17, 102-25	5.2.2 Management and Supervision - Mechanisms to prevent the existence of conflicts of interest 5.5.1 Control mechanisms and procedures
PART II – INFORMATION ON THE STANDARDS / GUIDELINES FOLLOWED		
1. Identification of the standards / guidelines followed for reporting non-financial information		
Identification of the standards/guidelines followed for reporting non-financial information, including the respective options, as well as any other principles followed by the Company, if applicable.	102-54	2.3 Sustainable Development Goals
Should the Company refer to the Sustainable Development Goals (SDG) set by the United Nations as part of the 2030 Agenda for Sustainable Development, the goals that the Company will seek to achieve should be included, as well as the measures adopted each year in order to fulfil the targets set for each SDG. In other words, the actions, projects or investments specifically defined for the purpose of achieving the SDGs in question should be identified.		1.6 ESG Commitments 2.3 Sustainable Development Goals
2. Identification of the scope and methodology used in the calculation of indicators		
Description of the calculation scope and methodology (including the calculation formula) for all indicators defined, as well as reporting limitations. Whenever possible, a table should be produced including the indicators defined and the corresponding principles or goals, referring to detailed information on each indicator (e.g. the respective page(s) of the non-financial information report, the annual report, any other document(s) and/or the Company's website).	Principles and calculations adopted in accordance with the GRI Standards for the preparation of sustainability information, with independent external verification, COMPREHENSIVE level, attributed by Ernst & Young Audit & Associados - SROC, SA.	1.3 Explanation of the Nature of the Integrated Report - Scope and Boundary
3. Justification when no policies are adopted		
Should the Company decide not adopt any policies regarding one or more items, an adequate justification should be included in the non-financial information report.		Not applicable
4. Other information		
Additional elements or information not included in the previous points, deemed relevant for the understanding, contextualization and justification of the importance of all non-financial information reported, namely concerning sustainability issues and responsibilities of the national or international organizations of which CTT is a member/part, as well as local or global sustainability commitments voluntarily undertaken by the Company.		Annex VI – Sustainable Finance and Taxonomy

Annex VI

Taxonomy

ANNEX VI – TAXONOMY

Regulation (EU) 2020/852 of the European Parliament and of the Council, of 18 June 2020, establishes a framework to facilitate sustainable investment (hereinafter referred to as “Taxonomy” or “Regulation”). The purpose of this Regulation is to establish a standardised, mandatory classification system for determining whether an economic activity qualifies as environmentally sustainable in the European Union.

The taxonomy is a green list of environmentally sustainable economic activities in the EU. The Statistical Classification of Economic Activities in the European Community (NACE) is used, supplemented by the creation of new categories, whenever the former is not sufficiently precise.

In 2021, the EU published a catalogue of sustainable activities concerning two environmental objectives:

- climate change mitigation; and
- climate change adaptation.

In 2022, based on data pertaining to the fiscal year of 2021, the EU established a limited disclosure obligation, according to which eligible and ineligible economic activities, for the purposes of the taxonomy, are only required to disclose information pertaining to turnover, capital expenditures (CAPEX) e operating expenses (OPEX). The disclosure of aligned economic activities will only be mandatory in 2023, based on data pertaining to the financial year of 2022.

In order to determine whether a given activity is eligible, it must be verified whether it is listed in Annexes I and II to the Commission Delegated Regulation (EU) 2021/2139, as only these activities are eligible for the purposes of the Taxonomy.

Eligible activities for the purposes of the taxonomy can also be itemised according to the primary objective whose achievement is sought:

a. Contributing substantially to climate change mitigation (Annex I to the Commission Delegated Regulation (EU) 2021/2139; Article 10 of Regulation (EU) 2020/852 of the European Parliament and of the Council, of 18 June 2020);

b. Contributing substantially to climate change adaptation (Annex II to the Commission Delegated Regulation (EU) 2021/2139; Article 10 of Regulation (EU) 2020/852 of the European Parliament and of the Council, of 18 June 2020).

It is sufficient for an activity to be included in any of these categories to be eligible, although it may also be included in both categories.

Eligible activities

According to an analysis of the Group’s activities, the following activities of CTT were deemed to be included within the scope of Annexes I and II to the Commission Delegated Regulation (EU) 2021/2139. For this purpose, the information presented in the mapping table of industry classification systems published by the European Union and compiled in the framework of the "Platform on Sustainable Finance"[90] was taken into account:

[90] https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/sustainable-finance-taxonomy-nace-alternate-classification-mapping_en.xlsx

Code	Activity	NACE codes
6.4	Passenger transport, motorcycle logistics	N77.11. N77.21
6.5	Transport via motorcycles, light passenger vehicles and light goods vehicles	H49.32. H49.39, N77.11
6.6	Freight transport by road	H49.41, H53.10, H53.20, N77.12
7.7	Purchase and ownership of buildings	L68

The activities of CTT included in the eligible categories correspond primarily to mail, express and parcels processing activities and the leasing of buildings and equipment classified as investment property. For this purpose and to segregate the turnover of the eligible activities, the weight of transportation and distribution expenses in the total expenses of the mail, express and parcel processing activities was used as a proxy. Although deliveries made on foot are not provided for in the list of eligible activities in Annexes I and II of the Regulation, the figure of services rendered for deliveries on foot was included in the reported turnover figure for eligible activities.

At this stage, emphasis is placed on industries with a larger carbon footprint and on green energy. Therefore, part of the activities undertaken by CTT, namely those pertaining to the Bank & Payments and the Financial Services & Retail segments are not yet included in Annexes I and II to the Delegated Regulation, thus being ineligible.

Type of Activity	Mail and Other	Express & Parcels	Financial Services & Retail	Bank & Payments	Total
Eligible activities	58,422,884	184,610,740	0	0	243,033,624
Ineligible activities	386,015,253	71,076,745	48,877,261	98 67 331	604,836,591
Total	**444,438,137**	**255,687,485**	**48,877,261**	**98,867,331**	**874,870,214**

Ineligible activities in the mail segment correspond primarily to activities related to corporate solutions.

Percentage of eligible activities

		Eligible activities		Ineligible activities	
	Total (€)	Value (€)	%	Value (€)	%
Turnover	847,870,214	243,033,624	29 %	604,836,591	71 %
CAPEX	36,146,649	3,933,768	11 %	32,212,880	89 %
OPEX	22,059,448	950,814	4 %	21,108,634	96 %

As defined in the taxonomy, the values reported were calculated based on CTT's consolidated accounts. As the taxonomy was applied for the first time, no comparative values are presented.

The values shown in the first column of the previous table (ratio denominator for eligible activities) were calculated as follows:

- **Turnover (€847,870,214)**: Consolidated value for service provision, sales and other revenues, calculated based on the consolidated financial statements of 31 December 2021.
- **CAPEX (€36,146,649):** Sum of acquisitions of tangible assets, intangible assets and investment property in 2021, as disclosed in notes 5, 6 and 7 of CTT's consolidated financial statements.

- **OPEX (€ 22,059,448):** Corresponds to the following expenses, calculated based on the consolidated financial statements of 31 December 2021:
  - Non-capital Research & Development costs;
  - Building and other facility renovation/maintenance costs;
  - Maintenance and repair costs;
  - Short-term lease and other non-capital lease costs; and
  - Other expenses directly related to the maintenance of tangible assets or investment property.

Eligible CAPEX values correspond primarily to investments in the electric vehicle fleet, installation of the locker system, replacement of HVAC systems, installation of LED lighting and dynamic route optimisation software.

Eligible OPEX values correspond primarily to expenses related to the electric vehicle fleet, route planning and management, and the dynamic route management platform.

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