

SONAE.COM

Corporate Governance Report 2009



5.0

Our governance

We never compromise on following best practice in all areas of corporate governance. This commitment is reflected throughout our organisation, our principles and our disclosure. In the interests of transparency, we also publish our governance rules on our website (www.sonae.com).

5.1 Statement of compliance

As required by Portuguese regulations and in line with the recommendations on corporate governance issued in September 2007 by the Portuguese Securities Commission (CMVM), the following section explains the roles, responsibilities and composition of our principal statutory and non-statutory governing bodies. This section also includes detailed disclosure and an explanation of our remuneration policy and of Directors' shareholdings.

Disclosure of the availability of information

The full text of the corporate governance guidelines currently adopted by Sonaecom, whether published by specific regulation, recommendation or voluntarily, including our Code of Conduct and, in particular, our guidelines covering Share Dealing and Conflicts of Interest – are made publicly available on our website www.sonae.com <<http://www.sonae.com>> and also at www.cmvm.pt <<http://www.cmvm.pt>>.

CMVM recommendations on Corporate Governance

The table below sets out all of the CMVM's recommendations on Corporate Governance (as issued in September 2007) and our assessment of our compliance as at 31 December 2009:

CMVM recommendations	Sonaecom compliance	Comments
1 Shareholders' General Meetings		
1.1 Board of the Shareholders' General Meeting		
1.1.1 The Chairman of the Board of the Shareholders' General Meeting shall be given adequate human and logistical resources, taking into consideration the financial position of the Company.	Yes	All resources requested have been made available by Sonaecom, via the relevant departments: Legal, Facilities, Finance, and others
1.1.2 The remuneration of the Chairman of the Board of the Shareholders' General Meeting shall be disclosed in the annual Corporate Governance Report.	Yes	The remuneration is disclosed (see ' <i>Remuneration</i> ')
1.2 Participation at the meeting		
1.2.1 The requirement to deposit or block shares before Shareholders' General Meetings, contained in the Articles of Association, shall not exceed five working days.	Yes	The requirement contained in Sonaecom's Articles of Association is five working days (see ' <i>Blocking of shares</i> ')
1.2.2 Should the Shareholders' General Meeting be suspended, the Company shall not require share blocking during the full period until the meeting is resumed, but shall apply the same period as for the first session.	Yes	In case of suspension, the Articles of Association only require the share blocking during the five working days prior to the date on which the meeting is resumed (see ' <i>Rules applicable to the blocking of shares in case of suspension of the General Meeting</i> ')
1.3 Voting and exercising voting rights		
1.3.1 Companies should not impose any statutory restriction on postal voting.	Yes	There are no restrictions on postal voting (see ' <i>Postal voting</i> ')
1.3.2 The statutory advance deadline for receiving voting ballots by post shall not exceed three working days.	Yes	Our statutory deadline is three days (see ' <i>Deadline for receiving postal votes</i> ')
1.3.3 The Company's Articles of Association shall respect the one share-one vote principle.	Yes	Sonaecom's Articles of Association respect the one share-one vote principle (see ' <i>Number of shares corresponding to one vote</i> ')
1.4 Quorum and resolutions		
1.4.1 Companies shall not set a constitutive or deliberative quorum that exceeds the minimum required by Portuguese Company Law.	No	See ' <i>CMVM Recommendations compliance</i> '

5.1 Statement of compliance (continuation)

CMVM recommendations		Sonaecom compliance	Comments
1.5	Attendance lists, minutes and information on resolutions adopted		
1.5.1	The minutes of the Shareholders' General Meetings shall be made available to Shareholders on the Company's website within a five day period, irrespective of the fact that such information may not be legally classified as material information. The lists of attendees, agendas items and resolutions adopted shall be kept in a historic file on the Company's website, covering meetings held for at least the last three years.	Yes	All required elements are made and remain available on the Company's website
1.6	Measures relating to changes in control		
1.6.1	Measures aimed at preventing the success of takeover bids, shall respect the interests of the both the Company and its shareholders.	Yes	No such measures exist (see ' <i>Defensive measures in case of change of control or changes in the Board of Directors</i> ')
1.6.2	In accordance with the principle established in the previous sub-paragraph, any Company that has Articles of Association with clauses that restrict or limit the number of votes that may be held or exercised by a single shareholder, either individually or acting in concert with other shareholders, shall also require that, at least once every five years, the continuation of such clauses must be ratified at a Shareholders' General Meeting, at which the quorum shall not exceed the legal minimum and all votes cast shall count, without applying any restriction.	Yes	There are no clauses that restrict or limit the number of votes
1.6.3	Defensive measures that automatically lead to serious erosion in the value of the Company's assets should not be adopted when there has been a change in control or a change in the Company's management, as this prevents the free transmission of shares and the ability of shareholders to effectively evaluate those responsible for managing the Company.	Yes	No such measures exist (see ' <i>Defensive measures in case of change of control or changes in the Board of Directors</i> ')
2	Management and audit boards		
2.1	General points		
2.1.1	Structure and duties		
2.1.1.1	In the Corporate Governance Report, the Board of Directors shall assess the governance model adopted by the Company, by identifying any restrictions that are holding back performance and by proposing actions to be taken that are judged to be appropriate to resolve them.	Yes	See ' <i>Identification and Composition</i> '
2.1.1.2	Companies shall set up internal control systems designed to detect risks relating to the Company's activity, in order to protect its assets and keep its corporate governance transparent.	Yes	These systems are in place and are further described in this report (see ' <i>Risk control</i> ')
2.1.1.3	The Board of Directors and Statutory Audit Board shall establish internal regulations, which shall be disclosed on the Company's website.	Yes	These internal regulations are available on our website (see ' <i>Regulations on the functioning of the Company's governing bodies</i> ')
2.1.2	Incompatibility and independence		
2.1.2.1	The Board of Directors shall include a sufficient number of non-executive members to ensure that there is the capacity to effectively supervise, audit and assess the activity of the executive members.	Yes	Out of total of twelve members, there are seven non-executive members on Sonaecom's Board of Directors (see ' <i>Management and Auditing bodies - Identification and Composition</i> ')
2.1.2.2	Non-executive members shall include an adequate number of independent members, taking into account the size of the Company and its shareholder structure, but this shall never be less than one quarter of the total number of Board members.	Yes	There are currently three independent non-executive members on our Board of Directors (corresponding to one quarter of the total number of Board members authorised by the Articles of Association) (see ' <i>Management and Auditing bodies - Identification and Composition</i> ')

5.1 Statement of compliance (continuation)

CMVM recommendations		Sonaecom compliance	Comments
2.1.3	Eligibility criteria for appointment		
2.1.3.1	Depending on the governance model adopted, the Chairman of either the Statutory Audit Board, the Board Audit Committee or Financial Matters Committee shall be independent and possess the necessary skills to perform their duties.	Yes	Compliance with legal requirements on independence and necessary skills for the members of our Statutory Audit Board was confirmed through specific questionnaires implemented by Sonaecom (see ' <i>Identification of the members of the Statutory Audit Board</i> ')
2.1.4	Policy on the reporting of irregularities		
2.1.4.1	The Company shall adopt a policy on reporting any irregularities that have allegedly occurred, which includes the following information: i) the means through which any irregularities may be reported internally, including the persons who are entitled to receive the reports; ii) how the report is to be handled, including confidential treatment, should this be requested by the reporter.	Yes	Sonaecom has adopted a policy that fully meets this recommendation (see ' <i>Whistle-blowing policy</i> ')
2.1.4.2	General guidelines from this policy should be disclosed in the Corporate Governance Report.	Yes	Sonaecom discloses the general guidelines in this report and on our website (see ' <i>Whistle-blowing policy</i> ')
2.1.5	Remuneration		
2.1.5.1	The remuneration of the members of the Board of Directors shall be structured to be aligned with the interests of the Shareholders. For this purpose: i) The remuneration of Directors carrying out executive duties should include a variable component based on performance linked to a performance assessment that shall be carried out periodically by the governance body or committee appointed for this purpose; ii) the variable component shall be consistent with the maximisation of the long-term performance of the Company, and shall be dependent on sustainability of the variables adopted to measure performance; iii) non-executive members of the Board of Directors shall only receive fixed remuneration, unless the legal requirements dictate otherwise.	Yes	Alignment with the interests of the Shareholders is ensured and this recommendation is fully met (see ' <i>Group Remuneration Policy and Remuneration of Management and Audit Bodies</i> ')
2.1.5.2	The Shareholders' Remuneration Committee and the Board of Directors shall present to the Shareholders' Annual General Meeting a statement of the remuneration policy applied to the Statutory Governing Bodies (including the Board of Directors and Statutory Audit Board), as well as to other persons discharging managerial responsibilities ('Dirigentes') as defined in Article 248º-B, Clause 3 of the Portuguese Securities Code. The information to Shareholders shall include the criteria and main indicators proposed to be used in assessing performance and determining the variable component, independently of whether this is in the form of bonuses paid in shares, share options, annual bonuses or other awards.	Yes	A clear statement of remuneration policy was approved by the 2008 Shareholders' Annual General Meeting for the current four year mandate 2008-2011
2.1.5.3	At least one representative of the Shareholders' Remuneration Committee shall be present at the Shareholders' Annual General Meeting (AGM).	Yes	A representative of the Shareholders' Remuneration Committee has been present at the AGM
2.1.5.4	A proposal shall be submitted to the Shareholders' General Meeting to approve plans to grant shares and / or share options or award compensation based on variations in share prices, to members of the Statutory Governing Bodies (including the Board of Directors and Statutory Audit Board), as well as to other persons discharging managerial responsibilities ('Dirigentes') as defined in Article 248º-B, Clause 3 of the Portuguese Securities Code. The proposal shall include all information necessary for a comprehensive assessment of the plan. The proposal shall be presented together with the regulation that governs the plan or if this has not yet been prepared, the general conditions that will be applied. Similarly, the main characteristics of any retirement benefit plan that benefits the Statutory Governing Bodies (including the Board of Directors and Statutory Audit Board), as well as other persons discharging managerial responsibilities ('Dirigentes') as defined in Article 248º-B, Clause 3 of the Portuguese Securities Code, shall also be approved at a Shareholders' General Meeting.	Yes	Sonaecom's Medium Term Incentive Plan (MTIP) was approved at the 2007 Shareholders' General Meeting and the format of the MTIP has not changed since that date. No retirement benefit plans are in place. (see ' <i>Group remuneration policy</i> ')

5.1 Statement of compliance (continuation)

CMVM recommendations		Sonaecom compliance	Comments
2.1.5.5	The remuneration of the members of the Statutory Governing Bodies (including the Board of Directors and Statutory Audit Board) shall be individually disclosed on an annual basis. Fixed and variable components must be disclosed separately, when applicable, as well as any other remuneration received from other companies within the same Group or from companies controlled by shareholders with qualifying share holdings.	Yes	This disclosure is made. See <i>'Remuneration and compensation received by the Board of Directors'</i>
2.2	Board of Directors		
2.2.1	Within the limits established by Portuguese Company Law for each management and audit governance structure, and unless the Company is restricted by its size, the Board of Directors shall delegate the day-to-day running of the Company and the powers and terms of the delegation should be set out in the Corporate Governance Report.	Yes	The day-to-day running of the Company is delegated to an Executive Committee (see <i>'Corporate Structure Organisation – Roles and Competencies'</i>)
2.2.2	The Board of Directors shall ensure that the Company acts in accordance with its objectives, and should not delegate its own responsibilities, including: i) definition of the Company's strategy and general policies; ii) definition of the corporate structure of the Group; and iii) decisions that are considered to be strategic due to the amounts, risks and special circumstances involved.	Yes	Such responsibilities are not delegated (see <i>'Corporate Structure Organisation – Roles and Competencies'</i>)
2.2.3	Should the Chairman of the Board of Directors have an executive role, the Board of Directors shall set up efficient mechanisms to co-ordinate the work of the non-executive members, to ensure that they may take decisions in an independent and informed manner, and shall also explain these mechanisms to the Shareholders in the Corporate Governance Report.	Yes	The Chairman of the Board of Directors does not have an executive role at Sonaecom (see <i>'Members of the Board of Directors'</i>)
2.2.4	The Annual Management Report shall include a description of the activity carried out by the non-executive Board Members and shall, in particular, report any restrictions that they encountered.	Yes	This description is included in Section 4 of the Annual Management Report
2.2.5	The governing body responsible for management (Board of Directors) should promote the rotation of the Board member responsible for financial matters (CFO) at least at the end of every two mandates.	No	See <i>'CMVM Recommendations compliance'</i>
2.3	Chief Executive Officer (CEO), Executive Committee and Executive Board of Directors		
2.3.1	When Directors who carry out executive duties are requested by other Board Members to supply information, they shall provide answers in a timely manner with information that adequately responds to the request made.	Yes	Sonaecom Executive Directors meet this recommendation
2.3.2	The Chairman of the Executive Committee shall send the notices convening meetings and minutes of the respective meetings to the Chairman of the Board of Directors and, when applicable, to the Chairman of the Statutory Audit Board or the Audit Committee.	Yes	The Chairman of the Executive Committee meets this recommendation
2.3.3	The Chairman of the Executive Board of Directors shall send the notices convening meetings and minutes of the respective meetings to the Chairman of the General and Supervisory Board and to the Chairman of the Financial Matters Committee.	Not applicable	Sonaecom has not adopted either of these governance models
2.4	General and Supervisory Board, Financial Matters Committee, Audit Committee and Statutory Audit Board		
2.4.1	In addition to fulfilling its supervisory and verification roles, the General and Supervisory Board shall fulfil the role of advisor, as well as monitor and continually assess the management of the Company by the Executive Board of Directors. Amongst the other matters on which the General and Supervisory Board should form an opinion are the following: i) definition of the strategy and general policies of the Company; ii) the corporate structure of the Group; and iii) decisions that are considered to be strategic due to the amounts, risks and special circumstances involved.	Not applicable	Sonaecom has not adopted this governance model
2.4.2	The annual reports on the activity of the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Statutory Audit Board shall be disclosed on the Company's website together with the financial statements.	Yes	The annual report of the Statutory Audit Board is disclosed on Sonaecom's website
2.4.3	The annual reports on the activity of the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Statutory Audit Board shall include a description of the supervisory and verification work completed and shall, in particular, report any restrictions that they encountered.	Yes	The Statutory Audit Board's report includes such a description

5.1 Statement of compliance (continuation)

CMVM recommendations		Sonaecom compliance	Comments
2.4.4	The Financial Matters Committee, the Audit Committee or the Statutory Audit Board (depending on the governance model adopted) shall represent the Company, for all purposes, in the relationship with the external auditor. This shall include proposing who will provide this service, their respective remuneration, and ensuring that the Company provides adequate conditions to allow them to deliver their service, and also acting as the point of contact with the Company and being the first recipient of their reports.	Yes	Sonaecom fully complies with Portuguese Company Law in terms of the role and functioning of the Statutory Audit Board. The Statutory Audit Board liaises with the Board Audit and Finance Committee in this area as described later in this report
2.4.5	The Financial Matters Committee, the Audit Committee or the Statutory Audit Board (depending on the governance model adopted), shall assess the external auditor on an annual basis and should propose to the Shareholders' General Meeting that the external auditor be discharged, should justifiable grounds exist.	Yes	The Statutory Audit Board makes this annual assessment
2.5 Special purpose or specialised committees			
2.5.1	Unless the Company is restricted by its size, the Board of Directors and the General and Supervisory Committee, depending on the governance model adopted, shall set up the necessary committees in order to: i) ensure that a robust and independent assessment of the performance of the Executive Directors is carried out, as well as of its own overall performance and including the performance of all existing committees; and ii) consider the governance system adopted, assess its efficiency and propose measures to make improvements to the relevant bodies.	Yes	Board Audit and Finance Committee and, especially, the Board Nomination and Remuneration Committee were set up for these purposes (see ' <i>Corporate Structure Organisation – Roles and Competencies</i> ')
2.5.2	Members of the Shareholders' Remuneration Committee or similar, shall be independent from the members of the Board of Directors.	Yes	See explanations below in respect of the effective independence of Paulo Azevedo (see ' <i>CMVM Recommendations compliance</i> ')
2.5.3	All committees shall draw up minutes of the meetings they hold.	Yes	Our Board committees draw up minutes
3. Information and auditing			
3.1 General disclosure requirements			
3.1.2	Companies shall ensure that permanent contact is maintained with the market, upholding the principle of equal treatment for all Shareholders and avoiding any asymmetry in the access to information by investors. To achieve this, the Company shall set up an Investor Relations Office.	Yes	Sonaecom has set up an Investor Relations Office (see ' <i>Investor Relations</i> ')
3.1.3	The following information disclosed on the Company's Internet website, shall be available in English: <ul style="list-style-type: none"> a) The Company, its listed company status, registered office and the remaining information set out in Article 171 of Portuguese Company Law; b) Articles of Association; c) Identification of the members of the Statutory Governing Bodies and of the Representative for Relations with the Market; d) Investor Relations Office - its functions and contact details; e) Financial Statements; f) Half-yearly Calendar of Company Events; g) Proposals presented to Shareholders' General Meetings; h) Notices convening Shareholders' General Meetings. 	Yes	All the information indicated is available in English on our website

CMVM Recommendations compliance

As at 31 December 2009, Sonaecom was fully compliant with all CMVM's Recommendations on Corporate Governance, with the exception of the following:

- Recommendation 1.4.1. (Quorum): Sonaecom does not agree with this recommendation, as we do not consider that it is good governance to allow a Shareholders' General Meeting to be convened and pass valid resolutions, in first session, when, in the extreme, only one share may be represented, as it is possible for certain resolutions under Portuguese Company Law. Sonaecom believes that a substantial minimum quorum encourages Shareholder engagement without risking blocking decision making, given that there is no minimum quorum when a General Meeting reconvenes in second session.

5.1 Statement of compliance (continuation)

- Recommendation 2.2.5. (CFO Rotation): Sonaecom does not agree with this recommendation, which to the best of our knowledge does not exist in any other international Corporate Governance Code or in any of the Best Practice Guidelines issued by institutional investors or their advisors. We believe that there would be no benefit to Shareholders or to the Company from rotating a competent and successful CFO after serving two mandates.
- Recommendation 2.5.2. (Independence of the members of the Shareholders' Remuneration Committee): We consider that we are compliant with this recommendation in terms of substance, although formally we do not comply as one of the members of this Committee (Duarte Paulo Teixeira de Azevedo) is also the Chairman of our Board of Directors. Our opinion is based on the following considerations: (i) Duarte Paulo Teixeira de Azevedo represents our major reference Shareholder at the Shareholder's Remuneration Committee in his capacity of CEO of Sonae SGPS, S.A., which is fully consistent with the purpose of this committee; (ii) he is a Non-Executive Chairman of our Board; (iii) he does not take part in any discussion where a conflict of interest might arise with his role as Chairman of our Board (for example, he does not discuss his own remuneration at Sonaecom, which is decided by the other independent member of our Shareholders' Remuneration Committee); and (iv) additionally, his remuneration at Sonaecom is not a significant value, being approximately 60,000 euros in 2009.

In relation to independence, one further point to stress is that our Board Nomination and Remuneration Committee liaises with our Shareholders' Remuneration Committee to ensure that the latter has all the necessary information to assess the performance of our Directors (especially the Executive Directors), as the Shareholders' Remuneration Committee does not closely monitor their activity throughout the year. This support does not in any way impair the independence of the members of the Shareholders' Remuneration Committee but facilitates the assessments they make and the remuneration decisions they approve on behalf of our Shareholders.

5.2 Shareholders' General Meeting

Composition of the Board of Shareholders' General Meeting

João Augusto Esmeriz Vieira de Castro	Chairman
António Agostinho Cardoso da Conceição Guedes	Secretary

Mandates

The current mandate of the members of the Board of the Shareholders' General Meeting covers the period from 2008 to 2011.

Remuneration

The Chairman of the Shareholders' General Meeting receives a fixed annual fee of 5,000 euros and the Secretary a fixed annual fee of 1,500 euros (both equal to the amounts received during 2008).

Blocking of shares

The Shareholders' General Meeting is composed of shareholders with the right to vote based on shares they own or equivalent's subscription rights that have, within the five working days period prior to the General Meeting, provided confirmation of ownership to the Company.

Rules applicable to the blocking of shares in case of suspension of the General Meeting

The Articles of Association of the Company stipulate that, in the event of a suspension of the General Meeting, the blocking of shares applicable to the date on which the meeting is resumed is five working days.

Number of shares corresponding to one vote

Each share corresponds to one vote.

Statutory rules on limitations of the number of votes

The Articles of Association do not include any restrictions on the number of votes that may be counted nor do they allow for the existence of shares that do not grant the right to vote.

Postal voting

Postal voting is allowed in respect of all proposals for discussion and decision at a Shareholders' General Meeting, according to the terms and conditions set out in the Company's Articles of Association. The Chairman of the Board of the Shareholder's General Meeting is responsible for the authenticity and confidentiality of such votes.

Form used for postal voting

Printed postal voting forms are available and may also be downloaded from Sonaecom's website.

Deadline for receiving postal votes

Postal voting bulletins must be received at least three days before the Shareholders' General Meeting at the Company's Registered Office by means of registered mail or electronically and must be addressed to the Chairman of the Board of the Shareholder's General Meeting.

Electronic voting

Electronic voting is allowed for under Sonaecom's Articles of Association, provided the requirements imposed by the Chairman of the Shareholders' General Meeting, in the notice convening the respective General Meeting, in order to assure an equivalent level of security and authenticity, are respected.

Possibility of access to the extracts of the minutes of the General Meetings on the website of the Company

All shareholders have access to the extracts of the minutes on Sonaecom's website within the following five days.

5.2 Shareholders' General Meeting (continuation)

Member of the Shareholders' Remuneration Committee that attended the General Meeting

The member of the Shareholders' Remuneration Committee who attended the 2009 Shareholders' General Meeting was Duarte Paulo Teixeira de Azevedo.

Approval of remuneration policy and assessment of the management of the Company

The Shareholders' Remuneration Committee (elected by the Shareholders' General Meeting) is responsible for approving the remuneration and other compensation of members of Sonaecom's Statutory Governing Bodies, including Executive and Non-Executive Directors, following the remuneration and other compensation policies already approved by Shareholders at Shareholders' General Meetings.

As required by Portuguese Company Law, the agenda for each AGM includes a point covering the assessment of the management and audit of the Company, under which the Shareholders have the opportunity to make this assessment.

Approval of share plans

Sonaecom's share plans are approved by the General Meeting and all relevant information is provided to the Shareholders in detail, in order to enable them to decide on a fully informed basis. The current plan was approved at the 2007 AGM and all relevant data is available on the Company's website.

Approval of retirement benefits

Sonaecom does not have any retirement benefits in place.

Existence of a statutory provision regarding the resolution of the General Meeting aiming at maintaining or revoking a statutory provision referring to the limitation on the number of votes that may be counted

No such provision exists, as there are no limitations on the number of votes that may be counted.

Defensive measures in case of change of control or changes in the Board of Directors

None of the so-called defensive measures exist.

Agreements with ownership clauses

A change in control of Sonaecom would allow France Télécom to terminate the Strategic Partnership Agreement entered into on 9 June 2005, which was renewed on 24 October 2008.

Agreements with members of the Board of Directors and other persons discharging managerial responsibilities ('Dirigentes') in case of termination of the mandate

There are no agreements between the Company and any of its Directors or other persons discharging managerial responsibilities that provide any compensation in the event of termination of their employment agreements as a consequence of a takeover bid. In the event of dismissal from office of any of the Directors of the Company, it is the policy of Sonaecom Group to pay the compensation required by the Law and each particular case may impose a different amount that is deemed fair by both parties. Directors of the Company do not receive any additional compensation and the applicable criteria are the same as those used with all employees.

5.3 Management and auditing bodies

a) Identification and composition

Board of Directors

Composition

Under Sonaecom's Articles of Association, the Board of Directors may be composed of any number of members between three and 12, elected at a Shareholder's General Meeting. Board mandates are of four years, with the possibility of re-election. The current Board mandate covers the period from 2008 to 2011. The Board of Directors shall elect its Chairman.

Members

Duarte Paulo Teixeira de Azevedo	Chairman
António Sampaio e Mello	Independent Non-Executive Director
David Charles Denholm Hobley	Non-Executive Director *
Gervais Gilles Pellisser	Non-Executive Director
Jean-François René Pontal	Independent Non-Executive Director
Franck Dangeard	Independent Non-Executive Director
Nuno Manuel Jordão	Non-Executive Director
Ângelo Gabriel Ribeirinho dos Santos Paupério	Executive – CEO
Maria Cláudia Teixeira de Azevedo	Executive Director
Miguel Nuno Santos Almeida	Executive Director

Sonaecom's Board of Directors exhibits a healthy balance between the total number of Non-Executive Directors and the number of Independent Non-Executive Directors.

*See 'Independence Criteria'.

Statutory Audit Board ('Conselho Fiscal')

Composition

Sonaecom's Statutory Audit Board is composed of the following members:

Members

Arlindo Dias Duarte Silva	Chairman
Armando Luís Vieira de Magalhães	Member
Óscar José Alçada da Quinta	Member
Jorge Manuel Felizes Morgado	Substitute

Statutory External Auditor

Composition

Sonaecom's Statutory External Auditor is Deloitte & Associados, SROC, S.A. represented by Jorge Manuel Araújo de Beja Neves, who may be substituted, if required, by João Luís Falua Costa da Silva.

Company Secretary

Composition

Sonaecom's Secretary is Filipa Santos Carvalho, who may be substituted, if required, by Pedro Teixeira Sá.

5.3 Management and auditing bodies (continuation)

Other committees with management and auditing competencies

In order to improve the operational efficiency of the Board and to meet best practices in Corporate Governance, Sonaecom's Board has created three Board Committees: the Executive Committee, the Board Audit and Finance Committee and the Board Nomination and Remuneration Committee.

Executive Committee

Composition

Under Sonaecom's Articles of Association, the Executive Committee is selected from the members of the Board of Directors. The Group's CEO and the two other Executive Directors comprise the Executive Committee. The Executive Committee's meetings are also attended by the other members of the Executive Management Team, who are identified below:

Members

Ângelo Gabriel Ribeirinho dos Santos Paupério	Executive Director – CEO
Miguel Nuno Santos Almeida	Executive Director – Telecommunications and Deputy CEO
Maria Cláudia Teixeira de Azevedo	Executive Director – SSI and Media
António Lobo Xavier	Advisor to the Board – Legal, Regulation, PR and Tax

Board Audit and Finance Committee

Composition

Sonaecom's Board Audit and Finance Committee (BAFC) consists of three members who are appointed by and from among the members of the Board. The fourth member is the Board and Corporate Governance Officer. The Committee currently includes three Non-Executive Directors, two of whom are independent, and is chaired by an Independent Non-Executive Director.

Members

Jean-François René Pontal	Chairman – Independent Non-Executive Director
António Sampaio e Mello	Independent Non-Executive Director
David Charles Denholm Hobley	Non-Executive Director*
David Graham Shenton Bain	Board and Corporate Governance Officer

*See 'Independence Criteria'.

Board Nomination and Remuneration Committee

Composition

Sonaecom's Board Nomination and Remuneration Committee (BNRC) consists of three members and includes the Chairman of the Board of Directors and two Independent Non-Executive Directors. The current composition is shown in the table below.

Members

Duarte Paulo Teixeira de Azevedo	Chairman – Non-Executive Director
Jean-François René Pontal	Independent Non-Executive Director
Franck Emmanuel Dangeard	Independent Non-Executive Director

5.3 Management and auditing bodies (continuation)

Ethics Committee

Composition

Sonaecom's Ethics Committee consists of four members appointed by the Board of Directors, including one Independent Non-Executive Director, as Chairman of the Committee, the Board & Corporate Governance Officer, the Advisor to the Board responsible for the Legal, Regulation, PR and Tax departments and the head of the Human Resources department. The current composition is shown in the table below.

Members

Jean-François René Pontal	Chairman – Independent Non-Executive Director
António Lobo Xavier	Advisor to the Board – Legal, Regulation, PR and Tax
David Graham Shenton Bain	Corporate Governance Officer
Anabela Magalhães	Head of the Human Resources Department

Board and Corporate Governance Officer

Composition

Sonaecom's Board and Corporate Governance Officer (BCGO) is David Graham Shenton Bain.

Shareholders' Remuneration Committee

Composition

Sonaecom's Shareholders' Remuneration Committee ('Comissão de Vencimentos') comprises two members appointed by the Shareholders' General Meeting, under a four-year mandate, currently 2008 to 2011:

Sonae SGPS, S.A. represented by	Duarte Paulo Teixeira de Azevedo ⁽¹⁾
Sontel, BV, represented by	Bruno Walter Lehmann ⁽²⁾

(1) CEO of Sonae, SGPS, S.A.

(2) Partner – Egon Zehnder International, with vast experience in remuneration policy matters.

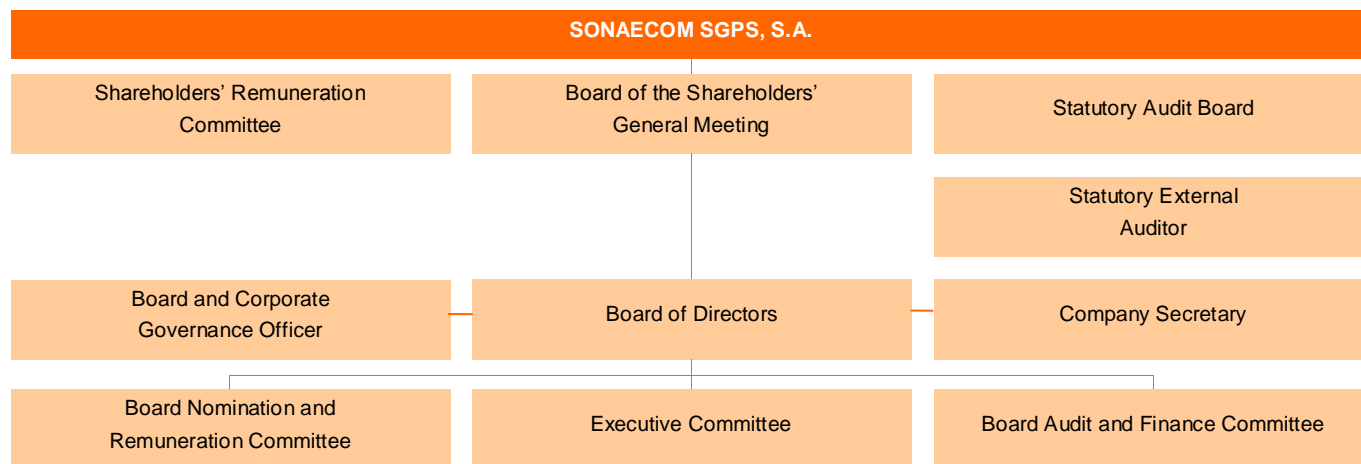
As explained above, Duarte Paulo Teixeira de Azevedo, besides being CEO of Sonae SGPS, S.A. which determines his presence at the Shareholders' Remuneration Committee, is also Chairman (Non-Executive) of Sonaecom's Board.

5.3 Management and auditing bodies (continuation)

b) Corporate structure organisation – roles and competencies

Sonaecom's Corporate Governance structure sets out clearly the roles, duties and responsibilities of its different governing bodies.

Sonaecom's governing bodies



We highlight below the key duties and responsibilities of Sonaecom's governing bodies:

Board of Directors

The Board of Directors is responsible for assuring the management of the Company's business, monitoring risks, managing conflicts of interests and developing the organisation's goals and strategy.

Sonaecom's Articles of Association permit the Board to delegate day-to-day Company business, duties and responsibilities, as considered appropriate, to an Executive Committee (as described in more detail under the Executive Committee section) but do not allow the Board to approve share capital increases, which must be approved at a Shareholders' General Meeting.

Statutory Audit Board

The main responsibilities of Sonaecom's Statutory Audit Board consist of auditing the Company's activities, assessing the Company's management and supervisory bodies and monitoring the Company's compliance with the law and the Company's Articles of Association.

The annual report on the activity of the Statutory Audit Board includes a description of the analysis and verification work completed and, in particular, any restrictions encountered. These reports are available on the Company's website.

The Statutory Audit Board appraises the work of the external auditor on an annual basis and should propose to the Shareholders' General Meeting that the external auditor be discharged, should justifiable grounds exist.

Statutory External Auditor

The Statutory External Auditor is responsible for verifying the accounts and all the financial documents of the Company and issuing a legal certification of the accounts and an audit report.

Shareholders' Remuneration Committee

The Committee is responsible for approving the remuneration and other compensation of members of Sonaecom's Board of Directors and of its other Statutory Governing Bodies, on behalf of the Shareholders, in accordance with the remuneration and other compensation policies approved by Shareholders at a Shareholders' General Meeting.

5.3 Management and auditing bodies (continuation)

Company Secretary

The Company Secretary is responsible for:

- (i) Keeping the formal minute books and attendance lists at Shareholders' General Meetings;
- (ii) Forwarding the legal documentation to convene Shareholders' General Meetings;
- (iii) Supervising the preparation of supporting documentation for the Shareholders' General Meetings and meetings of the Board of Directors and preparing the respective formal minutes;
- (iv) Responding to Shareholders' requests for information within the scope of the law;
- (v) Legal registration of any act or resolutions of the Company's Statutory Governing Bodies.

Executive Committee

The Executive Committee may deliberate on matters that relate to general management and not on matters that are exclusively within the powers of the Board of Directors. Powers and the responsibility to manage and carry out Sonaecom's day-to-day operations are delegated to the Executive Committee, except as follows:

- (i) To appoint the Chairman of the Board;
- (ii) To co-opt a substitute to replace a member of the Board;
- (iii) To convene Shareholders' General Meetings;
- (iv) To approve the Annual Report and Accounts;
- (v) To grant any pledge, guarantee or charge over Sonaecom's assets, if those are in excess of an accumulated value of 500,000 euros in any financial year;
- (vi) To decide to change the registered office or to approve any share capital increases;
- (vii) To decide on mergers, demergers, modifications to the corporate format and any other projects relating to association with other legal entities to form new companies;
- (viii) To approve Sonaecom Group's Business Plan and Annual Budget;
- (ix) To define the key features of personnel compensation policies, including stock incentive plans and variable compensation plans applicable to Executives (Sonaecom Group Management Levels G3 and above), in areas that do not require decisions from the Shareholders' Remuneration Committee ('Comissão de Vencimentos') or deliberations at Shareholders' General Meetings;
- (x) To define or change major accounting policies of any company included in the consolidation perimeter of the Group;
- (xi) To approve Sonaecom's quarterly Accounts and half-year Report and Accounts;
- (xii) To sell, acquire directly or by long-term lease or transact, in any other way, investments classified as tangible fixed assets where the individual transaction value is in excess of 1,000,000 euros, unless covered by the Group's Annual Budget or Business Plan duly approved by the Board;
- (xiii) To purchase or subscribe for new shares in the share capital of any subsidiary companies where the accumulated amount exceeds 5,000,000 euros in any financial year, unless covered by the Group's Annual Budget or Business Plan duly approved by the Board;
- (xiv) To invest in any other companies or in other financial assets when the accumulated value is in excess of 1,000,000 euros in any financial year, unless covered by the Group's Annual Budget or Business Plan duly approved by the Board;
- (xv) To make any other financial investments which exceed the accumulated amount of 1,000,000 euros in any financial year, unless covered by the Group's Annual Budget or Business Plan duly approved by the Board;
- (xvi) To dispose of assets or make other divestments, if such transaction has a significant effect on Sonaecom's operating results (defined as equal to or greater than 5%) or affects the jobs of more than 100 employees, unless covered by the Group's Annual Budget or Business Plan duly approved by the Board.

To ensure that the Board of Directors is kept well informed by the Executive Committee, all significant decisions taken by the Executive Committee are systematically extracted from the minutes of their meetings and are reported, in writing, to the Board of Directors.

5.3 Management and auditing bodies (continuation)

Board Audit and Finance Committee (BAFC)

The BAFC operates under Terms of Reference approved by the Board and is responsible for monitoring and supervising Sonaecom's financial reporting processes, reviewing accounting policies and for evaluating risk associated with its activities on behalf of the Board, and additionally for overseeing Corporate Governance within the Company. The BAFC also meets directly with the Group's Statutory External Auditors and the Internal Audit Team. The duties of the BAFC are:

- (i) To review the Company's annual and interim financial statements and reports to the market, and report its findings to the Board, before these documents are approved or signed by the Board;
- (ii) To advise the Board on its reports to Shareholders and financial markets to be included in the Company's annual and half-year Accounts and in the quarterly Earnings Announcements;
- (iii) To advise the Board on the adequacy and appropriateness of internal information provided by the Executive Committee, including systems and standards on internal business controls applied by the Executive Committee;
- (iv) To advise the Board on the appointment of, the assignments to and the remuneration of the Statutory External Auditor and also on the appointment of the Internal Audit Manager;
- (v) To review the scope of the Internal Audit Function and its relation to the scope of the Statutory External Audit and discuss with the Statutory External Auditor and Internal Auditor Manager their intermediate and year-end reports, as well as their reports on internal control, and advise the Board thereon.

The full Terms of Reference of the BAFC are available on the Company's website (www.sonae.com).

Sonaecom's BAFC reports in writing, on a regular basis, to the Board of Directors concerning the work accomplished, results obtained and concerns identified, thus ensuring the effectiveness of the Committee's work.

Board Nomination and Remuneration Committee (BNRC)

The BNRC operates under Terms of Reference approved by Sonaecom's Board and is responsible for identifying candidates for appointment to the Board of Directors or Senior Management positions within the Group, for supervising the preparation of proposals on remuneration and other compensation on behalf of the Board of Directors, for the succession planning and for monitoring Sonaecom's talent management and contingency planning processes. The BNRC reports in writing to the Board, whenever necessary, and liaises with Sonaecom's Shareholders' Remuneration Committee ('Comissão de Vencimentos') to obtain their approval, on behalf of shareholders, for the remuneration and other compensation of the Board of Directors and other Statutory Governing Bodies. The BNRC may receive assistance from external entities, which are required to ensure absolute confidentiality in relation to all the information obtained.

The full Terms of Reference of the BNRC are available on the Company's website (www.sonae.com).

Ethics Committee

The Ethics Committee is responsible for supervising and maintaining the Company's Code of Conduct and for monitoring its application and ensuring compliance by all Officers and employees of Sonaecom companies.

The Committee is also responsible for reporting to the Company's Board of Directors on compliance with the Code of Conduct, at least once a year, and additionally, whenever requested.

It is the responsibility of the Ethics Committee to receive, discuss, investigate and assess any alleged irregularities that are reported, in accordance with Sonaecom's 'whistle-blowing' policy. The Committee decides the appropriate measures that should be taken in each case reported.

The full Terms of Reference of the Ethics Committee are available on the Company's website (www.sonae.com).

Board and Corporate Governance Officer (BCGO)

The BCGO reports to the Board of Sonaecom as a whole, through the Chairman, and also, when appropriate, through the senior Independent Non-Executive Director.

In particular, the main duties of the BCGO are:

- (i) Ensuring the smooth running of the Board and Board Committees;

5.3 Management and auditing bodies (continuation)

- (ii) Participating in Board Meetings and relevant Board Committee Meetings and, when appointed, serving as a member;
- (iii) Facilitating the acquisition of information by all Board and Committee members;
- (iv) Supporting the Board in defining its role, objectives and operating procedures; Taking a leading role in organising Board evaluations and assessments;
- (v) Keeping under close review all Legislative, Regulatory and Corporate Governance issues; Supporting and challenging the Board to achieve the highest standards in Corporate Governance;
- (vi) Ensuring that the Board is conscious of the concept of stakeholders and the need to protect minority interests, when important business decisions are being taken;
- (vii) Helping to ensure that the procedure to nominate and appoint Directors is properly carried out and assist in the induction of new Board Members;
- (viii) Acting as a primary point of contact and source of advice and guidance for, particularly, Non-Executive Directors as regards the Company and its activities; Facilitating and supporting the Independent Non-Executive Directors in the assertion of their 'independence';
- (ix) Helping to ensure compliance with the continuing obligations of the Portuguese Listing Rules;
- (x) Participating in making arrangements for and managing the whole process of Shareholders' General Meetings;
- (xi) Participating in the arrangement of insurance cover for Directors and Officers;
- (xii) Participating, on behalf of the Company, in external initiatives to debate and improve Corporate Governance regulations and practices in Portugal.

The full job description of the BGCO is available on the Company's website (www.sonae.com).

c) Governing bodies – terms of reference, nomination and substitution

The terms of reference of the corporate bodies and the established committees are available on the Company's website. There is neither an internal definition of incompatibilities nor a maximum number of offices held by members of the Board of Directors in other companies.

Members of the Board of Directors and of the Statutory Audit Board are elected and removed by the Shareholders' General Meeting, without prejudice to legal rules applicable to the appointment of members of the Board of Directors.

According to our Articles of Association, if Shareholders representing at least 10% of the share capital of the Company have voted against the successful proposal for the appointment of the members of the Board of Directors, then there will be an election of an additional Director, which will be voted on by the respective minority Shareholders, at the same General Meeting, and the Director so elected shall automatically replace the least voted Director from the successful list or, in case of even voting, shall automatically replace the last person mentioned on that list. In these circumstances, should candidates be proposed by more than one group of Shareholders, there will be a vote taken to choose between them.

If Shareholders representing at least 19% of the share capital of the Company have voted against the successful proposal for the appointment of the members of the Board of Directors, then there will be an election of a second Director, which will be voted on only by the Shareholders of the second minority, at the same General Meeting, and the Director so elected shall automatically replace the second least voted Director from the successful list or, in case of even voting, shall automatically replace the second last person mentioned on that list. In these circumstances, only Shareholders or a group of Shareholders holding shares representing more than 19% and less than 30% of the share capital of the Company may propose candidates.

d) Information on the number of meetings held during 2009

Board meetings

Sonaeacom's Board of Directors meets at least four times a year, as required by its Articles of Association, and whenever the Chairman or two Board members call for a meeting. During 2009, there were five Board meetings and the attendance rate was 95%.

Sonaeacom's Non-Executive Directors (NEDs) also hold separate meetings to discuss their ability to assert their independence within the Board and to make suggestions to improve Board procedures and Corporate Governance in general. During 2009, there were two NED meetings and the attendance rate was 86%. The NEDs have confirmed, at these meetings, that there have been no restrictions on the scope of their activities during 2009.

5.3 Management and auditing bodies (continuation)

Statutory Audit Board meetings

The Statutory Audit Board meets at least once every quarter. There were six formal Statutory Audit Board meetings during 2009 and the attendance record was 100%.

Executive Committee meetings

Sonaecom's Executive Committee normally meets once every week and whenever the CEO or a majority of its members call for a meeting. There were 37 meetings of the Executive Committee in 2009 and the attendance rate was 91.2%.

BAFC meetings

The BAFC meets at least five times a year and whenever the Chairman, the Board of Directors, the Executive Committee or, exceptionally, the Statutory External Auditor believe a meeting is necessary. Between meetings, the BAFC follows projects and monitors activity by conference calls. During 2009, the Committee met five times with an attendance rate of 100% and also held four conference calls.

BNRC meetings

The BNRC meets at least twice a year and whenever the Chairman or the Board of Directors deem necessary. There were two formal BNRC meetings during 2009 and the attendance rate was 100%.

Shareholders' Remuneration Committee meetings

This Committee meets at least once a year. There were two meetings during 2009 and the attendance rate was 100%.

Ethics Committee meetings

The Ethics Committee normally meets once per semester and whenever its Chairman or two of its members deem necessary. There were two meetings during 2009 and the attendance rate was 100%.

e) Executive and Non-Executive members of the Board of Directors

The list below identifies again the members of the Board of Directors, with a distinction between executive and non-executive members and, among the latter, the identification of independent members, who fulfil the independence criteria set out in Article 414^o n^o 5 of Portuguese Company Law and are not subject to any of the circumstances foreseen in Article 414-A, 1 of that Law:

Duarte Paulo Teixeira de Azevedo	Chairman – Non-Executive
António Sampaio e Mello	Independent Non-Executive
David Charles Denholm Hobley	Non-Executive*
Gervais Gilles Pellisser	Non-Executive
Jean-François René Pontal	Independent Non-Executive
Franck Dangeard	Independent Non-Executive
Nuno Manuel Jordão	Non-Executive
Ângelo Gabriel Ribeirinho dos Santos Paupério	Executive – CEO
Maria Cláudia Teixeira de Azevedo	Executive
Miguel Nuno Santos Almeida	Executive

*See 'Independence Criteria'.

Independence Criteria

During 2009, three Independent Non-Executive Directors served on Sonaecom's Board of Directors: António Sampaio e Mello, Jean-François René Pontal and Franck Dangeard.

To the best of the Board of Directors' knowledge and belief, the independence of these three non-executive members has not been affected, since their election, by any subsequent events. The assessment of the independence was made by reference to the legal requirements and, especially, as a result of the enquires addressed to them, that have confirmed that these Directors are not associated with any special interest

5.3 Management and auditing bodies (continuation)

groups connected to Sonaecom nor are they affected by any circumstance which might threaten the independence of their analysis or restrict their decision making capabilities.

Sonaecom considers David Hobley to be an Independent Non-Executive Board member, as he effectively acts as such. His nomination was based on a proposal presented by Sonae SGPS (and not by France Télécom) and his independence was assessed and accepted by Sonaecom's Board Nomination and Remuneration Committee prior to his election. However, David Hobley is not formally classified as Independent, due to the fact that he also serves as an Independent Non-Executive Director within the France Telecom Group, which owns a 20% stake in Sonaecom.

It should also be noted that all the members of the Statutory Audit Board fulfil the independence criteria set out in Article 414º nº 5 of Portuguese Company Law and are not subject to any of the circumstances foreseen in Article 414-A, 1 of that Law.

f) Qualifications, experience and offices held by members of the management bodies

Board of Directors

A description of the qualifications, professional experience and responsibilities during the preceding five-year period and the number of Sonaecom shares held by each member of Sonaecom's Board of Directors are disclosed in the Appendix to this Report.

The month and the year of first appointment of each member of the Board of Directors is as follows:

Duarte Paulo Teixeira de Azevedo	September 1998
António Sampaio e Mello	July 2006
David Charles Denholm Hobley	September 2005
Gervais Gilles Pellisser	July 2006
Jean-François René Pontal	July 2003
Franck Dangeard	July 2008
Nuno Manuel Jordão	April 2008
Ângelo Gabriel Ribeirinho dos Santos Paupério	April 2007
Maria Cláudia Teixeira de Azevedo	April 2006
Miguel Nuno Santos Almeida	April 2005

Offices held by the members of the Board of Directors

Information on other offices held by each of the members of Sonaecom's Board of Directors – distinguishing between offices within Sonaecom Group and others – are disclosed in the Appendix to this Report.

Statutory Audit Board

A description of the qualifications, professional experience and responsibilities during the preceding five-year period and the number of Sonaecom shares held by each member of Sonaecom's Statutory Audit Board are disclosed in the Appendix to this Report.

The month and year of first appointment of each member of the Statutory Audit Board is as follows:

Arlindo Dias Duarte Silva	April 2007
Armando Luís Vieira de Magalhães	April 2007
Óscar José Alçada da Quinta	April 2007
Jorge Manuel Felizes Morgado	April 2007

The period of the term of office of the members of the Statutory Audit Board is the same as for all Statutory Governing Bodies under the current four-year mandate, which is from 2008 until 2011.

5.3 Management and auditing bodies (continuation)

Offices held by the members of the Statutory Audit Board

Information on other offices held by each of the members of Sonaecom's Statutory Audit Board – distinguishing between offices in Sonaecom Group and others – can be found in the Appendix to this Report.

5.4 Group Remuneration policy, management and audit bodies' remuneration

To promote initiative and build high levels of commitment, Sonaecom once again carried out its established annual performance appraisal process for all employees, during 2009. Each individual's activity, performance and contribution to the organisation's success were assessed and decisions were taken on the variable remuneration and other compensation to be attributed accordingly.

a) Remuneration components

Sonaecom's remuneration policy for all employees includes two basic components:

- (i) Fixed remuneration, which is paid as annual salary (salaries are paid 14 times per annum in Portugal);
- (ii) Annual performance bonus, which is paid in the first quarter of the following year.

In addition, a discretionary third component may be awarded to more senior employees (Sonaecom Group Management Levels – 'Grupos Funcionais' or 'GF' 1 to 6), on 10 March of the following year, in the form of deferred compensation, under the Sonaecom Medium Term Incentive Plan (MTIP).

Fixed remuneration

Annual remuneration and other elements of the compensation package are defined as a function of each employee's level of responsibility and are reviewed annually. Each employee is classified under a 'Sonaecom Management Level' grid, designed using Hay's international model for classification of corporate functions to facilitate market comparisons as well as to help promote internal equity.

Annual Performance Bonus

The Annual Performance Bonus is aimed at rewarding the achievement of certain pre-defined annual objectives which are linked to both Business and Personal Key Performance Indicators (KPIs).

The target bonus amount is based on a percentage of the employee's fixed remuneration, which ranges between 15% and 70%, depending on the employee's Management Level. Business KPIs (which include economic, operational and financial indicators based on approved budgets, relative share price performance, individual business unit performance as well as the performance of the Group as a whole) drive 70% of the Annual Performance Bonus and are normally objective indicators.

The remaining 30% of the Annual Performance Bonus is based on Personal KPIs, which are a mix of objective and subjective indicators. Annual Performance Bonuses paid relate to the actual performance achieved or assessed and can represent anything from 0% to 120% of the target bonus for Business KPIs and 0% to 120% of the target bonus for Personal KPIs. Combining both components, the maximum range that can apply to any individual is 0% to 120% of the target bonus.

The Business KPIs and their weightings for 2009 were:

Indicator – Description	Weight
Turnover	30%
EBITDA	30%
Net Debt	30%
Relative Share Price Performance	10%

b) Medium term incentive plan (MTIP)

The MTIP is an equity-based discretionary deferred compensation plan with a three year period between the award date and the date on which the award vests. MTIP awards are made in March each year, in respect of performance during the previous financial year. The size of an award made under the MTIP is linked to an individual's Annual Performance Bonus paid for the same 'performance year'. Historically, the MTIP awards were made on 31 March of each year, but, for 2006 onwards, the award date has been changed to 10 March or the last working day before that date. The vesting dates for all open plans have also been adjusted to this new timing.

As the MTIP is share based, Sonaecom's Board of Directors decided that the plan should be presented to Shareholders for approval at the Shareholders' Annual General Meeting in 2007, in order to comply with best practice in Corporate Governance. The MTIP was approved by shareholders at the Annual General Meeting held on 2 May 2007.

Sonaecom's MTIP is aimed at enhancing employees' loyalty, aligning their interests with those of Shareholders, and increasing their awareness of the importance of their performance on the overall success of the organisation, as reflected by changes in Sonaecom's share price.

5.4 Group Remuneration policy, management and audit bodies' remuneration (continuation)

MTIP assessment

All Sonaecom employees with Management Levels GF1 to GF6, are eligible to participate in the MTIP, as long they joined the Company before the 31 December of the year being evaluated or they are promoted to GF6, or above, at the annual review process in the first quarter of that year.

The value awarded is determined by applying the following percentages to the Annual Performance Bonuses paid in respect of the last financial year, according to Sonaecom Management Levels:

Sonaecom Management Levels ('Grupos Funcionais') ⁽¹⁾	Percentage of Annual Performance Bonus
GF6	Up to 70%
GF5	Up to 80%
GF4	Up to 90%
GF3	Up to 100%
GF2	100%
GF1	100%

(1) Sonaecom Group Management Levels ('Grupos Funcionais' or 'GF') are attributed according to Hay's international model for the classification of corporate functions. Sonaecom has defined internally that Managers with levels equal to or higher than GF3 may be Executive Committee members of Sonaecom Group companies.

For Sonaecom's senior employees who are at Group Senior Executive Level (GF1), up to 40% of the awards under the MTIP are linked to Sonae SGPS shares (the 'Sonae SGPS Share Plans'), and, for Sonaecom's senior employees who are at the Senior Executive Level (GF2), up to 30% of the awards under the MTIP are linked to Sonae SGPS shares. This link to Sonae SGPS shares was introduced to promote cooperation, maximise synergies and promote the exchange of knowledge between the Company and Sonae SGPS, Sonaecom's controlling Shareholder. For Senior Executive or above (GF1, GF2) with Executive Management positions in Sonaecom or any of its Companies, the MTIP awarded is equal to the Annual Performance Bonus attributed.

For the MTIP awards delivered as deferred rights to shares, the number of shares is calculated by dividing the MTIP amount awarded by the average share price in the month prior to the award date. However, for the 2006 Plan the share price was the average share price between 3 March and 5 April 2007, due to the timing of the end of the Portugal Telecom bid and was approved by the Board Nomination and Remuneration Committee. On vesting, the shares, corresponding to the initial number of shares, adjusted for dividends and other changes in issued share capital, are transferred to the beneficiaries on the third anniversary of the award date at zero cost. The Company, subject to approval from the Board Nomination and Remuneration Committee, has the option to pay the cash equivalent to the value of the shares at the vesting date.

Summary of shares under the MTIP – Sonaecom's Share Plans

The awards outstanding under the Sonaecom Share Plans in 2009 can be summarised as follows:

Sonaecom Share Plans outstanding during 2009

	Share price at award date*	Award date	Vesting period		At 31 December 2009	
			Vesting date	Aggregate of number of participants	Number of options / shares	
Sonaecom Shares						
2005 Plan	4.093	10 March 2006	09 March 2009	-	-	-
2006 Plan	4.697	09 March 2007	08 March 2010	384	956,091	
2007 Plan	2.447	10 March 2008	09 March 2011	396	1,794,438	
2008 Plan	1.117	10 March 2009	09 March 2012	412	3,825,338	

* Average share price for the month prior to the award date, except for the 2006 Plan for which the share price corresponds to the average share price between 3 March and 5 April 2007. This exception was due to the timing of the end of the Portugal Telecom bid and was approved by the Board Nomination and Remuneration Committee at that time.

5.4 Group Remuneration policy, management and audit bodies' remuneration (continuation)

The number of shares awarded, and shares unvested or vested under Sonaecom's MTIP in the year ended 31 December 2009, are shown in the following table:

Sonaecom's shares under the MTIP

	Sonaecom shares	
	Aggregate number of participants ⁽¹⁾	Number of shares
Outstanding at 31 December 2008		
Unvested	1,146	3,709,121
Total	1,146	3,709,121
Movements in the year		
Awarded	415	3,896,332
Vested	(356)	(836,716)
Vested early	(3)	(8,628)
Cancelled / Lapsed	(10)	(184,242)
Outstanding at 31 December 2009		
Unvested	1,192	6,575,867
Total	1,192	6,575,867

(1) The number of participants is the cumulative number for all plans. The participant in three plans counts as three.

Summary of shares under the MTIP – Sonae SGPS Share Plans

Awards under the Sonae SGPS Share Plans outstanding during 2009 can be summarised as follows:

Sonae SGPS Share Plans outstanding during 2009

	Share price at award date*	Award date	Vesting period	At 31 December 2009	
				Aggregate number of participants	Number of shares
Sonae SGPS shares					
2005 Plan	1.34	10 March 2006	09 March 2009	-	-
2006 Plan	1.68	09 March 2007	08 March 2010	5	131,764
2007 Plan	1.16	10 March 2008	09 March 2011	6	242,633
2008 Plan	0.53	10 March 2009	09 March 2012	6	503,257

*The lower of the average closing share prices for the 30 trading days prior to the Annual General Meeting and the closing share price on the day after the Annual General Meeting, except for the 2006 Plan for which the share price corresponds to the average closing share price between 13 February and 26 March 2007. This exception was due to the timing of the end of the Portugal Telecom bid and was approved by the Board Nominations and Remunerations Committee.

The number of awarded, unvested or vested, and cancelled, lapsed or adjusted Sonae SGPS shares under the MTIP in the year ended 31 December 2009, are shown in the following table:

5.4 Group Remuneration policy, management and audit bodies' remuneration (continuation)

Sonae SGPS shares under the MTIP

	Sonae SGPS shares	
	Aggregate number of participants ⁽¹⁾	Number of shares
Outstanding at 31 December 2008		
Unvested	25	563,816
Movements in the year		
Awarded	7	541,655
Vested	(12)	(147,924)
Cancelled / lapsed / adjusted ⁽²⁾	(3)	(79,893)
Outstanding at 31 December 2009		
Unvested	17	877,654

(1) The number of participants is the cumulative number for all plans. The participant in three plans counts as three.

(2) Adjustments are made to allow for the effects of dividends paid and changes in share capital.

MTIP hedging agreements and accounting impact

Sonaecom has hedged its MTIP and related obligations, up to and including the 2008 Plan. The plans are hedged through own shares acquired in 2007 to 2009 and held by Sonaecom. Sonae SGPS shares plans have been hedged through a cash-settled share swap transaction, with an external party. Sonaecom has entered into agreements with its subsidiaries to recharge the corresponding hedging costs to each one of them.

During the year, the Board of Directors of Sonaecom decided to convert the settlement of its Medium Term Incentive Plans from settlement in cash to settlement in shares, as this option is provided for in such plans. For Sonaecom's share plans, the total responsibility is calculated taking into consideration the share price at 2 January 2009, the date as from which the change to the form of settlement of share plans is effective, with the exception of the plan attributed in 2009, which responsibility is calculated based on the corresponding award date. The total responsibility for the mentioned plans is 2,977,695 euros and was recorded under the heading of 'Reserves'.

The Sonae SGPS shares plans correspond to the delivery of Sonae SGPS shares, but, as they are attributed by Sonaecom and not by Sonae SGPS, the plans are treated as cash-settled plans. As a result of the cash-settled share swap transactions implemented to hedge these plans, the liability is included under 'Other Liabilities' capped at a maximum share price of 1.761 euros, 1.074 euros and 0.6636 euros for the MTIP 2006, 2007 and 2008, respectively. At 31 December 2009, the total amount provided for is 471,160 euros.

The cost of Sonaecom's MTIP is recognised in the accounts over the respective deferral period for each annual plan. As at 31 December 2009, 23.4 million euros had been recognised as a cost (2.2 million euros during 2009 and 21.2 million euros in previous years).

c) Directors remuneration

Sonaecom's Directors' compensation policy is aimed at remunerating in a fair, effective and competitive manner, taking into consideration the individual responsibilities and performance of each Director, both at a subsidiary company level and at a Sonaecom Group level.

Sonaecom's Shareholders' Remuneration Committee is responsible for the approval of the remuneration and other compensation of the Board of Directors, including both Executive and Non-Executive Directors following the remuneration and other compensation policies approved by Shareholders at a Shareholders' General Meeting.

Executive Directors

Remuneration and compensation proposals for Sonaecom's Executive Directors (excluding the CEO) are based on proposals made by the CEO, which are prepared taking into account:

- (i) Market comparables;
- (ii) Other Sonaecom and Sonae comparables;
- (iii) Individual appraisals of each Executive Director.

5.4 Group Remuneration policy, management and audit bodies' remuneration (continuation)

The Executive Directors' remuneration and other compensation include Fixed Remuneration and an Annual Performance Bonus and they also benefit from compensation under the Medium Term Incentive Plan (MTIP), as further detailed below.

CEO and Non-Executive Directors

Remuneration and other compensation for the CEO and remuneration for the Non-Executive Directors (excluding the Chairman) are based on proposals made by the Sonaecom Chairman.

The remuneration of the Chairman is decided by the other independent member of the Shareholders' Remuneration Committee.

For the CEO, the methodology used is the same as for the Executive Directors. Non-Executive Directors do not receive Annual Performance Bonuses nor do they participate in the Sonaecom MTIP.

For each Non-Executive Director, fixed remuneration assumes an agreed commitment of time during 2009, including the preparation and attendance of at least five Board Meetings each year. In addition, for External Non-Executive Directors who are Chairmen of Board Committees, fixed remuneration is further increased by approximately 5%. Meeting attendance fees are payable for each meeting actually attended by each Non-Executive Director as follows: Board meetings: 940 euros, BAFC meetings: 650 euros and BNRC meetings: 390 euros. The Chairman of the Board does not receive attendance fees for Board Committee meetings.

Additionally, an annual responsibility allowance is paid to each Non-Executive Director, which amounted, in 2009, to 1,900 euros.

The BNRC may define additional remuneration for specific projects allocated to individual NEDs by the Board or by the Board Committees.

On resignation of any member of the Board, it is Group policy to pay whatever compensation is legally required, or to negotiate, in each situation, a value considered to be fair and appropriate by the parties involved. No additional compensation conditions exist for members of the Board who are treated in the same way as all employees.

Remuneration and compensation received by the Board of Directors

The remuneration of Sonaecom's Directors was as follows during 2009 and 2008. These values include fixed remuneration and Annual Performance Bonuses (both computed on an accruals basis) and the Medium Term Incentive Plans in respect to the performance years of 2009 and 2008, and that will be awarded in 2010, for 2009 values, and were awarded in 2009, for 2008 values.

5.4 Group Remuneration policy, management and audit bodies' remuneration (continuation)

Amounts in euros	2009				2008			
	Fixed Remuneration	Annual Performance Bonus	Medium Term Incentive Plan	Total	Fixed Remuneration	Annual Performance Bonus	Medium Term Incentive Plan	Total
Individual breakdown								
Executive Directors								
Ángelo Gabriel Ribeirinho dos Santos Paupério (CEO)	415,283	287,900	287,900	991,083	421,233	266,700	266,700	954,633
Maria Cláudia Teixeira de Azevedo	209,469	88,400	88,400	386,269	203,829	75,800	75,800	355,429
Miguel Nuno Santos Almeida	251,477	119,900	119,900	491,277	245,211	105,000	105,000	455,211
Luís Filipe Campos Dias Castro Reis ⁽¹⁾	311,736	164,300	164,300	640,336	307,850	145,500	145,500	598,850
George Christopher Lawrie (four months in 2009) ⁽²⁾	73,603	37,633	37,633	148,870	223,583	102,200	102,200	427,983
	1,261,568	698,133	698,133	2,657,835	1,401,706	695,200	695,200	2,792,106
Non-Executive Directors								
Duarte Paulo Teixeira de Azevedo (Chairman)	60,600	–	–	60,600	62,353	–	–	62,353
Jean François René Pontal	40,180	–	–	40,180	42,590	–	–	42,590
David Charles Denholm Hobley	37,450	–	–	37,450	40,303	–	–	40,303
António Maria Theotonio Pereira Sampaio Melo	37,450	–	–	37,450	40,303	–	–	40,303
Nuno M. M. Trigo Jordão (eight months in 2008)	34,200	–	–	34,200	24,760	–	–	24,760
Frank Emmanuel Dangeard (six months in 2008)	34,980	–	–	34,980	19,170	–	–	19,170
Gervais Pellissier	–	–	–	–	–	–	–	–
	244,860	–	–	244,860	229,480	–	–	229,480
Total	1,506,428	698,133	698,133	2,902,695	1,631,186	695,200	695,200	3,021,586

(1) On 10 December 2009, Luís Filipe Reis resigned from the Board of Directors. The amount for the 2009 remuneration refers to 12 months.

(2) On 4 May 2009, George Christopher Lawrie resigned from the Board of Directors.

In presenting the figures above, the remuneration for each Board member has been disclosed based on the period of their Board service.

Sonaecom's Non-Executive Directors do not receive Annual Performance Bonuses. The Annual Performance Bonuses of the Executive Directors in the table above represent the actual values for performance during 2009. The final values have been determined after real performance has been fully assessed and after the resulting bonuses have been approved by the Board Nomination and Remuneration Committee, on behalf of the Board of Directors, and by the Shareholders' Remuneration Committee, on behalf of the Shareholders.

Directors' participation in the MTIP

Sonaecom Executive Directors have been awarded compensation under the Sonaecom MTIP. Sonaecom's Non-Executive Directors do not participate in the MTIP.

There are no further performance conditions attaching to MTIP awards, other than future share price performance, as these awards are based upon an individual's Annual Performance Bonus for which KPIs have already been satisfied.

The shares awarded to Executive Directors as part of the MTIP that vested, were exercised or remain unvested during 2009, are summarised below.

5.4 Group Remuneration policy, management and audit bodies' remuneration (continuation)

Directors' other compensation – participation in the Sonaecom MTIP (see below)

Award date	Unvested				Total
	Plan 2005 ⁽¹⁾	Plan 2006	Plan 2007	Plan 2008	
	10 March 2006	09 March 2007	10 March 2008	10 March 2009	
Sonaecom shares					
Share price at award date ⁽²⁾	4.093	4.697	2.447	1.117	
Share price at vesting date	1.171	–	–	–	
Share price at 31 December 2009 ⁽³⁾	1.932	1.932	1.932	1.932	
Ângelo Gabriel Ribeirinho dos Santos Paupério (CEO)					
Number of shares at 01 January 2009	–	–	67,086	–	67,086
Number of shares at 31 December 2009	–	–	67,086	143,259	210,345
Luís Filipe Campos Dias Castro Reis					
Number of shares at 01 January 2009	18,488	27,839	44,655	–	90,982
Number of shares at 31 December 2009	–	27,839	44,655	91,182	163,676
Miguel Nuno Santos Almeida					
Number of shares at 01 January 2009	12,998	18,942	31,009	–	62,949
Number of shares at 31 December 2009	–	18,942	31,009	65,801	115,752
Maria Cláudia Teixeira de Azevedo					
Number of shares at 01 January 2009	9,304	11,818	21,369	–	42,491
Number of shares at 31 December 2009	–	11,818	21,369	47,502	80,689
George Christopher Lawrie⁽⁶⁾					
Number of shares at 01 January 2009	14,434	19,180	31,067	–	64,681
Number of shares at 31 December 2009	–	–	–	–	–
Total					
Number of shares at 01 January 2009	55,224	77,779	195,186	–	328,189
Number of shares at 31 December 2009	–	58,599	164,119	347,744	570,462
Sonae SGPS shares					
Share price at award date	1.34	1.68	1.16	0.526	
Share price at vesting date	0.471	–	–	–	
Share price at 31 December 2009 ⁽⁴⁾	0.870	0.870	0.870	0.870	
Ângelo Gabriel Ribeirinho dos Santos Paupério (CEO)					
Number of shares at 01 January 2009	–	–	97,015	–	97,015
Number of shares at 31 December 2009	–	–	101,008	211,160	312,168
Luís Filipe Campos Dias Castro Reis					
Number of shares at 01 January 2009	29,408	39,786	41,514	–	110,708
Number of shares at 31 December 2009	–	41,423	43,222	86,400	171,045
Miguel Nuno Santos Almeida					
Number of shares at 01 January 2009	20,676	27,070	28,827	–	76,573
Number of shares at 31 December 2009	–	28,184	30,014	62,350	120,548
Maria Cláudia Teixeira de Azevedo					
Number of shares at 01 January 2009	14,799	16,890	19,866	–	51,555
Number of shares at 31 December 2009	–	17,585	20,683	45,011	83,279
George Christopher Lawrie⁽⁶⁾					
Number of shares at 01 January 2009	22,961	27,411	28,881	–	79,253
Number of shares at 31 December 2009	–	–	–	–	0
Total					
Number of shares at 01 January 2009	87,844	111,157	216,103	–	415,104
Number of shares at 31 December 2009	–	87,192	194,927	404,921	687,040

5.4 Group Remuneration policy, management and audit bodies' remuneration (continuation)

	Unvested				Total
	Plan 2005 ⁽¹⁾	Plan 2006	Plan 2007	Plan 2008	
Values					
CEO					
Value at award date	200,595 ⁽⁵⁾	332,201 ⁽⁵⁾	273,600	266,689	–
Value at vesting date	216,203 ⁽⁵⁾	296,647 ⁽⁵⁾	–	–	–
Value at 31 December 2009	–	–	217,487	460,486	677,973
Luís Filipe Campos Dias Castro Reis					
Value at award date	115,078	197,600	157,427	–	470,105
Value at vesting date	35,501	–	–	–	35,501
Value at 31 December 2009	–	89,823	123,877	251,332	465,032
Miguel Nuno Santos Almeida					
Value at award date	80,907	134,448	109,318	–	324,673
Value at vesting date	24,959	–	–	–	24,959
Value at 31 December 2009	–	61,116	86,022	181,372	328,510
Maria Cláudia Teixeira de Azevedo					
Value at award date	57,912	83,884	75,335	–	217,131
Value at vesting date	17,865	–	–	–	17,865
Value at 31 December 2009	–	38,131	59,279	130,933	228,343
George Christopher Lawrie⁽⁶⁾					
Value at award date	89,846	136,139	109,523	–	335,508
Value at vesting date	27,717	–	–	–	27,717
Value at 31 December 2009	–	–	–	–	–
Total					
Value at award date	544,338	884,273	725,202	266,689	2,420,503
Value at vesting date	322,245	296,647	–	–	618,892
Value at 31 December 2009	–	189,070	486,664	1,024,123	1,699,857

- (1) Vested on 10 March 2009. In some cases, cash equivalents were paid in lieu of the delivery of Sonaeacom shares. The Sonae SGPS shares were delivered on 10 March 2009, and the Company decided to pay in cash in lieu of the delivery of Sonae SGPS shares;
- (2) Average share price in the month prior to the award date, except for the 2006 Plan where share price corresponds to the average share price between 3 March and 5 April 2007;
- (3) On 25 May 2009, the share price hit a high of 2.115 euros per share and a low of 1.001 euros per share on 2 January 2009;
- (4) On 14 October 2009, the share price hit a high of 0.977 euros per share and a low of 0.430 euros per share on 24 February 2009;
- (5) For the former CEO, the vesting of the 2005 and 2006 deferred plans was anticipated and cash equivalents were paid on 31 December 2007, in lieu of the delivery of Sonaeacom and Sonae SGPS shares. For the former CEO plans for 2005 and 2006, the vesting date corresponds to the anticipated vesting date (3 May 2007).
- (6) On 4 May 2009, George Christopher Lawrie resigned from the Board of Directors, therefore the open MTIP were cancelled.

Compensation for Board members on termination of office

As mentioned above, in the event of early termination of office of any member of the Board, it is the Group policy to pay whatever compensation is legally required, or to negotiate, in each situation, a value considered to be fair and appropriate by the parties involved. No additional compensation conditions exist for members of the Board, who are treated in the same way as all employees.

5.4 Group Remuneration policy, management and audit bodies' remuneration (continuation)

d) Remuneration of the members of the Statutory Audit Board

The remuneration of the members of the Statutory Audit Board was as follows during 2009 and 2008:

Amounts in euros	2009	2008
Individual breakdown		
Statutory Audit Board		
Arlindo Dias Duarte Silva	9,900	14,600
Armando Luís Vieira Magalhães	7,900	12,600
Óscar José Alçada Quinta	7,900	12,600
Jorge Manuel Felizes Morgado	–	–
Total	25,700	39,800

These amounts correspond to the fixed remuneration. The members of the Statutory Audit Board do not receive Annual Performance Bonuses and do not participate in the Sonaecom MTIP.

5.5 Risk management

Sonaecom is committed to developing and implementing best practices in terms of risk management and risk control, as these areas are considered to be one of the fundamental pillars of a sound Corporate Governance system. At Sonaecom, we acknowledge that certain risks are involved in all management processes. Accordingly, managers at the various levels of the organisation have to be aware of the specific risks in their areas and are held responsible for managing those risks.

The management and control of Sonaecom's main risks is achieved through the following key approaches:

- **Aligning the risk management cycle with the strategic planning cycle.** This approach, applicable to all our subsidiaries, allows Sonaecom to prioritise and identify critical risks that might compromise its performance and goals and to take actions to manage those risks, within the pre-defined levels of acceptance. This is achieved through constant monitoring of risks and the implementation of certain corrective measures (see framework below). This framework is aligned with Sonae Group's 'Standard for Risk Management';
- **Implementing an internal business continuity management process,** with the objective of mitigating business interruption risks, which may arise as a consequence of disasters, technical, operating or human failures (see framework below). The scope of this process also includes the assessment and the management of physical security risks at critical Sonaecom sites;
- **Setting in place risk management cycles/processes,** which enable the mitigation of critical risks that can impact certain processes, areas or entities, positioning these risks within the levels defined by management.

The diagrams below illustrate the main phases included in Sonaecom's risk management policies, which apply to all business units in its portfolio.

Approach to risk management cycle

Phase 5: Monitor risks

- Monitor progress of action plan's execution
- Monitor changes in risk indicators
- Report progress

Phase 4: Manage risks

- Identify and determine risk management options
- Establish action plans to manage risk
- Integrate risk management action plans into business planning



Phase 1: Identify business risks

- Identify relevant business risks
- Prioritise business risks

Phase 2: Identify sources

- Identify drivers of critical business risks
- Define critical risks key drivers
- Identify underlying causes
- Define key triggers

Phase 3: Measure triggers

- Determine trigger indicators
- Select risk indicators
- Measure current value of indicators and set target value

Framework is based on the 'Standard for Risk Management', from the Sonae Risk Management Consulting Group (2008)

5.5 Risk management (continuation)

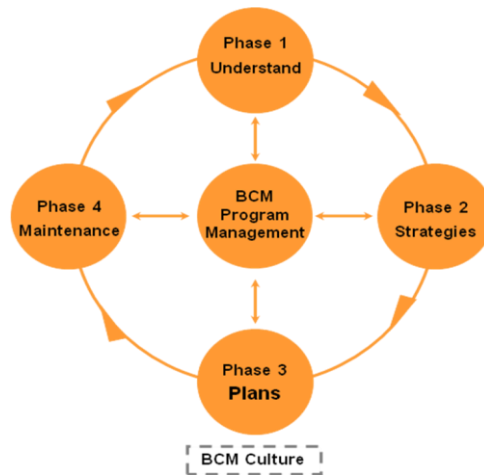
Approach to Business Continuity Management (BCM)

Phase 4: Maintain, Test and Audit BCM

- Maintain plans up-to-date
- Plan testing and simulating
- BCM processes auditing

Entrench BCM CULTURE in the organisation

- Training and communication to employees
- Implementation of BCM culture
- Monitor change



Framework is based on the 'Good Practice Guidelines', from BCI - Business Continuity Institute (2005/2008)

Phase 1: Business understanding

- Business impact analysis
- Risk assessment
- BCM focus

Phase 2: Definition of BCM strategies

- Identification of recovery strategies
- Definition of measures to manage risks
- Analysis of advantages/ disadvantages for each strategy

Phase 3: Development and implementation of BCM plans

- Corporate Crisis Management Plan
- Business Continuity Plans
- Development and implementation of continuity solutions

Risk management organisation

The Company's risk management activities are supported by the Internal Audit and Risk Management teams. Their mission is to contribute to the effective management of Sonaecom business risks:

- Internal Audit evaluates the risk exposure of Sonaecom's business processes, information and telecommunication systems. It proposes measures to improve controls and monitors the evolution of risk exposure associated to the main audit findings.
- Risk Management contributes with tools, methodology, support and know-how to the business units. It also promotes and monitors the implementation of programmes and actions aimed at bringing risk levels to the acceptable boundaries established by management.

In accordance with international best practices, there are 12 certifications in Audit standards and in Risk Management programmes. These include the Certified Internal Auditor (CIA), Certified Information System Auditor (CISA), Certified Information System Security Professional (CISSP), Certification in Control Self Assessment (CCSA), Associated Business Continuity Professional (ABCP), Certified by Business Continuity Institute (CBCI), Certified Continuity Manager (CCM) and Project Management Professional (PMP).

In relation to risk management responsibilities in the organisation, the functional departments of Sonaecom's business units are, as part of their responsibility over the functional processes, responsible for managing and controlling their specific risks.

The Planning and Control department promotes and supports the integration of risk management in the planning and management control processes of Sonaecom Group companies.

In addition, for the implementation of certain risk management programmes, a specific risk management organisation can be set up, comprising an executive sponsor, a committee of business unit managers and a group of business unit gatekeepers.

Periodic reporting

Sonaecom' Board of Directors has assigned to the Board Audit and Finance Committee (BAFC) the responsibility, on behalf of the Board, for evaluating the risks associated with the Company's activities, supervising the Internal Audit team and the activities of the Statutory External Auditor, among other risk management activities (see also section 5.1.3).

5.5 Risk management (continuation)

The Internal Audit and Risk Management team report quarterly to the BAFC, presenting a summary of all relevant corporate risks findings. In addition, a follow-up procedure aimed at monitoring the effective adoption of corrective measures is carried out on a semi-annual basis.

There are also quarterly reports delivered to the relevant entities of the Sonae Group. As part of these procedures, the audit activities are reported to Sonae's Board Audit and Finance Committee. The risk management and control activities and results are shared with Sonae's Risk Management Consulting Group, allowing for transfer of knowledge and sharing of best practices.

Key actions undertaken during 2009

Sonaecom corporate risks

During 2009, in relation to Sonaecom's corporate risks, a particular focus was placed on the telecommunications business unit. The status of its main risks was updated, through a high-level review of the most relevant risk drivers and of the actions carried out to manage those risks.

Economic risks

Business Continuity Management

Sonaecom further developed its Business Continuity Management processes, through the implementation of several actions, including:

- Development of additional resilience strategies for several platforms of the telecommunications' network, designed to take advantage of the resilience capabilities of each technology (*telco grade*);
- Planning for the update of the existing IT/IS disaster recovery solution, envisaging geographic high-availability for critical applications;
- Implementation of redundant logical accesses to the corporate network (VPN), in relation to the information systems that support the outsourced customer care activities, carried out in external locations;
- Implementation of specific actions to improve the resilience of the telecommunications and data centre services provided to critical Corporate customers, including tests and simulations of business interruptions, enhancements in the customer support model and crisis communication procedures;
- Completion of the plans to address the pandemic flu risks. This was the most significant part of the 2009 business continuity activities, involving all business units across the Group, with particular focus on the telecommunications and SSI areas. The objective was to minimise the health impact on employees and on their relatives, and in order to guarantee business continuity, ensuring the delivery of critical services. These activities were supported by a coherent and structured communication plan aimed at the different stakeholders and coordinated with the governmental entities;
- Initiation of several Health & Safety measures regarding employees' protection, such as travelling procedures, reinforcement of cleaning measures, employee preventive behaviour guidelines and a vaccination campaign for pandemic influenza A (H1N1), aimed at critical functions, in coordination with instructions of the public health authorities;
- Implementation of actions to ensure business continuity during a pandemic flu scenario, such as strengthening the capacity of the network to cope with possible traffic increases, expanding existing remote access solutions to enable all critical employees to work from home, in case of need, and eliminating Single Points of Failure (SPF) in critical functions through the development of resilience and contingency procedures;
- Review the crisis management organisational charts for all telecommunication and SSI areas;
- Update the status of recommendations from previous audits to physical security risks associated with critical facilities;
- Promotion of the coordination with external official entities for catastrophic scenarios, security of critical infrastructures and crisis communication. Benchmarking for best practices in business continuity management with other private entities, including other telecom companies.

Customer information and security

During 2009, our efforts in terms of telecommunications services security were concentrated in the implementation of the following actions:

- Identification, analysis and prevention of six mobile *malware* and malicious applications threats, to protect the Company and customers from eventual attacks;

5.5 Risk management (continuation)

- Creation of the Information Center for Security Risks (ICSR), a reference database containing information about the best security practices when using telecoms services and about security alerts on mobile *malware* threats;
- Entry into the GSMA SAS (Security Accreditation Scheme), which assures a security certification, by the GSMA, of all Optimus' mobile SIM card producers. This certification ensures that these producers meet all requirements for the prevention of security breaches or fraud vulnerabilities during the production and distribution of Optimus SIM cards;
- Update of customer information on the Optimus Clix website, with the objective of creating security user awareness for common security risks and recommending the security solutions provided by Optimus, in partnership with Panda and McAfee;
- Development of the e-Privacy project to mitigate and protect the access to sensitive customer information at the business operational support systems;
- Participation at the GSM MoU Association Security Group, in order to study best practices and to propose cost-effective technical security measures to avoid telecommunications fraud and to prevent security breaches at the level of the service support platforms and network.

Telecommunications Revenue Assurance

Throughout 2009, supported by the 'RAID' system (a leading application developed by WeDo Technologies), our telecommunications businesses have continued to improve Revenue Assurance and monitoring, with the following key objectives:

- Detect any register loss between customer handset usage and invoicing;
- Mitigate losses in the quality of service or deterioration caused by integrity breaches;
- Prevent revenue loss arising from the implementation of new products and services.

This platform is already prepared to include our fixed-mobile convergent offers.

Revenue Assurance and monitoring processes have started to broaden their scope to *cost assurance* activities, including items such as the efficient allocation of resources in the network. This trend is expected to be continued throughout 2010.

Telecommunications Fraud Management

During 2009, in the area of telecommunications Fraud Management, we have concentrated our efforts on the development and implementation of the following actions:

- Redefinition of a strategic approach to Fraud Management by helping WeDo Technologies in the further development of its Fraud Management System (RAID FMS) into a state-of-the-art solution;
- Focus on the mitigation and control of fraud at Sonaecom business processes and services, with special emphasis and positive results on the management of IRSF (International Revenue Share Fraud), namely on the areas of fraudulent acquisition of services and interconnect *bypass* fraud;
- Improvement of fraud monitoring and detection in roaming services, through the implementation of Near Real Time Roaming Data Exchange (NRTRDE) and the progressive inclusion of NRT provisions in the roaming agreements signed with telecommunication partners around the world;
- Active participation at the GSM MoU Association Fraud Forum, in order to share experiences, study the common fraud types committed against telecommunications companies and foster the worldwide coordination of mitigation and detection actions against those crimes.

Other risk management cycles or processes

At Sonaecom, other specific risk management processes are also being addressed, including the following:

- The Information Security Policy was again reassessed, in coordination with the other Sonae Group companies;
- The Risk Transfer Policy (Insurance Policy) was reanalysed, in coordination with the other Sonae Group companies. Sonaecom started to review the matching between insurances and risks coverages and to implement some improvements in the insurance operational processes, which are expected to be continued throughout 2010.

5.5 Risk management (continuation)

Financial risks

Sonaecom's attitude towards financial risks management is conservative and prudent, and those principles were followed during 2009. The Sonaecom Group operations are exposed to some financial risks, related to financial markets, including exchange rate risk, interest rate risk, liquidity risk and credit risk.

These risks are controlled and managed by the Financial and Accounting department and by the Corporate Finance department. Financial risks exposure is also supervised by the Board Audit and Finance Committee (see section 5.1.3 – b).

The controls implemented in the process of financial reporting are based on best practices that include segregation of duties, authorisation of transactions, records retention, supervision and monitoring of operations, controls over information and several review levels (internal and external). During 2009, financial risks were managed in accordance with the description included in the notes to Sonaecom's Consolidated Financial Statements (namely in section 6.2).

Legal risks

In relation to legal risks, the most relevant issues are associated with regulation of the telecommunications business unit. This business is subject to specific rules, mainly those defined by the sector's National Regulatory Authority (ANACOM).

The decisions of ANACOM may have a great impact on the development of Sonaecom's activities, including those relating to: mobile termination rates, conditions of wholesale offers (namely, local loop unbundling or access to ducts) and universal service financing. There are also other issues that may affect the Company's activity, which are directly decided by the Portuguese Government (with the assistance of ANACOM), including, for example, the designation of the universal service provider, the definition of regulatory fees (spectrum, numbering, regulatory activity) to be imposed on the communications' providers and the legal rules applicable to the sharing of fibre networks.

Sonaecom has a dedicated team to monitor these risk drivers, as well as to assure the fulfilment of the legal and regulatory framework currently in place. Despite these efforts, we cannot completely exclude the possibility of infringement processes against Sonaecom due to different views over the practical meaning of the legal and regulatory framework. Sonaecom also collaborates with the authorities aiming at the definition of a legal and regulatory framework that, according to our view, promotes the development of the communications sector in Portugal. Such collaboration may be proactive or made via our comments to the public consultations launched by ANACOM.

Whistle-blowing policy

Sonaecom has a policy and process for communicating internal irregularities which sets out procedures to efficiently and fairly respond to alleged irregularities reported, including:

- (i) Anyone wishing to communicate any irregularity believed or known to have been committed by any of Sonaecom's Officers or members of staff, must address a letter or an e-mail containing a summary description of the facts to the Ethics Committee. The identity of the whistle-blower will be kept anonymous if explicitly requested;
- (ii) The letter will be analysed by the Ethics Committee and if the Committee finds grounds for the reported irregularity, measures will be taken, as deemed appropriate.

It is the responsibility of Sonaecom's Ethics Committee to review and evaluate the efficiency with which the policy and process for communicating irregularities operate.

5.6 Other information

Share capital structure

Sonaecom's share capital is divided into three hundred and sixty six million, two hundred and forty six thousand and eight hundred and sixty eight ordinary, registered and book-entry shares with a nominal unit value of one Euro. There are no special share categories.

Qualified shareholdings

In accordance with the Portuguese Securities Code, shareholdings amounting to or exceeding the thresholds of 2%, 5%, 10%, 15%, 20%, 25%, 33.33%, 50%, 66.66% and 90% of the total share capital must be reported to the Portuguese Securities Market Commission and disclosed to the capital market. Reporting is also required if the shareholdings fall below the same percentages.

Sonaecom qualified holdings

	Number shares held	% Shareholding as at 31 December 2009
Shareholder		
Sonae SGPS	194,714,119	53.17%
France Télécom	73,249,374	20.00%
BCP S.A.	12,500,998	3.41%
Santander Asset Management	7,408,788	2.02%

Sonaecom's largest Shareholders continue to be Sonae SGPS, a Portuguese multinational Group also with interests in retail, shopping centres and insurance, with a shareholding position of just over 53%, and France Télécom, one of the largest telecom operators in the world, with a 20% stake in Sonaecom.

The free float, as at 31 December 2009 (% of shares not held or controlled by Shareholders with qualified holdings and excluding own shares) stood at approximately 19.4%.

During 2009, there were no changes to the number of shares issued by Sonaecom.

Shareholders holding special rights

There are no Shareholders with special rights.

Restrictions on the transfer and ownership of shares

There are no restrictions on the transfer and ownership of shares.

Shareholders' agreements known to the Company

Sonaecom is not aware of any Shareholders' agreements which contain restrictions on the transfer of shares or voting rights in the Company.

Rules applicable to the amendment of Company's Articles of Association

Changes to the Company's Articles of Association require approval at a Shareholders' General Meeting, which decides, in accordance with the applicable law, by a majority of two-thirds of the votes cast.

Control mechanisms for employees participating in the share capital

There are no systems in place concerning the attribution of shares of the Company to its employees that result in the respective employees not being able to freely exercise their voting rights.

Share price performance

Sonaecom's shares ended 2009 with a market price of 1.932 euros per share, 92.2% above the closing price of 1.005 euros per share at 31 December 2008. The share price reached a maximum of 2.115 euros per share on 25 May 2009 and a minimum of 1.001 euros on 2 January 2009.

At the end of 2009, Sonaecom's market capitalisation was approximately 708 million euros. The average daily trading volume reached 451 thousand shares, a decrease of 25%, when compared to 2008. The total number of Sonaecom shares traded during 2009 exceeded 113 million shares, more than 30% of the total share capital of the Company.

During 2009, Sonaecom's share price evolution and liquidity were mainly influenced by the following news:

- 8 March 2009: release of the full year 2008 consolidated results;
- 27 March 2009: information on Orange S.A. 20% indirect qualifying holding participation;

5.6 Other information (continuation)

- 17 April 2009: information on the decisions approved at the Shareholders' Annual General Meeting held on that same day;
- 4 May 2009: release of the first quarter 2009 consolidated results;
- 31 July 2009: release of the second quarter 2009 consolidated results;
- 20 October 2009: information on EDP's 7.37% qualifying holding alienation;
- 23 October 2009: information on BCP's 3.41% qualifying holding participation;
- 2 November 2009: release of the third quarter 2009 consolidated results;
- 10 December 2009: announcement of the new organisation model proposed by the Executive Committee and approved by the Board of Directors; and
- 21 December 2009: announcement of an agreement with Vodafone Portugal, regarding mutual cooperation in the construction, management, maintenance and operation of a fibre optic next generation network (NGN).

Dividend distribution policy

At the Shareholders' Annual General Meeting, held on 17 April 2009, Sonaecom's Shareholders approved the proposal from the Board of Directors to apply net results to retained earnings, with no dividend distribution, reflecting Sonaecom's strategy and the business opportunities available.

Proposals to distribute dividends (as for every proposal for the appropriation of net results) are made by the Board of Directors, subject to compliance with Portuguese Company Law and the Company's Articles of Association, and the decision on any such proposals are taken by the Annual General Meeting as described below.

The Board of Directors prepares proposals relating to dividend distribution based on, among other considerations, business and investment opportunities and their corresponding profitability, the financing requirements of the Company and Shareholders' expectations.

There are no articles in the Company's Articles of Association that in any way limit dividend distribution or the proposals from the Board of Directors. Article 33 thereof provides that "The net results shown in the annual financial statements, after deduction of the amounts legally required to create or to add to the legal reserve, will be applied as determined by the Shareholders' General Meeting, which can distribute them totally or partially or transfer them to reserves".

The Company has not distributed any dividends in the last three financial years.

Relevant transactions with related parties

The relevant transactions with related parties are described in paragraph 21 of the Notes to the Individual Financial Statements. There were no other material non-operational transactions during 2009 with related parties (including Sonaecom Officers and Governing Bodies, such as members of the Board of Directors and the Statutory External Auditor, owners of qualified shareholdings or with controlling or Group companies), apart from the Strategic Partnership agreement with France Telecom entered into on 9 June 2005 and renewed on 24 October 2008.

Reports of the Statutory Audit Board

The annual report of the Statutory Audit Board is disclosed on Sonaecom's website.

Investor Relations

The Investor Relations department is responsible for managing Sonaecom's relationship with the financial community – current and potential investors, analysts and market authorities – with the goal of enhancing their knowledge and understanding of Sonaecom's businesses and activities, by providing relevant, timely and reliable information.

The department regularly prepares presentations and communications covering quarterly, half-year and annual results, as well as issuing announcements to the market whenever necessary, to disclose or clarify any relevant event that could influence Sonaecom's share price.

To further enhance the effective communication with the capital market and guarantee the quality of information provided, the Investor Relations department organises road-shows covering the most important financial centres of Europe and participates in various conferences. Also, a wide variety of investors and analysts have the opportunity to talk to management in one-on-one meetings or conference calls.

5.6 Other information (continuation)

Any interested party may contact the Investor Relations department using the following contact details:

Carlos Alberto Silva

Investor Relations Manager

Tel: (+351) 93 100 2444

Fax: (+351) 93 100 2229

Email: carlos.alberto.silva@sonae.com / investor.relations@sonae.com

Address: Rua Henrique Pousão, 432 – 7º Piso, 4460-191 Senhora da Hora, Portugal

Website: www.sonae.com

During 2009, the Investor Relations department participated in 36 one-on-one and group meetings, three roadshows and two investor and telecommunications conferences, providing analysts and investors with information on Sonaecom's performance and future prospects.

The representative for relations with capital markets and the Portuguese Securities Market Commission is António Lobo Xavier who can be contacted by phone or e-mail:

Tel: (+351) 93 100 2232

Fax: (+351) 93 100 2229

E-mail: antonio.xavier@sonae.com / investor.relations@sonae.com

Address: Rua Henrique Pousão, 432 – 7º Piso, 4460-191 Senhora da Hora, Portugal

Fees of the Statutory External Auditor

During 2009, Sonaecom Group paid the following fees to the Statutory External Auditor Deloitte and their network of companies:

	2009		2008	
Audit	218,736	79%	276,148	90%
Tax Consultancy Services	58,301	21%	31,301	10%
Other Compliance & Assurance Services	–	–	–	–
Other Services	–	–	–	–
Total	277,037	100%	307,449	100%

Sonaecom's Risk Management Policy, which is supervised by the BAFC in liaison with the Statutory Audit Board, monitors the non-audit services requested from the Statutory External Auditor and their respective network of companies, in order to ensure that auditor independence is not compromised. Annual fees paid by Sonaecom Group to the Deloitte Group represented less than 1% of their total global fees in Portugal. Additionally, an Independence Letter is obtained each year from Deloitte confirming that they meet international guidelines on auditor independence.

5.7 Articles 447, 448 and qualified shareholdings

Please refer to 4.4 under the 'Our management' section.

Appendix

1.1 Qualifications and professional experience of the members of the Board of Directors

Please refer to 4.1 under the 'Our management' section

1.2. Shares held by the members of the Board of Directors and respective transactions during 2009

Please refer to 4.3 under the 'Our management' section

1.3. Offices held by the members of the Board of Directors

Please refer to 4.2 under the 'Our management' section

1.4. Qualifications, professional experience and shares held by the members of the Statutory Audit Board

Arlindo Dias Duarte Silva

Academic qualifications: Degree in Economics from Porto University.

Professional experience: Member of the Institute of Statutory Auditors, Statutory External Auditor and member of several Statutory Audit Boards.

Number of Sonaecom shares held: does not hold any shares.

Armando Luís Vieira de Magalhães

Academic qualifications: Degree in Economics from Porto University. Executive MBA – European Management, from IESF/IFG.

Professional experience: Statutory Auditor in various Portuguese companies.

Number of Sonaecom shares held: does not hold any shares.

Óscar José Alçada da Quinta

Academic qualifications: Degree in Economics from Porto University.

Professional experience: Member of the Institute of Statutory Auditors, Partner of Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC and member of several Statutory Audit Boards.

Number of Sonaecom shares held: does not hold any shares.

Jorge Manuel Felizes Morgado

Academic qualifications: Degree in Economics from Porto University.

Professional experience: Statutory Auditor and Member of the Statutory Audit Board in various Portuguese companies.

Number of Sonaecom shares held: does not hold any shares.

5.7 Articles 447, 448 and qualified shareholdings (continuation)

1.5. Offices held by the members of the Statutory Audit Board

Arlindo Dias Duarte Silva

Offices held in companies in which Sonaecom is a Shareholder:

Does not hold any office in a company in which Sonaecom is a Shareholder.

Other offices held:

DMJB – Consultadoria de Gestão, S.A.

(Statutory External Auditor)

Loisir – Equipamentos de Diversão e Ocupação de Tempos Livres, S.A.

(Statutory External Auditor)

Orbirio – Imobiliário e Empreendimentos Turísticos, S.A.

(Statutory External Auditor)

Rochinvest – Investimentos Imobiliários e Turísticos, S.A.

(Member of the Statutory Audit Board)

Sintigraf II – Tintas Gráficas, S.A.

(Statutory External Auditor)

Sonae SGPS, S.A.

(Member of the Statutory Audit Board)

Sonae Distribuição SGPS, S.A.

(Member of the Statutory Audit Board)

Offices in non-profitable institutions:

ALADI – Associação Lavrense de Apoio ao Diminuído Intelectual

(Member of the Statutory Audit Board)

Centro Social e Paroquial Padre Ângelo Ferreira Pinto

(Member of the Statutory Audit Board)

Associação de Apoio Social de Perafita

(Member of the Statutory Audit Board)

Associação Cultural do Senhor do Padrão

(Member of the Statutory Audit Board)

Liga dos Amigos do Hospital Pedro Hispano

(Member of the Statutory Audit Board)

Armando Luís Vieira de Magalhães

Offices held in companies in which Sonaecom is a Shareholder:

Does not hold any office in a company in which Sonaecom is a Shareholder.

Other offices held:

Fundação Eça de Queirós

(Statutory Audit Board)

Futebol Clube do Porto – Futebol, S.A.D.

(Statutory Audit Board)

Sonae Capital, SGPS, S.A.

(Statutory Audit Board)

Sonae Indústria, SGPS, S.A.

(Statutory Audit Board)

Óscar José Alçada da Quinta

Offices held in companies in which Sonaecom is a Shareholder:

Does not hold any office in a company in which Sonaecom is a Shareholder.

5.7 Articles 447, 448 and qualified shareholdings (continuation)

Other offices held:

BA GLASS I – Serviços de Gestão e Investimentos, S.A.

(Statutory Audit Board)

Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC

(Member of the Board of Directors)

Sonae Distribuição, SGPS, S.A.

(Statutory Audit Board)

Sonae Indústria, SGPS, S.A.

(Statutory Audit Board)

Jorge Manuel Felizes Morgado

Offices held in companies in which Sonaecom is a Shareholder:

Does not hold any office in a company in which Sonaecom is a Shareholder.

Other offices held:

Sonae Capital, SGPS, S.A.

(Statutory Audit Board)

Sonae Indústria, SGPS; S.A.

(Statutory Audit Board)

Sonae SGPS, S.A.

(Statutory Audit Board)

Sonae Sierra, S.A.

(Statutory Audit Board)