

**SOCIAL RESPONSIBILITY CODE OF CONDUCT BETWEEN THE PORTUGAL
TELECOM GROUP (GRUPO PORTUGAL TELECOM), UNI (UNION NETWORK
INTERNATIONAL), SINTTAV, STPT AND SINDETELCO**

PREAMBLE

This agreement materializes the objectives of the conversations between the parties that took place in São Paulo, Brazil, on the 13th and 14th July 2004, during which the parties accepted, among other initiatives, to negotiate a Social Responsibility Code of Conduct, hereinafter referred to as the Code of Conduct, which enshrines trade union, social and labour rights within the Portugal Telecom Group, at both national and international level.

To give effect to this commitment, Portugal Telecom Group, UNI, SINTTAV, STPT and SINDETELCO, have agreed on a Code of Conduct based on the following principles:

THE PARTIES' COMMON RECOGNITION OF FUNDAMENTAL HUMAN RIGHTS IN THE COMMUNITY AND IN THE WORKPLACES

- 1. The Portugal Telecom Group, UNI, SINTTAV, STPT and SINDETELCO state their support to the fundamental rights in the community, namely:*

Freedom of Employment. The parties shall respect the creation of free employment as set out in the international norms (International Labour Organization - ILO Conventions nos. 29 and 105);

Non discrimination. Absence of discrimination in employment shall be maintained so that all workers may enjoy equality of opportunities and treatment, regardless of race,

colour, sex, religion, political opinion, national extraction or social origin or other distinctive characteristics (ILO Conventions nos. 100 and 111);

Child labour prohibition. There shall be no recourse to child labour. Only workers over 15 years will be admitted, with the guarantee that the age of completion of compulsory schooling in the respective countries shall always be complied with (ILO Convention no. 138);

Young workers under 18 shall not carry out work which, by its nature or the circumstances in which it is carried out, is likely to harm their health, safety or morals (ILO Convention no. 182).

2. The Portugal Telecom Group, UNI, SINTTAV, STPT and SINDETELCO state their support and respect for fundamental human rights at the place of work.

The PT Group companies undertake the obligation to comply with the ILO conventions on freedom of organisation and the protection of the right to organise, acknowledge the rights of the employees to join trade unions and the rights of these to represent and negotiate in the name of the workers, and accept to comply with the minimum standards for remuneration and working conditions.

The right of association and the right to collective bargaining shall be respected:

All the workers shall have the right to establish and to join organizations (ILO Convention no. 87);

The trade unions, members of UNI, which represent the workers of the Portugal Telecom Group, shall have the right to represent the workers in:

- a) Collective Bargaining (ILO Convention no. 98), during which the parties hereto accept the obligation to negotiate in good faith, accepting the need to engage in the search for better practices that may ensure the development and feasibility of the

respective companies, which is the highest exponent of the guarantee of stable employment for the workers;

- b) Interventions in any procedures viewing the resolution of conflicts;
- c) The negotiation of matters related to work and vocational training;

The Group shall also respect workers' right to organise (ILO Convention no. 98).

Rights of workers' representatives

The PT Group guarantees that the workers' representatives shall not be discriminated based on their status or activities as workers' representatives and shall afford them access to the workplaces in order to enable them to carry out their functions (ILO Convention no. 135 and ILO Recommendation no. 143).

Decent minimum wages.

The workers shall receive wages, allowances and other benefits, at least equal to those established in the law or in national agreements for work in a commercial or industrial enterprise or for any other service in the branch of activity in which the work is carried out.

No worker shall receive a wage that is less favourable than the legal minimum, and the wage should always be sufficient for the worker and his family, taking into consideration their basic needs (ILO Conventions nos. 94, 95 and 131).

No deductions shall be made to the worker's salary without his authorization, except those permitted by the national law or collective agreements.

Hours of work.

The hours of work shall comply with the minimum requirements consecrated in the national legislation or national agreements and/or sector standards (ILO Conventions no. 1 and 47 and ILO Recommendation no. 116).

Overtime shall be provided on a voluntary basis, whenever possible, and it shall not be required as a standard, nor can it constitute a way of replacing insufficient regular wages, and it shall always be remunerated according to the national law and to collective agreements.

Vocational training and reskilling.

The workers will be given the opportunity to participate in vocational training and/or reskilling programmes with a view to guarantee their good professional performance.

Employers' obligation with regard to employment.

The PT Group shall fulfil its obligations towards the workers in what concerns labour and social security laws and other labour regulations.

The parties hereto shall engage jointly in finding solutions that will enable to maintain permanent and stable employment.

COMMON ACKNOWLEDGEMENT OF THE PARTIES HERETO OF THE NEED TO CONTRIBUTE TO THE IMPROVEMENT OF WORKING CONDITIONS AT THE WORKPLACE AND IN THE COMMUNITY.

3. *The Portugal Telecom Group, UNI, SINTTAV, STPT, and SINDETELCO state their support and respect for the norms and principles applying to the environment, and to health and safety at work, as stated below:*

Ensuring that all workplaces are safe, clean and without risk of injury to the safety and health of workers (ILO Convention no. 155);

The promotion of best practices in terms of safety and health at the workplace, supplying adequate personal protective equipment and clothing when necessary so as to prevent the

risk of accidents or harm to the health of the workers.

These procedures must conform to the Conventions, Specifications and International Safe Conduct Standards (ILO Convention no 167).

Cooperation between the heads of departments, the workers and their representatives is essential to comply with the adopted measures and the legislation in force for the guarantee of health and safety at the workplaces.

The workers and their representatives shall receive appropriate information and training in safety and health at work .

Respect in general at the workplace.

The workers shall conform to basic sociability rules, avoiding any behaviours that may imply lack of deference or disrespect for others.

Those who have taken on the responsibility of coordinating or heading a group of workers must endeavour to distribute tasks equitably, both in quantitative as in qualitative terms.

Necessary steps shall be taken to ensure that the workplaces are free of threats of physical abuse, penalties or punishments, sexual harassment or any other form of abuse.

Due regard for the environment

The Portugal Telecom Group, UNI, SINTTAV, STPT and SINDETELCO share concerns over the impact on the environment of the activities developed by the Group, wherefore they undertake to carry out all efforts to ensure and guarantee the respect for environmental concerns.

ACKNOWLEDGMENT OF THE RIGHT TO COMMUNICATE ON LINE

The ILO Convention and Recommendations on this issue acknowledge the fact that the traditional forms of communication used by the trade unions in workplaces provided with electronic means may not be the most adequate at present times and acknowledge, at the

same time, that the workers' representatives should be able to cooperate and coordinate their work beyond the national frontiers.

Thus the workers have the right to use the company's electronic systems to communicate with their trade union or with their representatives. This right comprises the possibility of forwarding trade union information to the members by electronic means.

CONDITIONS FOR THE USE OF ELECTRONIC MEANS.

The workers' right to use the company's electronic means is subject to the following principles:

- a) The communication may not contain a libel or abusive statement;
- b) The company's electronic services shall not be used as means of sexual harassment or for the diffusion of offensive, remarks of a personal nature or remarks regarding the age, sexuality, race, handicap or looks, nor to visit sites that promote pornography, racism and intolerance.

SOCIAL RESPONSIBILITY AND TRANSPARENCY IN THE MANAGEMENT OF THE COMPANIES

The Management of the Portugal Telecom Group shall be based on a Code of good practices and on lines of action based on social responsibility and transparency concerning the various aspects of the business, deemed as necessary for maintaining the sustainability of the Group.

To this end, the Portugal Telecom Group agrees to maintain a management system involving cooperation and dialogue, based on open information policy and on the following

principles, which reflect ethical and responsible management maxims that have been globally assumed by the Group as a whole:

- a) Openness and a high degree of shared responsibility in terms of information with social partners, shareholders and clients;
- b) Respect for and commitment to the principles governing the protection of human rights, employment, social and environmental norms and the fight against corruption;
- c) Promotion of transparency and of principles and good practices throughout the whole chain of suppliers.

BROAD SCOPE

As the Portugal Telecom Group considers that the respect for the rights, laid down in this Agreement, constitutes an element of progress within industrial relations, third companies wishing to be awarded outsourcing contracts, jobs, works or any other type of service by the Portugal Telecom Group, will have to abide by the principles enshrined in this agreement.

IMPLEMENTATION OF THE AGREEMENT

The subscribers hereto will be in charge of administering and applying this Agreement.

In order to fulfil the objectives pursued in this Agreement, the Portugal Telecom Group, UNI, SINTTAV, STPT and SINDETELCO, shall start a dialogue consubstantiated in the following principles:

- a) The Management of the Portugal Telecom Group and the UNI, SINTTAV, STPT and

SINDETELCO delegations shall meet once every year;

b) If necessary, the annual meeting may be preceded by a preparatory meeting between the Portugal Telecom Group and the UNI, SINTTAV, STPT and SINDETELCO, Delegations for the purpose of establishing the agenda;

c) At the annual meeting, the Management shall provide general information regarding the activities carried out by the Portugal Telecom Group, as well as information on the future business prospects and their impact on the workers;

d) The information shall also include an assessment of the Group's policies, including prospects for employment development;

e) After the presentation of the issues referred in the previous numbers, sufficient time shall be allocated for the discussion and debate of ideas relating to the themes presented;

f) The Portugal Telecom Group, UNI, SINTTAV, STPT and SINDETELCO, have agreed to appoint an element who shall be in charge of preparing the meetings, including the distribution of the essential documentation.

The UNI, SINTTAV, STPT and SINDETELCO delegates, employed by a company of the Portugal Telecom Group, shall be considered as working for the company during the time required for above mentioned meetings and, as such, shall receive the wages they are entitled to.

Any disagreement in connection to the interpretation or application of this Agreement shall be examined jointly with the purpose of drafting adequate recommendations for settling the dispute.

The Portugal Telecom Group, UNI, SINTTAV, STPT and SINDETELCO shall make both written and oral information available on the implementation of this Agreement, in all the

Group's work places.

DURATION AND SCOPE

This agreement shall have a duration of two years and may be renewed for identical periods if none of the parties explicitly terminates the agreement with 3 month notice prior to the expiration of the agreement.

The scope of this agreement may be extended to all the trade unions members of UNI who represent the workers of the Portugal Telecom Group and who subscribe the agreement.

Signed in Lisbon on January 18th 2006.

Portugal Telecom Group

UNI

SINTTAV

STPT SINDETELCO