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ZON OPTIMUS, SGPS, S.A.

(Public Company)

Registered Offices: Rua Actor António Silva no. 9 – Campo Grande, parish of Lumiar,  
1600-404 Lisbon

Registration number before the Companies Registrar of Lisbon and  
taxpayer number 504 453 513

Share Capital: EUR 5,151,613.80

Annual General Meeting 23 April 2014

("ZON Optimus" or "Company")

## ITEM 5 OF THE AGENDA

*(To resolve on the Remuneration Committee statement on the remuneration policy for the members of the management and supervisory bodies)*

Whereas:

- A) Article 2 of Law 28/2009 of 19 June sets forth that the Remuneration Committee – as a remuneration committee of a company with shares admitted to trading on a regulated market located or functioning in Portugal – must submit a statement on the management and supervisory bodies' remuneration policy to the General Meeting's approval every year;
- B) The Recommendations of the Portuguese Securities Exchange Commission on the corporate governance of listed companies, as amended on 2013, in particular, regarding the remuneration policy of the management and supervisory bodies' members;
- C) The merger by incorporation of the so-called Optimus, SGPS, S.A. into the so-called ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A., concluded on 27 August 2013 and the convenience on implementing a new remuneration scheme enabling the convergence, standardization of treatment and incentive of all Company's collaborators;
- D) In line with the best practices on corporate governance and with the CMVM recommendations, on 2 October 2013, the Board of Directors has created an Appointments and Assessments Committee, as an internal committee of such body, responsible for, *inter alia*, ensuring a competent and independent assessment of the performance of the executive directors in the context of the global assessment of the Board of Directors' performance, as well as of the several specialised committees, and to review the proposals and remuneration

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policies and other remuneration of the executive directors and key managers, as presented by the Chairman of the Executive Committee, and the Chairman of the Executive Committee or of non-executive directors, as presented by the Chairman of the Board of Directors;

It is proposed that the General Meeting resolves to approve the following statement on the remuneration policies of the Company's management and supervisory bodies:

## **1. General principles on the Company's remuneration policy**

On the Annual General Meeting held on 24 April 2013, a statement of the Remuneration Committee on the Company's management and supervisory bodies' remuneration policy was approved, in compliance with article 2 of the Law no. 28/2009, 19 June, under the following general terms:

- Rewarding systems are a strategic part in the ability of an organisation to attract, keep and motivate the best professionals in the market;
- Good practices of remuneration systems regarding public companies advises models including different components: a fixed component that works as a "base" pay and a variable one that may be an annual bonus, profits sharing and/or the implementation of share plans;
- The components of the Company's compensation scheme for the executive members of the Management is in line with what is followed by other comparable companies according to the benchmarking regarding the market value of these components. The peer groups taken for comparison considered independent studies that promoted an assessment of: i) benchmark PSI 20 and PSI 10; ii) benchmark Telecom – Tier 1 and Tier 2; iii) benchmark – Virgin, Telenet and Liberty Global;
- The variable remuneration associated to the achievement of management goals involves the following components: an annual Bonus, profits Sharing and the Shares and Options Plan;
- The annual Bonus and the profits Sharing, which ensure the alignment with the results, aims at guaranteeing maximising the Company's long-term performance, as well;
- The Shares and Options Plan already approved at the General Meeting, aimed at guaranteeing the alignment of individual interests with the business interests and the interests of the Company's Shareholders, rewarding the achievement of goals, which suppose the creation of sustainable wealth;
- The non-executive members of the Board of Directors, as they are not responsible in putting the defined strategies into operation, are covered by a compensation system that does not include any variable remuneration components but rather an exclusive fixed component.

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Without prejudice to the adjustments to the Company's remuneration policy deemed necessary, in particular, by virtue of the merger mentioned in Recital C) above, the Remuneration Committee, to the extent of its functions, considers that the general principles under which the Company's remuneration policy has been governed in the last years shall be maintained, as it is deemed as adequate to the goals to be achieved, without prejudice of its review and of amendments to be introduced in such policy deemed necessary.

## **2. Executive members of the Board of Directors**

### **2.1. Situation in force during the financial year of 2013**

As occurred in the past, on 2013, the strategic relevance of the remuneration system was taken into consideration, in the scope of an organization to attract, retain and stimulate the best professionals in the market, as well as to ensure the alignment between the members of the Executive Committee's interests with the short, medium and long term corporate goals. For the success of such perspective, it was considered pivotal that such alignment should be implemented through clear goals and in line with the strategy outlined, by means of rigorous metrics for the assessment of the individual performance and naturally of the correct incentives in order to obtain a positive performance thus stimulating simultaneously ethical principles.

Achievement of ambitious goals, as in recent years, assumes ZON Optimus' ability to have executive members with the skills to carry out the defined strategy in the most efficient way. Apart from excellent professionals, the creation of value requires the right range of incentives for the size and complexity of the challenges.

As per the good corporate governance practices in remuneration matters, at the time when the resolution for the allocation is taken by the Remuneration Committee, the value of variable components (including the Shares and Stock Options Plans) is limited to a maximum amount with respect to the fixed remuneration.

With respect to the members of the Executive Committee, it shall be noted that the fixed remuneration, is still adequate taking into account the studies regularly requested from a specialized company, given the amounts involved, both on the domestic market and in foreign benchmark companies.

On 2013, the variable remuneration was determined on the basis of ZON Optimus' performance calculated through the pre-defined business indicators. Additionally, on 2013, the following points were taken into consideration: Revenue; EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization"); Operational Cash-Flow, Net Profit and RGUs ("Revenue Generating Unit").

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Notwithstanding the fact that the members of the ZON Optimus Executive Committee have performed their individual missions coherently, thus enabling the Company's good financial and operational results, the responsibilities of each members of the Executive Committee differently impact on the overall performance of ZON Optimus and, therefore, ground differences in the several components of the remuneration.

The component associated to the variable multi-year remuneration, based on share plans – approved at the General Meeting on 19 April 2010 – ensured, apart from the compliance with the annual objectives, a strict alignment with shareholder value and executive loyalty mechanisms, through the lapse of time associated to the vesting of the corresponding shares.

The General Meeting approved Regulations for two Plans to which the members of the Executive Committee were eligible, called "Senior Executive Plan" and "Standard Plan".

Following the merger mentioned in Recital C), the Company undertook the obligations arising from the compliance with the shares plans of such companies' collaborators, called "Optimus Plans" implying, as occurs in the plans above mentioned, the deferred delivery of the shares representing the ZON Optimus' share capital, although its acquisition being at a discount.

The allocation of shares under the Senior Executive Plan, which depends entirely on individual and Group performance, mainly aims at maximizing the creation of medium and long term-value, promoting the long term sustainable policies. This goal is achieved by allocating rights with a three-year vesting, whose effective delivery to the members of the Executive Committee is entirely dependent upon the achievement of positive results of the Company during the relevant period. By turn, although subject to the performance, the Standard Plan, which has a five-year vesting period, is more focused on retention.

The different variable remuneration components mentioned above have consolidated a (correct) policy to set goals with systems that properly reward the ability to carry out and achieve ambitious performance, without putting sustainability at risk.

It should be noted that the variable components of Executive Committee members' remuneration totally depend on measurable, pre-defined criteria that take into consideration all company growth and wealth created for the shareholders in a medium and long term perspective.

One should also note that the amount of the variable components of the remuneration (including the Shares and Options Plans) is limited to 1.5 times the amount of the fixed remuneration. This limit is a ceiling that has never been reached

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any year since adopting this remuneration system.

On 2013, the Remuneration Committee continued to adopt the entire spirit of the law and the 2013 CMVM Recommendations, as to the variable remuneration of the members of the Executive Committee and the corresponding dependence of payment of half of variable remuneration over three years of positive future performance of the Company, which assumes completion of the following additional condition:

The consolidated net worth in years n+1 or n+2 or n+3, depending on the year in question, excluding every year, any extraordinary movements after the end of year n, reduced by an amount equivalent to a 40% pay-out of net profit calculated using the consolidated accounts for each deferral period (regardless of the actual pay out), must be higher than that in business year n. Extraordinary movements in the period between year n and n+3 include liquidity from capital increases, purchase or sale of own shares, extraordinary dividends, annual pay-out other than 40% of the consolidated profit for the year or other movements that, while they affect the net worth, do not derive from the company's operating profit. The net worth in year n+1, n+2 and n+3 must be calculated using the accounting regulations applied in business year n, to ensure comparability.

Following the merger mentioned in Recital C), the Company undertook the obligations arising from the compliance with the shares plans of the collaborators of such companies, called "Optimus Plans", implying, as occurs in the plans above mentioned, the deferred delivery of shares representing the ZON Optimus share capital, although its acquisition being at a discount.

The Optimus Plans establish that their maturity depend on the global success of the company during a 3-year period, estimated in accordance with the objectives outlined by the Remuneration Committee for each 3 years period.

To sum up, on 2013, we have continued to believe that the current remuneration policy i) guarantees alignment with Company's strategy; ii) encourages medium and long-term strategies; iii) links individual and Company's performance to remuneration; iv) is aligned with the creation of shareholder value and ensuring executive loyalty, generically fits the key factors associated with the best practices in this matter, making this an effective value "lever".

An additional remark to stress out that the Remuneration Committee continually liaised with the ZON Optimus Board of Directors' Appointments and Assessments Committee regarding its decisions throughout the year, in compliance with CMVM good practices.

## **2.2. Situation proposed for the financial year of 2014**

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As above mentioned and to the extent of its competences, the Remuneration Committee considers that the general principles under which the Company's remuneration policy has been governed during the last years shall be maintained. As such, the Remuneration Committee considers that, to the extent applicable, the principles and goals of the remuneration policy mentioned in 2.1. above shall be maintained during the financial year of 2014.

Notwithstanding, the Remuneration Committee accepts that the remuneration policy shall be reviewed and re-adjusted to the new Company's situation after the merger. Thus, the Remuneration Committee considers that certain vectors shall be maintained, such as:

- Loyalty of collaborators of the several companies of the Group;
- Incentive to the creative and production capacity of the collaborators, thus fostering the company's results;
- Creation of favourable recruiting conditions of managers and of strategic value collaborators;
- Alignment of the collaborators' interests with the medium and long term interests of the Company and of its shareholders, rewarding their performance in accordance with the creation of value for the shareholders, reflected in shares performance on the stock exchange;
- Discouraging of the assumption of excessive risk, to the extent that it includes medium-term remuneration policies;
- Annual rewarding for the achievement of the individual goals outlined for that purpose.

### **3. Non-Executive Members of the Board of Directors**

The remuneration of the non-executive directors exclusively consists of a fixed component, which is line with the current recommendations on the matter, in particular the CMVM Recommendations.

The fixed remuneration policy is intended to be in line with the market practice, solely distinguishing the Chairman due to his involvement and additional responsibilities in the Company and its representation.

### **4. Members of the Fiscal Board**

The members of the Fiscal Board only receive a fixed remuneration and, thus, no variable remuneration is attributable to them. The remuneration of the members of the Fiscal Board is established in accordance with the usual levels of fees practiced in the market for the performance of functions as members of the Fiscal Board.

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## **5. Statutory Auditor**

The Statutory Auditor is remunerated in accordance with the contractual conditions established in accordance with the legal provisions, in line with the usual levels of fees practiced in the market for the performance of similar functions.

Lisbon, 27 March 2014

The Remuneration Committee