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## Reports

**Audit report, report and opinion  
of the audit committee and independent  
limited assurance report**

**Committed to Deliver**



KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.  
 Edifício FPM41 - Avenida Fontes Pereira de Melo, 41 – 15º  
 1069-006 Lisboa - Portugal  
 +351 210 110 000 | www.kpmg.pt

## STATUTORY AUDITORS' REPORT

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail.)

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### Opinion

We have audited the accompanying consolidated financial statements of **CTT – Correios de Portugal, S.A.** (the Group), which comprise the consolidated statement of financial position as at 31 December 2020 (showing a total of 2,894,902,626 euros and shareholders' equity of 150,275,094 euros, including a profit of 16,669,309 euros), and the consolidated income statement by nature, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of **CTT – Correios de Portugal, S.A.** as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section below. We are independent of the entities that comprise the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas' code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



### Employee benefits - health care responsibilities (271,158,314 euros)

Risk	Our response to identified risk
<p>The responsibilities with post-employment health benefits involve a significant degree of judgment in the definition of long term assumptions, namely the discount rate, the health costs growth rate and the mortality and disability tables, which might result in significant variances of the amounts booked in the financial statements as referred to in notes 2.21, 2.30 and 31.</p> <p>Additionally, the significant impact of COVID-19 on the access to healthcare in 2020, implied a greater degree of judgment in defining the health costs growth rate.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>▪ Evaluation of the design and implementation of key controls implemented by the Group related to the assumptions and estimates applied;</li> <li>▪ Evaluation of the reasonableness of assumptions and estimates used in the actuarial computation, namely the impact of the pandemic situation on the health costs growth rate and the methodology for the computation of the responsibility, with the involvement of our actuarial specialists;</li> <li>▪ Tests of detail over the information provided by management to the independent actuary for the computation of the responsibility;</li> <li>▪ Tests of detail over the beneficiaries withdrawn from the population in 2020; and</li> <li>▪ We assessed the adequacy of the respective disclosures in the financial statements, in accordance with the applicable accounting framework.</li> </ul>


**321 Crédito's Goodwill recoverability (60,678,648 euros)**

Risk	Our response to identified risk
<p>As of December 31, 2020, as referred in note 9, the Goodwill caption amounts to 70,201,828 euros, of which 60,678,648 euros is related with the acquisition of the subsidiary 321 Crédito – Instituição Financeira de Crédito, S.A. in May 2019.</p> <p>As referred in note 8 the Group acquired the 321 Crédito – Instituição Financeira de Crédito, S.A. in May 2019.</p> <p>The monitoring of the budget and business plan approved by the shareholder is relevant, particularly the impact of current market conditions resulting from the COVID-19 pandemic, particularly with regard to the production of new contracts and the credit portfolio decreased ratio, and any adjustments to the plan in the shareholder capital requirements and in the dividend distribution capacity.</p> <p>Considering the goodwill generated by the acquisition of 321 Crédito, the monitoring of its business plan and underlying assumptions is relevant in the audit process.</p> <p>The evolution of the economic environment, as well as the control and monitoring of the spread of COVID-19 and the respective effects may create greater pressure on the results of 321 Crédito - Instituição Financeira de Crédito, S.A.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>▪ Evaluation of the design and implementation of key controls performed by the Entity related to the Business Plan approval and related assumptions;</li> <li>▪ Analysis of the valuation methodology used, <i>Dividend Discount Model</i> (DDM), with the involvement of our valuation specialists;</li> <li>▪ Analysis of the computation of the recoverable amount and of the main assumptions of the impairment model, namely: i) the discount rate; ii) the perpetuity growth rate; iii) the Core Tier 1 requirements considered for the computation of profits available for distribution; iv) dividends distributed and capital increases, with the involvement of our valuation specialists;</li> <li>▪ Comparison of the financial projections with the budget plan approved;</li> <li>▪ Discuss with management the future expectations, namely in relation to credit concession, forms of financing and expected profitability;</li> <li>▪ Performance of sensitivity to the main assumptions applied; and</li> <li>▪ We assessed the adequacy of the respective disclosures in the financial statements, in accordance with the applicable accounting framework.</li> </ul>

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**Impairment for loans to customers – auto loans and leasing (14,939,283 euros)**

Risk	Our response to identified risk
<p>In 31 December 2020, according to note 19 of the Financial Statements, the caption Credit to banking clients – auto loans and leasing total 482,319,310 euros, with an related impairment amount of 14,939,283 euros.</p> <p>For the purpose of impairment calculation, the financial assets measured at amortized cost are classified into three categories (Stage 1, 2 or 3) taking into account the identification or not of a significant deterioration in credit risk, since their initial recognition or if these are assets with impairment. For the Group, determining this effect is a relevant process since it influences the associated Expected Credit Loss ('ECL') levels.</p> <p>The impairment is calculated based on the expected loss estimated by the Group, as disclosed in note 2.17 of the Financial Statements.</p> <p>In response to the economic crisis resulting from the COVID-19 pandemic situation, the Portuguese State and some sector associations (including ASFAC), implemented a credit moratoriums mechanism, which allowed customers (under certain conditions) to stop paying total or partial installments. According to Banco de Portugal and the European Banking Authority, the clients' adherence to the moratoriums does not qualify as a restructuring, for the purpose of classifying the contract into the three categories mentioned above.</p> <p>With the access to the moratorium, there is a possibility that the credit risk of those customers increases and that is not timely identified by the Group.</p> <p>The collective analysis is based on estimates and assumptions for determining the ECL taking into account (i) the historical information of losses in credit portfolios with similar risk</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>▪ Inquiries to Management about the process of identifying and determining impairment losses;</li> <li>▪ Evaluation of the design and implementation of controls and testing of controls operating effectiveness related to the impairment model;</li> <li>▪ Analysis of the alignment of accounting policies with IFRS 9;</li> <li>▪ Analysis of the classification process of financial assets based on their credit risk (Stage 1, 2 and 3);</li> <li>▪ Evaluation of the impairment model developed by the management, including the review of its main assumptions and forward-looking information considered in the estimation of the ECL, with the involvement of our valuation specialists;</li> <li>▪ For credits whose impairment losses are determined on a collective basis, test, with the support of our experts in this area, the underlying models. Additionally, testing the adequacy and accuracy of the significant assumptions used in the model;</li> <li>▪ For credits whose impairment losses are determined on an individual basis, analysis, for a sample of operations, of the information used by the Group to carry out the economic analysis of the client and assess the reasonableness of the defined impairment rate;</li> <li>▪ We assessed the adequacy of the respective disclosures in the financial statements, in accordance with the applicable accounting framework.</li> </ul>

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determined taking into account the category to which they are allocated; and (ii) the knowledge of the economic and credit environment and its influence on the level of historical and future losses ('forward looking'), the latter especially relevant considering the uncertain economic environment arising from COVID-19.

In the most relevant exposures of each credit segment and in contracts that meet certain qualitative characteristics, the amount of the impairment is determined using an individual analysis, which implies a value judgment in determining the best estimate of the cash flows of these operations.

The impairment assessment process is highly complex in its design and implementation and includes several estimates and judgments by the Group. This process considers factors such as the probability of default, risk ratings, the value of collateral associated with each transaction, recovery rates and estimates of both future cash flows and the time of receipt.

The use of alternative methodologies and other assumptions and estimates could result in different levels of recognized impairment losses, with the consequent impact on the Group's results.

The evolution of the economic environment, as well as the control and monitoring of the spread of COVID-19 and its effects may create greater pressure on the liquidity of economic agents with an impact on the future calculation of the impairment losses for the customer loan portfolio.

On this basis, in view of the uncertainty, complexity and judgment involved in calculating the estimate, credit to customers impairment was considered a relevant audit matter.




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**Housing loans Banco CTT (525,082,831 euros)**

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**Risk**

The Group started conceding housing loans in March 2017. This process was newly created by the Group, based on an IT workflow developed with an external partner.

Due to the objectives defined by the management, the weight of this area in the Group's operational activity and the context of economic uncertainty associated with COVID-19, we classify this area as a relevant audit matter.

**Our response to identified risk**

Our audit procedures included, among others, the following:

- Understanding the credit concession process, since the proposals reception until the final booking and associated disclosure, identifying the risks and related controls;
  - Analysis of the minutes of the Credit Committee, where the proposals with higher risk are discussed and the key guidelines for the credit concession process are defined;
  - Analysis of the integration of processes between the Group and the other partners, as well as between the operational and accounting systems;
  - Evaluation of the design and implementation of controls and testing of controls operating effectiveness related to the credit concession process;
  - Testing for a sample of the documentation that supports the initial credit analysis and the accounting record of the operations, including the respective deeds;
  - Testing of interest of the period and accrued interest;
  - We assessed the adequacy of the respective disclosures in the financial statements, in accordance with the applicable accounting framework.
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**Revenue recognition (672,854,025 euros)**

Risk	Our response to identified risk
<p>The Group operates in several business areas (Post, Express &amp; Parcels, Financial services and retail) and the revenue recognition accounting policies are different for each business area, as mentioned in notes 2.23, 4 and 39.</p> <p>The presumption present in the International Standards on Auditing of increased risk of fraud associated with revenue recognition was magnified by the impact of COVID-19, which significantly and differentially affected the revenue of the different business areas.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>▪ Evaluation of the design and implementation and test the operating effectiveness of key controls performed by the Group related to revenue recognition;</li> <li>▪ Tests of details to a selection of transactions with deferred revenue related to philately, prepaid and express mail;</li> <li>▪ Test of detail to a selection of credit notes issued in 2021;</li> <li>▪ Substantive analytical procedures and tests of details to a selection of transactions of postal services, parcels and financial postal services revenue and tests of a selection of journal entries in order to identify and test the risk of fraud and possible override of the implemented controls; and</li> <li>▪ We assessed the adequacy of the respective disclosures in the financial statements, in accordance with the applicable accounting framework.</li> </ul>

**Responsibilities of Management and the Supervisory Body for the Consolidated Financial Statements**

Management is responsible for:

- the preparation of consolidated financial statements that give a true and fair view of the Group's financial position, financial performance and the cash flows, in accordance with the International Financial Reporting Standards as adopted by the European Union;
- the preparation of the management report, the corporate governance report and the non-financial statement in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and,
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Group's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;



- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and the events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit, and significant audit findings including any significant deficiencies in internal control that we identify during our audit;
- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes their public disclosure; and,
- provide the supervisory body with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes the verification that the information contained in the consolidated management report is consistent with the financial statements, and the verification of the requirements as provided in numbers 4 and 5 of article 451 of the Portuguese Companies' Code regarding the corporate governance report, as well as the verification that the non-financial information was presented.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### On the Consolidated Management Report

Pursuant to article 451, nr. 3, al. (e) of the Portuguese Companies' Code, it is our opinion that the consolidated management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment of the Group, we have not identified any material misstatements.



### On the Corporate Governance Report

Pursuant to article 451, nr. 4, of the Portuguese Companies' Code, it is our opinion that the corporate governance report includes the information required to the Group to provide under article 245-A of the Securities Code, and we have not identified any material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of nr. 1 of that article.

### On the non-financial information

Pursuant to article 451, nr. 6, of the Portuguese Companies' Code, we inform that the Group has prepared a separate report where includes the non-financial information defined in article 508-B of the Portuguese Companies' Code, having that report being published with the management report.

### On the additional matters provided in article nr. 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were first appointed as auditors of the Group in the shareholders general assembly held on 5 May 2014 to complete the last year of the term of the three year period from 2012 to 2014. We were appointed at the shareholders' meeting on 18 April 2018 for the current term from 2018 to 2020;
- Management as confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism, and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the consolidated financial statements due to fraud;
- We confirm that the audit opinion we issue is consistent with the additional report that we prepared and delivered to the supervisory body of the Group on 15 March 2021;
- We declare that we have not provided any prohibited services as described in article 77, nr. 8 of the Ordem dos Revisores Oficiais de Contas statutes, and we have remained independent of the Group in conducting the audit; and
- We inform that, in addition to the audit, we provided the Entity with the following services permitted by applicable law and regulations:
  - Independent limited assurance report on the sustainability information included in the Integrated Report;
  - Report on the impairment of the loan portfolio under the terms of Instruction No. 5/2013 of Banco de Portugal;
  - Issuance of the opinion defined under the terms of paragraph b) of no. 5 of article 25 of Notice no. 5/2008 of Banco de Portugal, concerning the internal control system of the Group and its Subsidiaries;



- Technical support in the provision of services on the entity's internal control system in order to support the Opinion that the Audit Committee of Banco CTT and the Fiscal Councils of the subsidiaries must issue in the scope of the annual report on the internal control system, within the scope of paragraph a) of no. 5 of Article 25 of Banco de Portugal Notice no. 5/2008; and
- Technical support to the Fiscal Council of Payshop, in order to support its Opinion on the Internal Control System associated with BC/FT (Notice no. 2/2018).

16 March 2021

SIGNED ON THE ORIGINAL

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**KPMG & Associados -**  
**Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)**  
 represented by  
 Paulo Alexandre Martins Quintas Paixão (ROC nr. 1427)



KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.  
 Edifício FPM41 - Avenida Fontes Pereira de Melo, 41 – 15º  
 1069-006 Lisboa - Portugal  
 +351 210 110 000 | www.kpmg.pt

## STATUTORY AUDITORS' REPORT

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail.)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the accompanying financial statements of **CTT – Correios de Portugal, S.A.** (the Entity or CTT), which comprise the individual statement of financial position as at 31 December 2020 (showing a total of 1,053,283,402 euros and shareholders' equity of 150,003,105 euros, including a profit of 16,720,995 euros), the individual income statement, individual statement of comprehensive income, individual statement of changes in equity and individual cash flows statement for the year then ended, and the accompanying notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of **CTT – Correios de Portugal, S.A.** as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas' code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.




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**Investment in Banco CTT (211,728,793 euros)**


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Risk	Our response to identified risk
<p>As referred in note 1.2 the Banco CTT ("Bank") started its activity at the end of 2015, and in 2019 continued the strategy for investment with the acquisition of 321 Crédito – Instituição Financeira de Crédito, S.A. in May 2019, of increase of the number of branches and launch of new products.</p> <p>The monitoring of the budget and business plan approved by the shareholder is relevant to the audit strategy, particularly the impact of market conditions and the consequent adjustments to the plan in the shareholder capital requirements and in the dividend distribution capacity, and and, consequently, in the recoverability of Entity's investment in Banco CTT, as referred in notes 2.30 and 10.</p> <p>The evolution of the economic environment, as well as the control and monitoring of the spread of COVID-19 and the respective effects may create greater pressure on the results of Banco CTT and its investment in 321 Crédito - Instituição Financeira de Crédito, S.A.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>▪ Evaluation of the design and implementation of key controls implemented by the Entity related to the Business Plan approval and related assumptions;</li> <li>▪ Analysis of the valuation methodology used, <i>Dividend Discount Model</i> (DDM), with the involvement of our valuation specialists;</li> <li>▪ Analysis of the computation of the recoverable amount of Banco CTT and its investment in 321 Crédito – Instituição Financeira de Crédito, S.A and of the main assumptions of the impairment model, namely the discount rate (cost of equity), the perpetuity growth rate, the Core Tier 1 requirements considered for the computation of profits available for distribution, dividends distributed and capital increases, with the involvement of our valuation specialists;</li> <li>▪ Test the mathematical accuracy of the impairment model;</li> <li>▪ Comparison of the financial projections with the budget and plan approved and presented to the Banco de Portugal;</li> <li>▪ Discuss with management the future expectations, namely in relation to credit concession, forms of financing and expected profitability;</li> <li>▪ Performance of sensitivity analyses to the main assumptions; and</li> <li>▪ We assessed the adequacy of the respective disclosures in the financial statements, in accordance with the applicable accounting framework.</li> </ul>

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**Employee benefits - health care responsibilities (271,158,313 euros)**


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Risk	Our response to identified risk
<p>The responsibilities with post-employment health benefits involve a significant degree of judgment in the definition of long term assumptions, namely the discount rate, the health costs growth rate and the mortality and disability tables, which might result in significant variances of the amounts booked in the financial statements as referred to in notes 2.21, 2.30 and 31.</p> <p>Additionally, the significant impact of COVID-19 on the access to healthcare in 2020, implied a greater degree of judgment in defining the health costs growth rate.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>▪ Evaluation of the design and implementation of key controls performed by the Entity related to the assumptions and estimates applied;</li> <li>▪ Evaluation of the reasonableness of assumptions and estimates used in the actuarial computation, namely the impact of the pandemic situation on the health costs growth rate and the methodology for the computation of the responsibility, with the involvement of our actuarial specialists;</li> <li>▪ Tests of detail over the information provided by management to the independent actuary for the computation of the responsibility;</li> <li>▪ Tests of detail over the beneficiaries withdrawn from the population in 2020; and</li> <li>▪ We assessed the adequacy of the respective disclosures in the financial statements, in accordance with the applicable accounting framework.</li> </ul>





### Revenue recognition (468,833,332 euros)

Risk	Our response to identified risk
<p>The Entity operates in several business areas (Post, Financial services and retail) and the revenue recognition accounting policies are different for each business area, as mentioned in notes 2.23, 4 and 39.</p> <p>The presumption present in the International Standards on Auditing of increased risk of fraud associated with revenue recognition was magnified by the impact of COVID-19, which significantly and differentially affected the revenue of the different business areas.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>▪ Evaluation of the design and implementation and test the operating effectiveness of key controls performed by the Entity related to revenue recognition;</li> <li>▪ Tests of details to a selection of transactions with deferred revenue related to philately and prepaid;</li> <li>▪ Test of detail to a selection of credit notes issued in 2021;</li> <li>▪ Substantive analytical procedures and tests of details to a selection of transactions of postal services and financial postal services revenue and tests of a selection of journal entries in order to identify and test the risk of fraud and possible override of the implemented controls; and</li> <li>▪ We assessed the adequacy of the respective disclosures in the financial statements, in accordance with the applicable accounting framework.</li> </ul>

### Responsibilities of Management and the Supervisory Body for the Financial Statements

Management is responsible for:

- the preparation of financial statements that give a true and fair view of the Entity's financial position, financial performance and the cash flows, in accordance with the International Financial Reporting Standards as adopted by the European Union;
- the preparation of the management report, the corporate governance report and the non-financial statement in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and,

- assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Entity's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Entity's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and the events in a manner that achieves fair presentation;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit, and significant audit findings including any significant deficiencies in internal control that we identify during our audit;



- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes their public disclosure; and,
- provide the supervisory body with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements, and the verification of the requirements as provided in numbers 4 and 5 of article 451 of the Portuguese Companies' Code, regarding the corporate governance report, as well as the verification that the non-financial information was presented.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### On the Management Report

Pursuant to article 451, nr. 3, al. (e) of the Portuguese Companies' Code, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment of the Entity, we have not identified any material misstatements.

### On the Corporate Governance Report

Pursuant to article 451, nr. 4, of the Portuguese Companies' Code, it is our opinion that the corporate governance report includes the information required to the Entity to provide under article 245-A of the Securities Code, and we have not identified any material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of that article.

### On the non-financial information

Pursuant to article 451, nr. 6, of the Portuguese Companies' Code, we inform that the Entity has prepared a separate report where includes the non-financial information defined in article 66-B of the Portuguese Companies' Code, having that report being published with the management report.

### On the additional matters provided in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were first appointed as auditors of the Entity in the shareholders general assembly held on 5 May 2014 to complete the last year of the term of the three year period from 2012 to 2014. We were appointed at the shareholders' meeting on 18 April 2018 for the current term from 2018 to 2020;



- Management as confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism, and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the financial statements due to fraud;
- We confirm that the audit opinion we issue is consistent with the additional report that we prepared and delivered to the supervisory body of the Entity on 15 March 2021;
- We declare that we have not provided any prohibited services as described in article 77, nr. 8 of the Ordem dos Revisores Oficiais de Contas statutes, and we have remained independent of the Entity in conducting the audit;
- We inform that, in addition to the audit, we provided the Entity with the following services permitted by applicable law and regulations:
  - Independent limited assurance report on the sustainability information included in the Integrated Report.

16 March 2021

SIGNED ON THE ORIGINAL

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**KPMG & Associados -  
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)**  
represented by  
Paulo Alexandre Martins Quintas Paixão (ROC nr. 1427)



## AUDIT COMMITTEE

### Report and Opinion of the Audit Committee – 2020 Financial Year –

Pursuant to the provisions of article 423-F(1)(g) of the Portuguese Companies Code (“PCC”) and article 7(5) of the Internal Regulation of the Audit Committee (“CAUD” or “Committee”) of CTT-Correios de Portugal, S.A. (“CTT” or “Company”), CAUD is hereby:

- i. Submitting its report of the supervisory and oversight activities carried out during the 2020 financial year;
- ii. Giving its opinion on the management report, the corporate governance report, the non-financial information, the CTT consolidated and individual accounts and the proposal for the appropriation of results, presented by the Board of Directors (“BoD”) and included in the Integrated Report for the financial year ended on 31 December 2020; and
- iii. Disclose the declaration of conformity regarding the Integrated Report in accordance with article 245(1)(c) of the Portuguese Securities Code (“CVM”).

### Annual Activity Report of the Audit Committee

#### 1. Introduction

CTT adopts an Anglo-Saxon type of governance model, which includes the BoD, as the management body of the Company, CAUD and the Statutory Auditor as responsible for its supervision and oversight.

The Audit Committee elected at the Annual General Meeting (“AGM”) of 29 April 2020 for the 2020/2022 term of office is composed of the following non-executive Directors:

- Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia (Chair);
- Steven Duncan Wood (Member); and
- María del Carmen Gil Marín (Member).

Until 29 April 2020, CAUD was composed of the following non-executive Directors, elected for the 2017/2019 term of office:

- Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia (Chair);



## AUDIT COMMITTEE

- Nuno de Carvalho Fernandes Thomaz (Member); and
- Maria Belén Amatriain Corbi (Member).

According to the criteria set forth in Article 414(5) of the PCC, in section 18.1 of Annex I to CMVM Regulation no. 4/2013 on Corporate Governance, in recommendation III.4 of the 2018 Corporate Governance Code of the Portuguese Institute of Corporate Governance amended in 2020 (“2018 IPCG Code amended in 2020”) and in the Institutional Shareholder Services (ISS) Guidelines, the majority of CAUD members elected at the AGM held on 29 April 2020 is independent. In the previous term of office – 2017/2019 – all of the members of CAUD were independent.

In the current term of office and in the previous one, all three Directors who are/were members of CAUD meet/met the compatibility criteria for the performance of their duties, assessed in accordance with the definition provided in article 414-A by reference to article 423-B(3) of the PCC, as well as the composition requirements stipulated in article 3(2) of Law 148/2015 of 9 September (“Legal Framework for Audit Supervision”).

#### 2. Activities Carried Out

During the 2020 financial year, CAUD held twenty-one meetings (14 held by the Committee elected at the General Meeting of 29 April 2020) at which 100% of its members were present.

The meetings were attended, at the invitation of CAUD and when appropriate, by members of the Executive Committee, specifically the Chief Financial Officer, the Statutory Auditor, the Heads of Accounting & Taxes, Planning & Control, Audit & Quality, Legal Services & General Secretariat, People & Culture, Information Systems and Investor Relations, and the manager of the Compliance division, as well as the Chief Financial Officer of Banco CTT.

In order to ensure full compliance with the powers legally and statutorily attributed to it and contained in its regulations, the Committee carried out various activities and initiatives, with emphasis on those listed below in each of its main areas of intervention:

- **Monitor the functioning of the Company and ensure compliance with the law, the regulations and the articles of association**

The regular monitoring of the of the activity and business evolution of the Company and its subsidiaries, particularly the decisions of fundamental importance for CTT, namely regarding the definition of strategic lines, the future universal postal service concession agreement and



## AUDIT COMMITTEE

the impact of the COVID-19 pandemic on the Company, as well as monitoring the legal, statutory and regulatory framework applicable to it. This was carried out by this Committee specifically through: **(i)** The participation of its members in the Board of Directors' meetings; **(ii)** The contacts with the Executive Committee or its members; **(iii)** Contacts and meetings with Company Heads of Department and managers of the Company; **(iv)** Meetings with the Statutory Auditor of CTT, KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A. ("KPMG"); **(v)** Analysis of the documents distributed to support its work, and information on and clarifications to the questions raised by this analysis; and **(vi)** Assessment of the compliance of the Regulation of the Audit Committee, the Regulation on the Provision of Services by the Statutory Auditor, the Whistleblowing Procedures Regulation and the Regulation on the Appraisal and Control of Transactions with Related Parties and the Prevention of Situations of Conflict of Interests with the legislation force and the purposes they are meant for.

In the performance of its duties the Committee did not come across any constraints or limitations to its action.

- **Supervising the quality and integrity of the financial information in the statements of accounts**

Within the competences laid down in article 423-F(1)(c) to (f) of the PCC and in article 3(a) and (b) of the Legal Framework for Audit Supervision, particularly for the purpose of supervising the compliance with accounting policies, criteria and practices, and reliability of the financial information, the following main actions were carried out: **(i)** Regular monitoring of the preparation and disclosure of the financial information, as well as assessment of the accounting principles and standards and respective amendments, including the supervision of their compliance, of the estimates and judgements, the proceedings and the valuation criteria used, in order to ensure their consistent enforcement throughout each financial year; **(ii)** Assessment of compliance with the annual budget; **(iii)** Analysis of CTT's individual and consolidated quarterly and half-yearly financial statements; **(iv)** Analysis of the Annual Reports of CTT subsidiary companies; and **(v)** Assessment of the half-yearly and annual Integrated Reports of CTT and opinion on same as well as on the proposal for the appropriation of results.



## AUDIT COMMITTEE

- **Overseeing the internal control system, including internal audit, compliance and risk management of the activity**

In the scope of the oversight of the effectiveness of the internal control system in their components of risk management, compliance and internal audit, as well as within the assessment of their functioning and corresponding procedures, the following aspects should be noted: **(i)** Follow-up of the work of the Audit & Quality Department related to internal audit and compliance issues, and of the compliance with its Activity Plan; **(ii)** Monitoring of the risk policy and governance model; **(iii)** Appraisal of the CTT internal control systems for the prevention and combat of money laundering and terrorist financing, and cybersecurity in financial information systems; **(iv)** Follow-up of the main litigation underway related to workers and third parties; **(v)** Prior assessment of a transaction with a related party, which deserved the favourable opinion of this Committee given the adequate reasoning presented, and subsequent assessment of other transactions with related parties submitted to it in accordance with the provisions of the corresponding regulation; and **(vi)** Appraisal claims received, none of which was considered as an irregularity covered by the Whistleblowing Procedures Regulation.

- **Supervising the performance of the duties of the Statutory Auditor**

Regarding the relationship with the Statutory Auditor of the companies within the CTT Group - KPMG - and the supervision of its compliance with independence rules, as required by the applicable laws and regulations, as well as of its audit work, the following activities carried out by this Committee, as its main liaison, stand out: **(i)** Appraisal of the proposals for the hiring of statutory audit services and prior authorisation/approval for the provision of non-audit services, in order to ensure that these are neither legally forbidden services nor raise conflict of interests, and that their fees comply with the limits set forth in Law 140/2015 of 7 September ("Statutory Auditors' Statute"); **(ii)** Monitoring, analysis and discussion with the Statutory Auditor on its annual work plan, the conclusions of the interim and half-yearly limited review work, the main audit issues, namely impairment tests and models and liabilities related to long-term employee benefits, and the evaluation of the general internal control environment, and the preliminary and final conclusions of the review of the annual accounts, as well as on the recommendations regarding accounting and internal control aspects; **(iii)** Analysis of the Limited Review Report regarding the Interim Consolidated Financial Statements, of the Statutory Audit Report, and the annual Statutory Auditor's Additional Report; **(iv)** Appraisal of



## AUDIT COMMITTEE

the services provided by the Statutory Auditor and of the complementary information received therefrom under the terms of article 63 of the Statutory Auditors' Statute, in order to assess that they do not jeopardize the respective independence or condition its opinion; and (v) Annual assessment of KPMG's work in the last year of its term of office, having concluded that it performed its functions in an appropriate manner, and demonstrated in its work appropriate experience and knowledge to the size of the Company and the sectors in which it operates, as well as independence and strict professional relationship with this Committee.

In addition, and given the need for rotation of the Statutory Auditor provided for in article 54 of the Statutory Auditors' Statute, the selection procedure initiated in 2019 to choose the new Statutory Auditor for the companies of the CTT Group was concluded, culminating in the appointment, at CTT's AGM of 29 April 2020, of Ernst & Young Audit & Associados - SROC, S. A. as CTT's Statutory Auditor for the 2021/2023 term of office, represented by Luís Pedro Magalhães Varela Mendes (Statutory Auditor registered with the Statutory Auditors' Association under no. 1841 and registered with CMVM under no. 20170024), or by Rui Abel Serra Martins (Statutory Auditor registered with the OROC under no. 1119 and registered with CMVM under no. 20160731), as well as the appointment of João Carlos Miguel Alves (Statutory Auditor registered with the Statutory Auditors' Association under no. 896 and registered with CMVM under no. 20160515) as Alternate Statutory Auditor. The appointments of the Statutory Auditor and the Alternate Statutory Auditor took effect as of 1 January 2021.

### Declaration of Conformity

Under the provisions of article 245(1)(c) of the Portuguese Securities Code, the members of the Audit Committee of CTT identified below, in the framework of the duties they are assigned with, hereby state that, to the best of their knowledge, the information in the Integrated Report regarding the management report, the annual consolidated and individual financial statements, the Statutory Auditor's Report of consolidated accounts, and the Statutory Auditor's Report of individual accounts, and other consolidated and individual accounting documents required by law or regulation, regarding the financial year ended on 31 December 2020:

- i. Was prepared in accordance with the applicable accounting standards, giving a true and fair view of the assets and liabilities, the financial situation and the results of CTT and the companies included in its consolidation perimeter; and



## AUDIT COMMITTEE

- ii. The management report, in particular, faithfully describes the business evolution, the performance and position of CTT and the companies included in its consolidation perimeter and contains a description of the major risks and uncertainties they are faced with.

### Opinion on the Integrated Report

CAUD has reviewed, as parts of the Integrated Report, the management report and the consolidated and individual financial statements for the financial year ended on 31 December 2020, including the statement of financial position, the income statements, the statement of comprehensive income, the statement of changes in equity and the cash flow statement, as well as the notes attached thereto.

The consolidated and individual financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, in force as of 31 December 2020.

CAUD also analysed, as components of the Integrated Report, the Corporate Governance Report, taking into account the provisions of article 420(5) of the PCC and article 245-A of the Portuguese Securities Code, and the non-financial information, pursuant to articles 66-B and 508-G of the PCC.

CAUD appraised with special attention the Statutory Auditor's Report issued by KPMG on 16 March 2021 related to: (i) the auditing of the consolidated and individual financial statements approved by the Board of Directors, which express a favourable opinion on said financial statements, with no limitations or qualifications; and (ii) the compliance with other legal and regulatory requirements applicable to the management report, the corporate governance report and the non-financial information, which express compliance with the requirements in force. CAUD also noted that the Statutory Auditor's Report includes the additional information required in Article 10 of Regulation (EU) No 537/2014 of 16 April, particularly the so-called "Audit-Relevant Matters".

Given the above-mentioned data and the action carried out, as well as in compliance with the provisions of article 423-F(1)(g), article 420(5) and (6), applicable by reference to the provisions of article 423-F(2), and article 452, all of the PCC, the Audit Committee hereby states that, to the



## AUDIT COMMITTEE

best of its knowledge, the information within the Integrated Report of CTT – Correios de Portugal, S.A. as of 31 December 2020 regarding:

- The management report, the corporate governance report, and the non-financial information,
- The consolidated and individual financial statements,
- The Statutory Auditor’s Report on the consolidated and individual accounts dated 16 March 2021, and
- The proposal for the appropriation of results

comply with the applicable legal and accounting rules and the Articles of Association. Accordingly, the Committee agrees with same and recommends that the General Meeting of CTT approves them.

Lisbon, 16 March 2021

The Audit Committee of CTT – Correios de Portugal, S.A.,

Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia (Chair)

Steven Duncan Wood (Member)

María del Carmen Gil Marín (Member)



KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.  
Edifício FPM41 - Avenida Fontes Pereira de Melo, 41 – 15º  
1069-006 Lisboa - Portugal  
+351 210 110 000 | www.kpmg.pt

### Independent Limited Assurance Report

**(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail)**

To the Board of Directors of  
CTT - Correios de Portugal, S.A.

#### Introduction

We were engaged by the Board of Directors of **CTT - Correios de Portugal, S.A.** (“CTT”) to provide limited assurance as to whether nothing has come to our attention that causes us to believe that the sustainability information included in the Integrated Report (“the Report”) of CTT for the year ended 31 December 2020, identified in the Annex IV “GRI index and indicators”, is not prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI) for the level Comprehensive.

#### Board of Directors’ Responsibilities

The Board of Directors of CTT is responsible for:

- The preparation and presentation of the sustainability information included in the Report in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI), for the level Comprehensive, and the information and assertions contained therein; and,
- Establishing and maintaining appropriate performance management and internal control systems from which the information is derived.

#### Our Responsibilities

Our responsibility is to carry out a limited assurance engagement described in “Scope” section and to express a conclusion based on the work performed.



### Scope

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board and comply with further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors), which require that we plan and perform our procedures to obtain a meaningful level of assurance about whether the sustainability information included in the Integrated Report (“the Report”) of CTT for the year ended 31 December 2020, identified in the Annex IV “GRI index and indicators” is not prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI) for the level Comprehensive, as the basis for our limited assurance conclusion.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of CTT in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas’ code of ethics.

A limited assurance engagement on sustainability information consists of making inquiries, primarily of persons responsible for the preparation of the sustainability information presented in the Report, applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Interviews with the responsible persons to understand the processes implemented in CTT to identify material issues for the relevant stakeholders of CTT;
- Interviews with relevant staff, at corporate and business units, responsible for providing the sustainability information in the Report;
- Comparing the transactions identified to corresponding information in the relevant underlying sources to assess the accuracy of the information and determine whether all the relevant information contained in such underlying sources has been included in the Report; and
- Reading the information presented in the Report to conclude if it is in line with our overall knowledge of, and experience with, the sustainability performance of CTT.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.



### Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the sustainability information included in the Integrated Report (“the Report”) of CTT for the year ended 31 December 2020, identified in the Annex IV “GRI index and indicators” is not prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI) for the level Comprehensive.

### Restriction of use of our report

Our report is issued exclusively for the information and use of the Board of Directors of CTT, in the scope of the disclosure of the sustainability information included in the Integrated Report of CTT and is not intended to be used for any other purpose.. We accept or assume no responsibility and deny any liability to any party other than CTT for our work, for this independent limited assurance report, or for the conclusions we have reached.

16 March 2021

SIGNED ON THE ORIGINAL

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**KPMG & Associados -  
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)**  
represented by  
Paulo Alexandre Martins Quintas Paixão (ROC n.º 1427)