

# PHAROL, SGPS S.A.

Listed Company

Headoffice: Rua Joshua Benoliel, 1, 2C, Edifício Amoreiras Square  
1250-133 Lisboa

Share Capital: 26.895.375 Euros

Registration at the Commercial Registry Office and tax payer number 503 215 058

## NOTICE

### GENERAL MEETING OF SHAREHOLDERS

#### PROPOSAL OF SHAREHOLDER – ITEM ONE OF THE AGENDA

We hereby inform the shareholders that TELEMAR NORTE LESTE, S.A. has submitted a resolution proposal with an alternative wording for part of articles twelve and thirteen of the company's by-laws (limitation of voting rights), to be voted on under POINT ONE OF THE AGENDA, as per the attached.

Considering the legitimacy of the applicant, as well as the timeliness, legal and statutory admissibility of the proposal, the same was admitted by the Chairman of the General Meeting.

In light of the voting method adopted in this General Meeting, the Shareholders are further informed that new versions of the ballot papers for postal and electronic voting will be made available on the COMPANY's website, in order to include the above-referred alternative proposal.

Lisbon, March 22, 2021

The Chairman of the General Meeting,

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Diogo Campos Barradas de Lacerda Machado

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**Re.: Draft resolution regarding Item One on the Agenda of Pharol SGPS, S.A.'s General Meeting, to be held on 14 April 2021**

Dear Mr. Diogo Lacerda Machado

M.I. Chairperson of the Board of Pharol SGPS S.A.'s General Meeting

**TELEMAR NORTE LESTE S.A., (“Telemar”)**, a shareholder that holds 89,651,205 shares in Pharol SGPS, S.A. (**“Pharol”**), hereby submits the following draft resolution regarding ITEM ONE on the Agenda of the General Meeting to be held on 14 April 2021:

Whereas:

1. Although Telemar generally agrees with the goals behind the amendments to the articles of association submitted by the Board of Directors, namely to streamline, update and formally rectify certain articles of PHAROL's articles of incorporation, it believes that, given the present pandemic, which requires the General Meeting to be held through video conference and prior mail-in ballots, it is not advisable to amend company structural governance articles, including articles on the limitations to the number of votes that any given shareholder may cast;
2. Good governance practice do not advise against companies with shares admitted to trading on a regulated market maintaining voting limitations or thresholds. The Governance Code of the *Instituto Português de Corporate Governance (“IPCG”)* [Portuguese Corporate Governance Institute] merely recommends that “companies’ articles of association that provide for limitations to the number of voting rights that can be held or cast by any one shareholder, individually or jointly with other shareholders, must also require that amendments to or the maintenance of such article be submitted to a resolution of the general meeting at least every five years — without any quorum requirements stricter than as provided for by law — and that, in such resolution, all votes cast shall be counted without operation of the limitation”;

3. Considering the current shareholding structure of the company and PHAROL's practice of reviewing the shielding enshrined in the Board of Directors Regulation every five years, this recommendation can be deemed as generally complied with by the company.
4. Each company with securities admitted to trading on a regulated market shall be tasked with assessing which governance model suits it best, according to its shareholding structure and the company's interests.
5. The shielding lift proposal submitted to the Shareholders is based on the usual arguments against limiting the number of votes (namely that limitations to the voting rights make existing or potential shareholders lose interest in acquiring shares in the company above the limitations, or may lead to the execution of share clustering arrangements preventing in practice merger, control or stake reinforcement operations in PHAROL, or to the grouping of shareholders), but it does not offer a detailed explanation as to why countervailing arguments advocating the usefulness and advantage of voting thresholds (for instance, boosting liquidity, ensuring shareholding stability and balance, contributing towards a greater free float, by valuing the company's shares) that are supported by some legal authors and have so far provided adequate interaction between PHAROL shareholders hailing from different geographies are dismissed as less relevant in this case.
6. It would be advisable to conduct a closer and more in-depth examination of the pros and cons of the shareholding balance mechanisms in place and of the voting thresholds foreseen in PHAROL's articles of association before passing resolutions approving radical changes regarding this matter, especially in a year of pandemic, where the discussion proper between Shareholders is impaired,

WE PROPOSE:

That the following alternative wording to the draft submitted by the Board of Directors be submitted to separate vote by the Shareholders:

ARTICLE TWELVE  
SHAREHOLDERS' OBLIGATIONS

1. Shareholders are required:

- a) Not to cast any votes if they are prevented from voting pursuant to the law or the articles of association or if the articles of association prevent the votes from being counted, without indicating that there is a counting limitation;
- b) To notify the Board of Directors of the occurrence of any of the situations foreseen in article 9.2 (competing activity) and in article 13.12;
- c) To notify the Board of Directors of the execution and the full contents of any shareholders' agreements between them in respect of the COMPANY;
- d) To provide to the Board of Directors, in writing, and in a true, complete and clear manner, until it feels sufficiently clarified, all the information requested by the Board on the situations foreseen in article 9.4(b) and in article 13.12;

2. *(the same as the Board of Director's Draft, reproduced in italics)*

*The information set out in Article 12.1 (b) and (c) shall be provided within five (5) working days from their occurrence, unless a General Meeting is held during the course of the above period, in which case it should also be provided to the Chairperson of the Board of the General Meeting up until the time of the meeting.*

3. *(the same as the Board of Director's Draft, reproduced in italics)*

*The information set out in Article 12.1 (d) shall be provided no later than eight (8) days prior to the holding of the first General Meeting after the request for information. Failure to comply with this duty within the above period implies the shareholder's admission to the facts attributed to it by the Board of Directors in its request for information.*

## ARTICLE THIRTEEN

### PARTICIPATION AND VOTING

#### RIGHT

*[Paragraphs 1 through 11 are the same as the Board of Director's Draft, reproduced in italics]*

1. *Only shareholders with voting rights may attend general meetings.*

2. *Shareholders shall be entitled to participate in and cast their vote at the General Meeting of Shareholders if on the record date, i.e., at 0.00 hours (GMT) on the 5th trading day preceding the day on which the general meeting is held, they are the owners of shares granting them one vote at least.*

3. *The exercise of participation and voting rights at the General Meeting of Shareholders does not depend on the blocking of the shares between the record date and the date of the General Meeting of Shareholders.*

4. *In the convening notice, the Chairperson of the Board of the General Meeting shall define the procedures, and periods that must be followed by the shareholders and by the financial intermediaries with whom the shareholders have opened their individual securities accounts, for purposes of shareholders' participation in the General Meeting.*
5. *Each share equals one vote.*
6. *Mail-in ballots may extend to all the matters included in the convening notice, on the terms and conditions set forth therein.*
7. *The terms and conditions for mail-in ballots shall be defined by the Chairperson of the Board of the General Meeting in the relevant convening notice, to ensure its authenticity, regularity, safety, reliability and confidentiality up until the moment of the voting.*
8. *In either case, the authenticity of the vote shall be ensured before the Chairperson of the Board of the General Meeting, through:*
  - a) *Signed communication and legible copy of the identity document, in case of individuals;*
  - b) *Communication signed by the legal representative(s) of the entity, accompanied by a legible copy of their identity document(s) and document evidencing their powers (in case of entities registered in Portugal, indication of the access code to their permanent certificate will suffice);*
  - c) *Other adequate means to verify the authenticity of the vote, as determined by the Chairperson of the Board of the General Meeting.*
9. *In order to ensure the confidentiality of the vote, the above communications shall be delivered in a closed envelope or to a dedicated e-mail, which shall only be considered upon the counting of votes.*
10. *Mail-in ballots shall be counted as negative votes in relation to draft resolutions which may be submitted after they are sent.*
11. *Attendance at a General Meeting of a shareholder, or of their representative, which has cast its respective vote by mail-in ballot entails the withdrawal of the vote cast by such means.*

12. No votes cast by any Shareholder holding common shares, or by a representative on its behalf, on its own behalf or in the capacity of representative of another shareholder, shall be counted that exceed 10% of the total votes representing the share capital.

13. For the purposes of this Article, shares held by persons meeting the conditions set forth in Article 20 of the Securities Code shall be deemed as belonging to the Shareholder, and the limitation of each person concerned shall be proportionate to the number of votes it casts.

14. The limitation foreseen in paragraph 12 applies to all resolutions, including resolutions requiring a super majority.

15. The limitations arising under the preceding paragraphs apply to usufructuaries and pledgees.

16. *(the same as the Board of Director's Draft wording of paragraph 12, reproduced in italics)*  
*In the event of joint share ownership, only the common representative or its representative may participate in General Meetings.*

Telemar hereby pledges to attach a banking certificate to its share certificates upon registering for the General Meeting.

Kind regards,

[illegible signature]

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**TELEMAR NORTE LESTE S.A.**