

CORPORATE GOVERNANCE CODE

IPCG
2016

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Preface

1. In answer to the appeal of national companies and of a vast community of interested parties in the matters of *Corporate Governance*, during the year of 2011, the Portuguese Institute for Corporate Governance (IPCG) prepared a first version of its Corporate Governance Code, which was then consequently published in 2012.

After its publication, this first version welcomed a variety of suggestions of amendments, which originated a new version published in 2014.

Ready to be adopted by the issuers, the Code from 2014, promptly exposed the inconveniences of the existence of two different Codes – , that of the Portuguese Securities Market Commission (CMVM) and that of the IPCG -, especially in a capital stock exchange market, which like the Portuguese market, has such a reduced dimension.

At this point, the purpose of finding a balance, which would allow for prevention of a recommendatory duplication without abandoning the essential idea of leaving the corporate governance code to self-regulation, started to become clear.

In correspondence with the availability and spirit of cooperation that the CMVM promptly revealed for this purpose, the IPCG has been working on the preparation of a document whose content would respect the essential physiognomy of the IPCG Code of 2014 and, at the same time, would resemble the fundamental concerns of the CMVM in matters of corporate governance. The legislative amendments, which have in the meanwhile taken place, especially in matters of accountability and audit of financial statements, equally impose some adjustments to the Code.

As a result of this collaboration a new version was born, which will be submitted, by means of a public consultation, to the scrutiny of the opinion of all those interested in matters of corporate governance. This new version clarifies that the new Code, in the final version that will be prepared post consultation, will be the new Corporate Governance Code: a Code which does not present itself as an *alternative* to the CMVM's Code but as a *successor* of both of the previous Codes, since, in conformity with the joint announcement from 16th March 2016, the CMVM will cease to published its own Code.

2. Although the application of the Code is not limited to a certain group of companies, its natural recipients are public companies, especially those with stock exchange capital market access (listed companies) for which the adoption of a Corporate Governance Code is mandatory.

The Code is of *voluntary adhesion* and its compliance is also *optional*, settling on the rule of *comply or explain*.

While the Code is positioned on a very different level from a legal one, it is based on a systematic articulation with the legal order of stock exchange capital markets and companies, establishing in this way a harmonious and complementary relationship with the law.

Without admitting an imperative nature, the Code looks to provoke company habits that are in conformity with the guidelines, which on a national and international level, are recognized as practicing *good governance*: in this sense, the Code, on one hand, constitutes a complement to the legal system and, on the other, a guidance of good governance.

In order to assure the easiest *adaptability of companies to the Code*, no recommendations that presuppose a certain statutory content are imposed, which guarantees that the compliance with the Code does not require any sort of statutory amendment. With the same purpose, the Code looks to be entirely neutral with regard to the different organizational models a public company is able to adopt according to the law and, in consequence, does not discriminate between any of these models.

On another hand, the Code tries to accomplish the difficult aim of being *adaptable to the heterogeneous reality of the recipient companies*. For this purpose, essentially two devices were adopted: the variation of some of the recommendations depending on the size of the company (for example, III.3. and V.4.1) and, in other cases, granting the company the duty to conform certain aspects relevant to matters of corporate governance by means of statutory amendments or equivalent measures. In this case, the Code establishes a basic recommendatory level, assigning the company with the task of creating and developing the most suitable policies to its own specificities. This is, in contrary to the specification of a specific policy, the company should develop and establish the policy it judges suitable.

The Code is structured and developed on two distinct levels: *principles* and *recommendations*. The aim of the principles is to, on one hand, fix a basis for *interpretation* and *application* of the recommendations, but also to offer a *qualitatively relative foundation for explain*: the company which does not observe a recommendation will achieve a *positively differentiated* approval in the case of succeeding to demonstrate that it is in compliance with the principle, even though in a different way than that recommended by the Code.

Nonetheless, the principles are not, in themselves, the object of the statement of compliance.

3. Upon the conclusion of the conversations with the interested entities, the IPCG promises to create and maintain, individually or by partnership, the necessary and suitable structures to accompany the Code, to proceed in the analysis of its application and to re-evaluate its content on a regular basis.

Glossary

For purposes of the present Code:

- A) EXECUTIVE DIRECTORS – members of the Executive Management Board, members of the Board of Directors which under article 407^o of the Portuguese Company Code have been delegated with powers of daily management, and all other directors of the Board of Directors who have not undertaken the referred delegation.
- B) NON-EXECUTIVE DIRECTORS – members of the Board of Directors to which management powers have not been delegated.
- C) COMPANY’S COMMITTEES – committees composed solely by members the company’s governing bodies that ascribe duties within the company, including the remuneration committee.
- D) COMPANY STUCTURE – the group of governing bodies and committees of the company under the terms they are defined in the present glossary.
- E) MONITARY BOARD – the Monitoring Board in companies that adopt a one-tier board system; the Audit Committee in companies that adopt an Anglo-Saxon system; the Supervisory Board in companies that adopt a two-tier board system without detriment of the competences of a different nature that also fall under the powers of this board.
- F) SUPERVISORY BOARD – the Supervisory Board.
- G) INTERNAL BYLAWS – group of non-statutory provisions established by the governing bodies of the company and its committees, which aim to regulate, namely, aspects of the composition of these bodies or committees, their organization and functioning.

Chapter I – General Provisions

General Principle:

Corporate Governance should promote and potentiate the performance of companies, as well as of the capital stock exchange market and should establish the trust of investors, employees and the general public in the quality of the management and monitoring boards and the sustained development of companies.

I.1. Company's relation with investors and disclosure

Principle:

Companies, in particular, its managers, should provide an equal treatment of its shareholders and remaining investors, namely by assuring mechanisms and procedures fit for the suitable treatment and disclosure of information.

Recommendations:

I.1.1. The Company should establish an organizational structure, which, in a suitable and rigorous form, guarantees the timely disclosure of information to shareholders, investors, financial analysts, and to capital stock exchange market in general.

I.1.2. The company should maintain an information policy that insures: (i) an efficient and timely production of information, (ii) the disclosure of information in general and current terms to the capital stock exchange market, (iii) the internal register of the holders of privileged information and (iv) the archive of all relevant information about the company on a secure database.

1.2. Diverse composition and functioning of the company's governing bodies

Principle:

1.2.A. *Companies should assure the diversity of the composition of its governing bodies and the adaption of conditions of individual merit within the respective designation procedures, which are of the exclusive power of the shareholders.*

1.2.B. *Companies should be provided with clear and transparent decision structures and assure a maximum effectiveness of the functioning of its governing bodies.*

Recommendations:

1.2.1. Companies should establish standards and requirements of the profile of new members of its governing bodies, which are suitable regarding the roles each of them should develop. Besides individual attributes (such as independence, integrity, experience and competence), these profiles should take into consideration general diversity requirements, paying particular attention to gender diversity that could potentially contribute to a better performance of the governing body and to the balance of its respective composition.

1.2.2. Until 2020 the company should establish and publish a program that intends to insure a balanced representation of gender in the composition of each of its governing bodies, distinguishing between executive management positions and non-executive management positions.

1.2.3. The company's management, monitoring boards and committees as established by law, by the articles of association or by the present Code, should dispose of bylaws – namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of its members -, and minutes of the meetings of each of these bodies shall be carried out.

1.2.4. The bylaws of the governing bodies should be integrally disclosed on the company's website and their existence should be mentioned in the company's Corporate Governance Report.

1.2.5. The composition, the number of annual meetings of the management, monitoring bodies and of the remuneration committee should be disclosed on the company's website and in the company's Corporate Governance Report, where the level of attendance of each of the members should also be disclosed.

I.2.6. The company's bylaws should anticipate the existence and function of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for communication of irregularities that must guarantee the suitable means for its communication and treatment, but that protects the confidentiality of transferred information and the identity of their transferees every time this is requested.

1.3. Relations between the company's boards

Principle:

Members of the company's boards, especially the company's directors, should, considering the duties of each of the boards, create conditions that allow for the insurance of balanced and efficient decision making and, equally, that allow for the different governing bodies of the company to act in a harmonious and articulated way possessing the suitable amount of information for the carrying out of their duties.

Recommendations:

I.3.1. The articles of association or other equivalent means adopted by the company should establish mechanisms that permanently insure the management board and monitoring board are provided with the necessary access to information for the evaluation of the performance of the company and the means for further developments in the company, namely including access to minutes, documents supporting decisions that have been taken, call for meetings or the archive of the meetings of the executive managing board.

I.3.2. Each board and committee of the company should timely and suitably insure the flow of information, especially of the respective call for meetings and minutes, necessary for the exercise of the legal and structural competences of each of the remaining boards and committees.

1.4. Conflicts of Interest

Principle:

The existence of current or potential conflicts of interest between members of the company's boards or committees should be prevented. The non-interference of the member in conflict should be guaranteed.

Recommendations:

1.4.1. The obligation of the members of the company's boards and committees to promptly inform the respective board or committee of facts that could constitute or eventually cause a conflict of interests between its interest and the company's interests should be imposed.

1.4.2. Procedures granting that the member in conflict does not interfere in the process of decision-making should be adopted, without detriment of the duty to provide information and clarifications that the board, the committee or their respective members may request.

1.5. Related Party Transactions

Principle:

Due to the potential risks that they may hold, transactions with related parties should be subject to principles of transparency and supervision.

Recommendations:

1.5.1. The management board should define, in accordance with a previous favourable and binding opinion report of the monitoring or supervisory board, the type, the scope and the minimum individual or aggregate value of related party transactions that (i) require the previous authorization of the board and, (ii) which, due to their increased value require a favourable report of a committee of non-executive independent directors in the terms stated under Recommendation III.3, which assesses the importance of the transaction for the company's management and governance plan.

I.5.2. The management board should undertake a monthly communication to the monitoring or supervisory board of all the transactions included in this Recommendation.

1.6. Corporate Governance Report

Principle:

The company should provide individualized information in an annual report on the level of reception of the recommendations of the present Code and, in case of non-compliance, should describe the respective justifications. In order for the justifications to be made relevant to the good governance plan, they should be specified and described in light of and with reference to the principles expressed in the present Code.

Recommendation:

I.6.1. The information provided by the company about the level of reception of the present Code should be complete, clear and objective, namely in that which respects the justifications of non-compliance.

Chapter II – Shareholders and General Meetings

Principles:

II.A. *As an instrument for the efficient functioning of the company and the fulfilment of the overriding interest of the company, the suitable involvement of the shareholders in matters of corporate governance is a positive factor for the company's governance.*

II.B. *Without detriment of the availability of electronic voting methods that should be insured, the company should generally favour and stimulate the personal participation of its shareholders in general meetings, which is a space for communication of the shareholders with the company's boards and committees and also of reflection about the company in itself.*

Recommendations:

II.1. The remuneration of the Chairman of the general meeting should be included in the company's Corporate Governance Report.

II.2. Call for general meetings, proposals of resolutions presented in advance and their respective justification, clear explanations about the procedural rules of the meeting should be disclosed on the company's website, where there should also be an accessible disclosure of adequate historical information of the company and there remain for at least three years (including reports and financial statements and extracts of the minutes of shareholder resolutions from previous general meetings).

II.3. The company should not fix an excessive number of shares necessary to confer the right to vote and should apply necessary means for the right to exercise postal vote (traditional or electronic post).

II.4. The company should not adopt means that difficult the decision-making process by the shareholders, namely, by fixing necessary majorities higher than those established by the law.

II.5. The company should not establish mechanisms that intend to provoke mismatching between the right to dividends or the subscription of new securities and the right to vote of each ordinary share, unless the company's long-term interests properly justify this.

II.6. The articles of association, which stipulate the limitation of the number of votes that can be detained or exercised by a sole shareholder, individually or in concert with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule should be subject to a shareholder resolution – without aggravated majorities in comparison to those legally established – and that in the same resolution, all emitted votes should be counted without observation of the limits imposed.

II.7. The company should not adopt mechanisms that imply payments or assumption of fees in case of the transition of control or the change in the composition of the management board and which are likely to harm the free transferability of shares and the free assessment by the shareholders of the performance of the members of the management board.

Chapter III – Non-executive management, monitoring and supervision

Principles:

III.A. *The members of governing bodies who possess non-executive management duties, monitoring and supervisory duties should, in an effective and judicious manner, carry out monitoring duties and duties of incentive to executive management for the full completion of the overriding interest of the company and such performance should be considered by committees of central areas of corporate governance.*

III.B. *The composition of the monitoring board, supervisory board and the group of non-executive directors should provide the company with a balanced and suitable diversity of powers, knowledge and professional experience.*

Recommendations:

III.1. If the Chairman of the management board undertakes executive management duties, the coordination of the exercise of the duties of non-executives should be carried out by an independent or be guaranteed by equivalent mechanisms.

III.2. The number of non-executive members in the management board, as well as the number of members of the monitoring board and the number of the members of the committee for financial matters should be suitable to the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to assure, with efficiency, the duties which they have been ascribed.

III.3. Each company should include a suitable, but always plural, number of non-executive directors who satisfy the legal requirements of independence, calculating the role of the respective size and the percentage of the shareholder structure. For purposes of the present recommendation, an independent person is considered to be that which is not associated to any specific group of interests of the company, nor is under any circumstance likely to affect his/her exemption of analysis or decision, namely due to:

- (i) having been, in the last three years a director or employee of the company or of a company which is considered to be in a controlling or group relation;

- (ii) having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relation, either directly or as a shareholder, director, manager of the legal person;
- (iii) having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relation besides the remuneration resulting from the exercise of a directors' duties;
- (iv) having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualified holdings;
- (v) having been a qualified holder or representative of a shareholder of qualified holdings.

III.4. The supervisory board, besides exercising its normal supervisory powers, should assume full responsibility within the governance of the company, and so, through the use of statutory provisions or any other equivalent method, the obligation to resolve on the strategy and main policy of the company, the determination of the group business structure and the decisions which should be considered strategic due to their amount or risk should be provided for. This governing body should also evaluate the compliance of the strategic plans and the execution of the main policies of the company.

III.5. Companies should set up specialized committees suitable to its size and complexity, separately or jointly covering the matters of corporate governance, remuneration and evaluation of performance, and of nominations.

III.6. Internal audit and risk management should be structured in adequate terms considering the size of the company and the complexity of the risks intrinsic to its activity.

III.7. The Corporate Governance Report should, with respect to the directors, update information on (i) curricular elements, (ii) professional occupations and (iii) family, professional and business relations usually and significantly established with shareholders who are holders of more than 2% of the votes.

III.8. The monitoring or supervisory board should evaluate the functioning of the internal control systems and risk management that are deemed necessary.

III.9. The monitoring or supervisory board should resolve on the work plans and resources of the internal auditing service and of the services that ensure the compliance of the rules applied to the company (*compliance services*), and should be the recipient of the reports elaborated by these services, at least when matters related with accountability, identification of conflicts of interest and detection of potential illegalities are at stake.

III.10. The Chairman of the monitoring board, as well as when applicable, the Chairman of the committee for financial matters, should be independent, according to the applicable legal requirements and possess the suitable competences to carry out his/her duties.

Chapter IV – Executive Management

Principles:

IV.A. *As way of increasing the efficiency and the quality of the performance of the management board and the suitable flow of information in the board, directors with qualifications, competences and experience suitable for this role should carry out the daily management of the company. The executive management undergoes the management of the company, pursuing the company objectives and aiming to contribute towards its sustainable development.*

IV.B. *When determining the number of executive directors, besides the costs and the desirable agility and functioning of the executive management, the size of the company, the complexity of its activity and its geographical broadcast should be considered.*

Recommendations:

IV.1. The management board should approve the internal bylaws of the functioning of the executive committee, although the committee may regulate other aspects of its functioning.

IV.2. Without detriment of the collective basis, which the functioning of pluri-personal governing bodies should presuppose, the management board should delegate the daily management of the company and each executive director should be in charge of specifically determined matters.

IV.3. In companies that adopt one-tier models of organization, the management board should insure that the company acts in a manner consistent with its objectives and should not delegate powers, namely, with respect to: (i) the definition of the general strategies and policies of the company; (ii) the organization and coordination of the business structure of the group; (iii) strategic matters due to their amount, risk or special characteristics.

IV.4. In companies that adopt a two-tier model of organization, the supervisory board, besides exercising its normal supervisory powers, should assume full responsibility within the governance of the company, and so, through use of statutory provisions or any other equivalent method, the obligation to resolve on the strategy and main policy of the company, the determination of the group business

structure and the decisions which should be considered strategic due to their amount or risk should be provided for. This governing body should also evaluate the compliance of the strategic plans and the execution of the main policies of the company.

IV.5. The management board or the supervisory board should fix the objects in matters of risk assumption and create systems for its control, aiming to guarantee that the risks, which are effectively assumed, are consistent with those objects.

IV.6. The bylaws of the management board should provide that the exercise of executive powers carried out by directors in companies outside the group should be previously authorized by the management board itself or by the monitoring board.

Chapter V – Evaluation of performance, remuneration and nomination

V.1. Annual evaluation of performance

Principle:

The company should promote the evaluation of the performance of the executive management board and of its individual members and also the global performance of the management board and of its specialized committees.

Recommendations:

V.1.1. It should be assured that one of the governing bodies or committees carry out the annual evaluation of the performance of the executive management board, taking into account the compliance with the company's strategic plan, the performance of the management board within matters of risk management, the relationship of the board with the monitoring board (and, if that is the case, with the non-executive managing board) and the performance in comparison with the compliance of the objects, plans and budgets.

V.1.2. The evaluation of the performance of the management board and of its committees should include the respective internal functioning, the contribution of each member to the better functioning of the board or the committee and the way these members relate with the company's other boards and committees.

V.2. Remuneration

Principle:

The remuneration policy of the members of the management and monitoring boards should allow the company to attract qualified professionals at an economically justifiable cost in relation to its situation, to establish the alignment of interests with those of its shareholders – considering the wealth effectively created by the company, its economical situation and that of the capital stock exchange market –

and constitute a factor of development of a cultural professionalization, promotion of merit and transparency within the company.

Recommendations:

V.2.1. The remuneration committee fixes remuneration and its composition guarantees its independence in relation to the management.

V.2.2. The remuneration committee should, at the start of each term of office, approve, execute and annually confirm the company's remuneration policy towards the members of its boards and committees, including the respective fixed components. As to executive directors or directors promptly invested with exclusive executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute and confirm the respective conditions of attribution and measurement, the limitation mechanisms of remuneration based on allocation of options and own shares of the company.

V.2.3. The resolution on the remuneration policy of the management and monitoring boards pursuant to article 2^o of Law n. o 28/2009, 19th June, should additionally contain the following:

- a) identification and explicitness of the conditions for determination of the remuneration that shall be assigned to the members of the boards;
- b) information on the potential maximum, individually considered, and the maximum potential amount, aggregately considered, payable to the members of the boards and identification of the circumstances in which those maximum amounts can be paid;
- c) comparison between the potential maximum amount of remuneration of directors individually considered and the average remuneration of the company's employees;
- d) information as to the enforceability or unenforceability of payments related to the dismissal of directors or to their termination of office.

V.2.4. For each term of office, the remuneration committee should also approve the directors' pension benefit policies pursuant to the articles of association, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.

V.2.5. In order to allow for the provision of information or clarifications to the shareholders, the Chairman or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting and in any other, if the respective agenda includes any matter linked with the

remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.

V.2.6. Within the company's budget limit, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to the exercise of the committee's duties. The remuneration committee should insure that the services are provided independently and the respective providers do not provide other services to the company in itself or others in which it is a controlling or group relation without express authorization of the committee.

V.2.7. Annually, within the company's Corporate Governance Report, synthetic information on the activity of the committee or the committees responsible for remuneration and for the evaluation of performance should be provided.

V.3. Director Remuneration

Principle:

Directors should receive remuneration:

- (i) that suitably remunerates the responsibilities carried out, their availability and the competences put at the disposal of the company;*
- (ii) that guarantees an aligned performance with the long term interests of the shareholders, as well as others expressly defined by them;*
- (iii) that rewards performance.*

Recommendations:

V.3.1. Taking into account the alignment of interests between the company and those of its executive directors, a part of their remuneration should be of a variable nature, which reflects the performance sustained in the company and does not stimulate the assumption of excessive risks.

V.3.2. A significant part of the variable component should be partially deferred in time, for a period not less than three years, connecting to the confirmation of the sustainability of performance in the terms defined by the company's bylaws.

V.3.3 The executive directors should, until their term of office, maintain the company shares they have acquired through variable remuneration schemes up to

two times the amount of the total remuneration, with exception of those which need to be transferred for payment of those shares.

V.3.4. When variable composed remuneration includes the allocation of options, the start of the exercise period should be differed in time for a period not less than three years.

V.3.5. The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.

V.3.6. The company should be provided with suitable legal instruments so that damages to any director dismissed for unsuitable performance, which does not constitute a severe violation of duties, or an inability for carrying out normal respective duties, are not payable.

V.3.7. The company's Corporate Governance Report should:

- (i) quantify the amount of differed variable components and explain the conditions on which the confirmation of its payment depends on;
- (ii) inform on the remuneration ascribed to each executive director, distinguishing the fixed components from the variable components and, in this last case, the amounts already paid, as well as those differed in time, and also inform on the rights to pension benefits acquired by each executive director;
- (iii) disclose information on remunerations earned in other controlled or dependent companies.

V.4. Nominations

Principle:

Independent of the manner of designation, the profile, knowledge and curriculum of the members of the management and monitoring boards should be suited to the duties that shall be carried out.

Recommendations:

V.4.1. The accompaniment and support towards the managing bodies should be ascribed to a nominating committee unless this is unjustified due to the size of the company.

V.4.2. This committee should be composed exclusively of non-executive directors and include non-executive independent members in a proportion, which allows them to represent in totality the non-executive members of the board that the committee derives from and should assure that executive directors do not interfere in the selection process of the non-executive directors or of the remaining members of other company boards.

V.4.3. The nomination committee should prompt, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates and that for nomination, proposals for election or co-option, those with the highest merit, promote a larger diversity in the composition of the company's boards and contribute to a higher balance to gender equality are chosen.

Chapter VI – Risk Management

Principle:

Based on its mid and long term strategies, the company should establish a system of management and control of risks and of internal audit that allow for the anticipation and minimization of intrinsic risks of the company's activity.

Recommendations:

VI.1. The management board should debate and approve on the strategic plan and the risk policies of the company, which should include a definition of the levels of risk considered acceptable.

VI.2. Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to from undergoing its activity, (ii) the probability of the occurrence of those risks, (iii) the devices and means to adopt taking into account the respective hedging of those risks, (iv) the internal procedure for communication of occurrences and of their management and (v) the procedure for control, periodic evaluation and adjustment of the system.

VI.3. The company should annually evaluate the level of compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.

VI.4. In its Corporate Governance Report, the company should include suitable information with respect to the evaluation of the risk management system.

Chapter VII – Financial statements and accountability

VII.1. Financial statements and control

Principles:

VII.A. *The management board is responsible for the accountability policies and appropriate accountability conditions and for establishing suitable systems of financial reporting of internal control, of risk management and of their motorization.*

VII.B. *The monitoring board should, with independence and in a diligent form, assure that the management board meets its responsibilities.*

VII.C. *The monitoring board should promote a suitable articulation between the work of the internal audit and the external audit.*

Recommendations:

VII.1.1. The monitoring board should guarantee that the management board practices a procedure for preparation and disclosure of financial statements, which includes the conditions for the establishment of accounting policies, elaboration of estimates, judgments, relevant disclosure and a consistent application between terms, properly documented and disclosed.

VII.1.2. In the Corporate Governance Report, the monitoring board should provide annual information on the means it used to assure:

- (i) that the internal audit structure carried out its duties with independence and competence;
- (ii) that the recommendations and conclusions of the internal audit and of the certified public accountant were taken into consideration during the exercise of the company's activity and in its reports.

VII.2. Accountability and control

Principle:

The monitoring board should establish and monitor clear and transparent formal procedures on the form of selection and on the company's relationship with its certified public accountant and on the control of compliance by the accountant of independence rules that are imposed by the law and professional regulations.

Recommendations:

VII.2.1. Through the use of bylaws, the monitoring board should define:

- (i) the conditions and process of selection of the certified public accountant;
- (ii) the manner of communication between the company and the certified public accountant;
- (iii) the monitoring procedures destined to assure the independence of the certified public accountant;
- (iv) the services, besides those of accounting, which may not be provided by the certified public accountant.

VII.2.2. The monitoring board should be the main correspondent with the certified public accountant in the company and the first recipient of the respective reports, having the power, namely, to designate, to propose respective remuneration and to ensure that the suitable conditions to the provision of services are assured within the company.

VII.2.3. In the Corporate Governance Report, the monitoring board should provide annual information on the method by which it carried out the control of the certified public accountant's independence.

VII.2.4. The monitoring board should annually evaluate the certified public accountant and propose to the competent governing body the dismissal or the revocation of the service contract of the accountant whenever there is just cause.

VII.2.5. The monitoring board should issue an opinion report on the maintenance or non-maintenance of the certified public accountant at the end of each term of office.

VII.2.6. The certified public accountant should collaborate with the monitoring board immediately providing it with information on the detection of any relevant

irregularities to the accomplishment of the duties of the monitoring board, as well as any difficulties encountered whilst carrying out their duties.

VII.2.7. The certified public accountant should verify the application of the remuneration policies of the company's boards, the effectiveness of the functioning of the methods of internal control and the internal audit mechanisms and should report any deficiencies to the monitoring board.