

CORPORATE GOVERNANCE CODE

2012



Instituto Português de Corporate Governance

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PREAMBLE

The purpose of the Corporate Governance Code of the Portuguese Institute of Corporate Governance (IPCG) is, first of all, to constitute an instrument which promotes good practices of corporate governance, corresponding to the appeal of national companies and of a wide community of interested parties in corporate governance matters.

Although the applicability of the Code is not limited to a certain set of companies, its natural recipients are open companies, namely issuers of shares listed in a regulated market, obliged, through a Regulation from the Portuguese Securities Market Commission (CMVM), to adopt a corporate governance code. Accordingly, the IPCG makes available to all companies an alternative to the Governance Code published by the CMVM.

The Code is of voluntary adherence and its observance is also not compulsory, being based in the “comply or explain” approach.

Being, nevertheless, placed within a level rather distinct from the legal level, the Code is based on a systematic articulation with the legal regime of capital markets and of commercial companies, establishing a harmonious supplementary relationship with the law. Without assuming a mandatory nature, the Code seeks to induce in companies practices which are in compliance with the directions that are recognised, within both domestic and international levels, as of *good governance*: in this way, the Code constitutes, on the one hand, a *supplement* to the legal order and, on the other hand, a *guide* of good corporate governance.

In order to ensure the easiest *adaptability of companies to the Code*, no recommendations are imposed that presume a certain statutory content ensuring, this way, that the Code's observance does not require amendments to the articles of association. With the same purpose, the Code does not discriminate between the organisational models that, pursuant to the law, public limited liability companies (*sociedades anónimas*) may adopt, being entirely neutral as to this matter.

In addition, the Commission sought to comply with the difficult purpose of making the Code *adaptable to the rather different realities* of companies which are the recipients of the same. For such purposes, two instruments have, mainly, been adopted: the change in the content of some recommendations in view of the company's size (for instance, recommendation IV.3. and V.4.1) and, in other cases, the granting to the company of the duty to conform, through internal regulation, certain relevant aspects for corporate governance. In this case, the Code sets out a basic level

of recommendations delegating to the company the task to create and develop the most suitable regime to its own specificities. Therefore, a specific regime is not recommended to the company but the company is recommended to develop and establish, in an internal regulation, i.e. the regime that it deems adequate.

The Code is structured and developed in two distinct levels: the *principles* level and the *recommendations* level. The purpose of the principles is to establish a basis for the *interpretation* and *applicability* of the recommendations, but also to offer a *qualitatively relevant ground* for the explain: a company which does not observe a recommendation shall obtain positively distinct assessment should it be able to evidence that it observes the principle, even through a different mean than the one recommended.

Complementarily to the Code, an annex shall be maintained which shall include a scheme of Report on Corporate Governance.

The IPCG undertakes to create the necessary and adequate structures to follow-up the Code and to proceed to the analysis of its applicability and, on a regular basis, to the reassessment of its content.

GLOSSARY

For the purposes of this Code, the following terms have the meanings below:

- A) EXECUTIVE DIRECTORS — the members of the executive board of directors, the members of the board of directors to whom daily management powers have been delegated in the terms set out in article 407 of the Companies Code, and all directors if the board of directors has not made such delegation of powers;
- B) NON-EXECUTIVE DIRECTORS — the members of the board of directors to whom management powers have not been delegated;
- C) COMPANY'S COMMITTEES (OR CORPORATE COMMITTEES) — committees composed solely by members of the company's bodies, to whom such bodies grant corporate duties, including the remuneration committee;
- D) COMPANY'S STRUCTURES/CORPORATE STRUCTURES — the set of bodies and committees of the company, within the terms that the same are defined in this glossary;
- E) SUPERVISORY BODY— the audit board, in respect of the companies adopting the monist model; the auditing committee, in respect of the companies adopting the Anglo-Saxon model; the general and supervisory council, in respect of the companies adopting the dualistic model.
- F) INTERNAL REGULATION — Set of non-statutory provisions drafted by company's bodies or committees with a view to govern certain aspects, namely those relating to its composition, organisation and running.

CHAPTER I — GENERAL PART

General principle:

The adoption of good governance practices promotes and strengthens the performance of companies, as well as the performance of capital markets, and reinforces the confidence of investors, of employees and of the public in general in the quality of the management and the supervision of companies and in their sustained development.

I.1. Relationship of the company with investors and information

Principle:

Companies and, particularly, its directors shall treat in a fairly manner the shareholders and remaining investors, namely ensuring mechanisms and procedures for the adequate treatment and disclosure of information.

Recommendations:

I.1.1 The company shall implement a structure that ensures, in an adequate and strict manner, the disclosure of information in due time to the shareholders, investors, financial analysts and to the market in general.

I.1.2 The company shall maintain information processing systems which ensure: (i) the strict secrecy of the same until the time of its disclosure to the public, (ii) the efficient and timely production of information, (iii) its timely disclosure to the market in terms generally accessible, (iv) the internal registration of persons aware of inside information and (v) the storing of the relevant information on the company in safe databases.

I.2. Running of the company's bodies

Principle:

Companies shall have clear and transparent decision-making structures and ensure the maximum effectiveness of the running of its bodies and committees.

Recommendations:

I.2.1 The management and supervisory bodies and the committees of a company, of mandatory or optional existence, shall have internal regulations – namely as to the exercise of the respective powers, chair, periodicity of meetings, running and scope of duties of its members – and minutes of the respective meetings shall be drawn up.

I.2.2 Regulations must be entirely disclosed on the internet site of the company and the Government Report shall mention their existence.

I.2.3 The composition and the number of annual meetings of the management and supervisory bodies and of the remuneration committee shall be disclosed through the internet site of the company and in the Governance Report, where it shall also be disclosed the average percentage of members attending each meeting and the percentage of attendances of each member in all meetings.

I.2.4 The company's regulations shall foresee the existence, and promote the operation of, mechanisms of detection and prevention of irregularities as well as the adoption of a policy relating to the reporting of irregularities ensuring an adequate means for the communication and processing of the same, safeguarding the confidentiality of the information transmitted and the identity of the declarant, whenever such confidentiality is requested.

I.3. Relationship between the company's bodies

Principle:

Directors shall create the conditions aimed at, to the extent of the responsibilities of each body, ensuring the taking of pondered and efficient measures and, also, so that the company's several bodies act in an harmonious and articulated manner and possessing the adequate information for the exercise of the respective duties.

Recommendations:

I.3.1 The articles of association and/or internal regulations shall establish mechanisms which guarantee that the members of the management and supervisory bodies have permanent access to the information necessary for the assessment of the performance, of the status and of the prospects of development of the company, including, but not limited to, the access to minutes, to the documentation supporting the decisions taken, to convening notices or to the record of the meetings of the executive management body.

I.3.2 Each body and committee of the company shall ensure, in due time and in an adequate manner, the flow of information necessary for the exercise of the legal and statutory competences of each of the other bodies and commissions.

I.4. Conflicts of interest

Principle:

Mechanisms shall be in place to prevent the existence of current or potential conflicts of interest between the members of the bodies or corporate committees and the company. The member in conflict shall not interfere in the decision-making process.

Recommendations:

I.4.1. The internal regulation shall impose the obligation to the members of the bodies and corporate committees to inform in due time the respective body or committee as to the facts which may constitute or give rise to a conflict between its interests and the corporate interest.

I.4.2. The internal regulation of each body or corporate committee shall establish that the member in conflict shall not interfere in the decision-making process, without prejudice to the duty to provide information and clarifications that the body, the committee or the respective members request thereof.

I.4.3. The decision of the body on the existence of conflict of interest of a director is subject to confirmation by the Auditing Committee, the Audit Board or the General Council and of Supervision, as applicable, whenever the decision has not been taken by unanimity or the director in question so requests.

I.5. Governance Report

Principle:

The company shall provide separate information, in the Annual Report, as to the level of acceptance of the recommendations of this Code and, in the event of non-acceptance, shall explain the respective grounds. In order to be relevant within the scope of good corporate governance, the justification shall be specific and made in light of, and with reference to, the principles set out in the Code, including a specific statement if the company observes the principles in question and, if so, how is this made and, in the event of non-observance, the motives thereof.

Recommendation:

I.5. The information provided by the company as to the level of acceptance of the Code shall be complete, clear and objective, namely in what concerns the explanation as to the grounds for non-acceptance of the recommendations.

CHAPTER II — SHAREHOLDERS AND GENERAL MEETING

Principles:

II.A *The participation of shareholders in corporate governance constitutes a positive factor of corporate governance, as instrument for the efficient running of the company and for the accomplishment of the corporate purpose.*

II.B *The company shall, in general, favour and promote the personal participation of the shareholders at General Meetings, which is used as a space for communication between the shareholders and the corporate bodies and committees and for reflection on the company.*

Recommendations:

II.1. The Regulation of the management body shall establish the criteria and the terms in which the body shall request the general meeting to resolve on managements matters.

II.2. The remuneration of the Chairman of the General Meeting shall be included in the report on corporate governance.

II.3. The company shall disclose on its internet site, namely, the convening notice, any proposals of resolution previously submitted and respective justification, a clear explanation on the rules and procedures of the meeting, as well as maintain accessible therein, during, at least, 3 years, adequate historic information on the company (including financial year's reports and accounts and extracts of minutes of corporate resolutions from previous meetings).

CHAPTER III — EXECUTIVE MANAGEMENT

Principles:

III.A *In order to improve the efficiency and quality of the performance of the management body and the adequate flow of information to this body, the daily management of the company shall be entrusted to executive directors with the qualifications, skills and experience adequate to their duties. The executive management shall manage the company, pursuing the company's purposes and aiming to contribute to its sustained development.*

III.B *In the determination of the number of executive directors, besides the costs and the desirable agility of operation of the executive management, the company's size, the complexity of its activity as well as its geographic distribution, shall be considered.*

Recommendations:

III.1. The management body shall approve an internal regulation on the operation of the executive management. The executive management shall have the ability to govern other aspects of its own operation. In the event of a single executive director, the regulation shall set out the respective powers as well as the scope of duties.

III.2. Without prejudice to the collegiate basis in which the operation of the body should be based on, each executive director may be entrusted with certain matters, being, in such case, the duties of financial management separated from the duties of management of the risk system.

III.3. The minutes of the executive management body shall be periodically sent to the management and to the supervisory bodies.

III.4. The regulation of the management body shall foresee that the exercise, by the executive directors, of executive duties in companies outside of the group shall be authorised by the own management body or by the supervisory body.

CHAPTER IV — SUPERVISION AND AUDITING

Principles:

IV.A *The members of corporate bodies with supervisory duties shall exercise, in an effective and rigorous manner, a duty of supervision stimulating the executive management for the maximum accomplishment of the corporate purpose and such actions shall be supplemented by committees in central areas of corporate governance.*

IV.B *The composition of the supervisory body and the set of non-executive directors shall provide the company with a balanced and adequate diversity of knowledge, experiences and curricula.*

Recommendations:

IV.1 If the Chairman of the management body performs executive duties, there shall be an independent director entrusted with the coordination of the exercise of the duties by the non-executive directors.

IV.2 The number of non-executive members of the management body as well as the number of members of the supervisory body and the number of members of the committee for financial matters shall be adequate to the company's size and to the complexity of the risks inherent to its activity but sufficient to ensure with effectiveness the duties that are entrusted to them.

IV.3 Each company shall include an adequate number of non-executive directors which fulfil the requirements of independence imposed by law, calculated in view of its size and of the percentage of shareholding spread. At least, these shall represent 25% of the directors, except if the company's size justifies a lower percentage. For the purposes of this recommendation, the director who fulfils the requirements of article 414, no. 5 of the Companies Code is deemed as independent.

IV.4. The companies shall establish specialised committees adequate to their dimension and complexity, comprising, separately or cumulatively, the matters related with corporate governance, remunerations, performance evaluation and appointments.

IV.5. The systems of internal auditing and of risk management shall be structured in terms adequate to the company's size and to the complexity of the risks inherent to its activity.

IV.6. In order to verify the compliance by directors of their duty of availability, companies shall establish rules, through internal regulation, regarding the adequate maximum number of accumulation of positions in other companies.

IV.7 The Governance Report shall, in respect of the directors, provide up-to-date information as to (i) curriculum elements, (ii) professional occupations and (iii) the relationship with shareholders to whom is imputable more than 2% of the votes or with suppliers or clients with whom the company has commercial relationships that deems, through criterion set out in the internal regulation, significant.

CHAPTER V — PERFORMANCE EVALUATION AND REMUNERATION

V.1 Annual Performance Evaluation

Principle:

The company shall annually promote the performance evaluation of the executive body and of its members individually and also of the global performance of the management body and of the specialised committees created therewithin.

Recommendations:

V.1.1 The company's regulation shall foresee that a body or a committee carries out an annual performance evaluation of the executive management body, taking into account the compliance with the company's strategy, the performance of the management body as to risk management, the relationship of the latter with the supervisory body (and, if relevant, with the non-executive board of directors) and the performance in view of the accomplishment of the objectives, plans and budgets.

V.1.2 The performance evaluation of the management body and of its committees shall cover the respective internal operation, the contribution of each member for the good operation of the body or of the committee to which it belongs to and the relationship between the company's bodies and committees.

V.2 Remunerations

Principle:

The remuneration policy in relation to the members of the management and supervisory bodies shall enable the company to attract, at a cost adequate for its situation, qualified professionals, to induce an adequate alignment of the interests of such professionals with those of the shareholders – taking into account the actual growth generated by the company and the economic and market situations —and constitute a factor of development of a culture of professionalization, of promotion of merit and of transparency in the company.

Recommendations:

V.2.1 The setting of remunerations shall be entrusted to a committee which members are, in their majority, independent from the management.

V.2.2 The remuneration committee shall approve, at the beginning of each mandate, enforce and confirm, on an annual basis, the remuneration policy of the members of the bodies and committees of the company, within the scope of which are set out the respective fixed components and, as regards executive directors or directors provisionally vested in executive tasks, should a variable component of the remuneration exist, the respective criteria of granting and of measuring, the

mechanisms of limitation, the mechanism for the deferral of the payment of the remuneration and the mechanisms of remuneration based on options or actions of the own company.

V.2.3 The remuneration committee shall also approve, for each mandate, the regime of pensions for the directors, if the same are foreseen by the articles of association, and the maximum amount of all compensations to be paid to the member of any body or committee of the company by virtue of its respective termination of duties.

V.2.4 In order to provide information or clarifications to the shareholders, the chairman, or, in his impediment, another member from the remuneration committee, shall attend the annual general meeting and any other meeting if the respective items of the agenda include an issue related with the remuneration of the members of the bodies and committees of the company or if such attendance has been requested by the shareholders.

V.2.5. Within the budgetary limitations of the company, the remuneration committee shall be able to freely decide the contracting by the company of consultancy services necessary or convenient for the exercise of its duties. The remuneration committee shall ensure that the services are provided with independence and that the respective providers shall not be contracted for the provision of any other services to the company or to any other company which is in a controlling or group relationship with the company without the express authorisation from the Committee.

V.2.6. The Report on Corporate Governance shall provide, on an annual basis, information as to the activity of the committee or committees entrusted with remunerations and performance evaluation, including, namely, a list of the work developed, the identification of the consultants contracted and the overall amount paid by the services, requested or authorised by the committee or committees, whether such services have been provided to the company or to other companies that are in a controlling or group relationship with the former.

V.3 Directors' Remuneration

Principle:

The directors shall receive compensation:

- (i) *which adequately remunerates the responsibility undertaken, the availability and the skills placed at the company's service;*
- (ii) *which ensures actions aligned with the long-term interests of the shareholders as well as of others that the latter specifically identify; and*
- (iii) *which rewards the performance.*

Recommendations:

V.3.1 With a view of the alignment of interests between the company and the executive directors, a part of the latter's remuneration shall have variable nature

which reflects the sustained performance of the company and discourages the assumption of excessive risk-taking.

V.3.2. A significant part of the variable component shall be partially deferred for a period of time, not less than three years, being linked to the confirmation of the sustainability of the performance, within the terms defined in the company's regulation.

V.3.3. The Report on Corporate Governance shall:

- (i) quantify the amount of the variable component deferred and explain the criteria from which depend upon the confirmation of its payment;
- (ii) inform on the remuneration granted to each executive director, discriminating the fixed component from the variable one and, in the latter, the amounts already paid, as well as those deferred, and inform on the pension rights acquired by each executive director;
- (iii) disclose information as to remunerations earned in other controlled or dependent companies.

V.4. Appointments

Principle:

Regardless of the way of appointment, the profile, knowledge and curriculum of the members of the management and supervisory bodies shall be adequate to the duty to be performed.

Recommendations:

V.4.1. Unless the company's size does not justify so, the follow-up and support of appointments shall be entrusted to a committee which may perform other duties but which shall include at least one independent member.

V.4.2. The Committee shall adopt mechanisms which render easy future successions and shall follow-up the process of appointment of superior staff and of holders of positions in affiliated companies.

CHAPTER VI – RISK MANAGEMENT

Principle:

Based on its medium and long-term strategy, the company shall implement a system of risk management and control and of internal auditing which enables the company to anticipate and minimise risks inherent to its activity.

Recommendations:

VI.1 The Management body shall discuss and approve the strategic plan and the risk policy of the company, which includes the definition of levels of risk deemed acceptable.

VI.2 Based on its risk policy, the company shall implement a risk management system, identifying (i) the main risks to which it is subject in the development of its activity, (ii) the probability of occurrence of such risks (iii) the instruments and measures to be adopted aimed at covering such risks, (iv) the internal procedure of communication of occurrences and management of the same and (v) the procedure of monitoring, periodical evaluation and adjustment of the system.

VI.3 The company shall assess, on an annual basis, the level of internal compliance and the performance of the risk management system as well as the perspective of change of the risk framework previously defined.

VI.4 The company shall include in the governance report adequate information as to the evaluation of the risk management system.

CHAPTER VII — FINANCIAL INFORMATION

VII.1 Financial Information and Supervision

Principles:

VII.A. *The management body is responsible for adopting adequate accounting policies and criteria and for establishing adequate systems for the financial report, for the internal control, for risk management and for its monitoring.*

VII.B. *The supervisory body shall, independently and with diligence, ensure that the management body complies with its responsibilities.*

VII.C. *The supervisory body shall promote an adequate articulation between the internal auditing work and the external auditing work.*

Recommendations:

VII.1.1. The supervisory body shall ensure that the management body has in place adequate processes for drafting and disclosing financial information, which includes the criteria for the definition of accounting policies, drafting of estimates, judgments, relevant disclosures and its consistent applicability between financial years, duly documented and communicated.

VII.1.2. The supervisory body shall, on the report on corporate governance, provide annual information as to the manner in which it has ensured:

- (i) That the structure of internal auditing has performed its duties with independence and competence;
- (ii) That the recommendations and conclusions of the internal auditing and of the external auditor were taken into account in the company's activity and reports.

VII.2 External auditing

Principle:

It is up to the supervisory body to establish and monitor formal, clear and transparent procedures as to the manner of selection, and relationship of, the company with the external auditor and as to the supervision of the compliance by the latter of the rules of independence that the law and the professional rules impose to the same.

Recommendations:

VII.2.1 The supervisory body shall, through regulation, determine:

- i) The criteria and process of selection of the external auditor;
- ii) The method of communication of the company with the external auditor;
- iii) The supervision procedures aimed to ensure the external auditor's independence;
- iv) The services besides those of auditing that may not be rendered by the auditor.

VII.2.2 The supervisory body shall provide annual information, on the report on corporate governance, as to the manner in which the same supervised the independence of the external auditor.

VII.2.3 The internal regulation of the company shall oblige the supervisory body to issue a reasoned opinion as to the maintenance or not of the auditor at the end of each mandate.

VII.2.4 The internal regulation of the company shall make dependent upon authorisation from the supervisory body the rendering of services different from those of auditing by the auditor or by another entity that integrates the same network.