

CORPORATE GOVERNANCE CODE

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INTRODUCTION

The development of securities markets has led to intense debate on the structure and control of companies with capital open to public investment. By no means a new problem, it has generally been categorized as being an issue related to corporate governance, which, being linked to the universal question of perfecting mechanisms for protecting investors, has extended to all international markets.

The term "corporate governance" refers to the system of rules and codes of conduct relating to the management and control of companies. Issuers whose shares are listed on a regulated market are the focal point in the corporate governance issue, and comprise both internal and external aspects. Internal in the sense that it implies the application of sets of organizational rules within each listed company and external, in that it relates to the evaluation of the general performance of companies which are based on the normal functioning of market mechanisms, which in turn requires the institutional investors' vital participation.

Due to company internationalisation, it is now crucial that one levels off security and organizational issues for all agents operating the markets. Thus, in view of market globalization, Portugal can no longer overlook this issue.

Based on the conviction that the national legal system is already sufficiently equipped with solutions that adequately address problems associated with corporate governance, these recommendations seek to entice the national audience with a set of practices that are internationally recognized to encourage sound corporate governance. This analysis of corporate governance, is not designed to impose rigid and uniform models. It is rather aimed at contributing to the optimum development of companies and at protecting the interests of all those who are involved in these companies. Besides this, the present document endeavours to offer significant analysis on the issue of corporate governance in Portugal. These recommendations are understood to be an exercise for defining the best practices required to increase the efficiency of both listed companies and the securities market.

Although companies issuing shares admitted to trading on a regulated market and institutional investors, are at the heart of this problem, these recommendations may also be followed by companies whose shares are not admitted to trading on a regulated market.

As this document comprises a set of recommendations, it is essential that one assess its acceptance by the market. After all, the market itself is in the best position to evaluate the effectiveness of options linked to management and control that are adopted by listed companies and institutional investors.

These recommendations have evolved significantly, both in terms of their content and in terms of the corresponding regulatory developments. The original version, issued in 1999, was accompanied by a recommendation on the public disclosure of compliance with these recommendations. Two years later, CMVM Regulation 07/2001 obliged companies issuing shares that were admitted to trading on a regulated market, to disclose annual information on various aspects linked with corporate governance. Of particular importance is information related to the level and means of compliance with the present recommendations or to non-compliance and the reasons thereof.

In 2003, although maintaining the fundamental aspects of Regulation 7/2001, in particular the *comply or explain* viewpoint, a further update was published, so as to make the annual report on corporate governance more complete. In 2005, the dominant tone of the amendments introduced was related to the improvement of the internal control systems of companies. Just as these Recommendations have evolved, the level of compliance by Portuguese companies has augmented, which is to be applauded. The current version of these set of recommendations is now known as 'CMVM Corporate Governance Code'. The progress that has been achieved in the contents of these recommendations has originated from amendments made to the regulatory framework of the public governance format under Decree-Law 76/A/2006 of 29 March.

Suggestions and opinions on this document are always welcome, and is thus subject to amendments and addenda.

I. General Meeting

I.1 General Meeting Board

I.1.1 The Chair of the General Meeting Board shall be equipped with the necessary and adequate human resources and logistic support, taking the financial position of the company into consideration.

I.1.2 The remuneration of the Chair of the General Meeting Board shall be disclosed in the annual report on corporate governance.

I.2 Participation at the Meeting

I.2.1 The obligation to deposit or block shares before the General Meeting, contained in the articles of association, shall not exceed 5 working days.

I.2.2 Should the General Meeting be suspended, the company shall not compel share blocking during that period until the meeting is resumed and shall then follow the standard requirement of the first session.

I.3 Voting and Exercising Voting Rights

I.3.1 Companies may not impose any statutory restriction on postal voting.

I.3.2 The statutory deadline for receiving early voting ballots by mail shall not exceed 3 working days.

I.3.3 The company's articles of association shall provide for the one share-one vote principal.

I.4 Quorum and Resolutions

I.4.1 Companies shall not set a constitutive or deliberating quorum that outnumbers that which is prescribed by Law.

I.5 Attendees List, Minutes and Information on Resolutions Passed

I.5.1 The minutes of the General Meetings shall be made available to shareholders on the company's website within a 5 day period, irrespective of the fact that such information may not be legally classified as material information. The list of attendees, agenda items of the minutes and resolutions passed during such meetings shall be kept on file on the company's website for a 3 year period.

I.6 Measures on Corporate Control

I.6.1 Measures aimed at preventing successful takeover bids, shall respect both the company's and the shareholders' interests.

I.6.2 In observance to the principle of the previous sub-paragraph, the company's articles of association that restrict/limit the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Meeting, (5 year intervals, at least) on whether that statutory provision is to prevail – without super quorum requirements as to the one legally in force – and that in said resolution, all votes issued be counted, without applying said restriction.

I.6.3. In cases such as change of control or changes to the composition of the Board of Directors, defensive measures should not be adopted that instigate an immediate and serious asset erosion in the company, and further disturb the free transmission of shares and voluntary assessment of the performance of the Board of Directors by the shareholders.

II. Management and Supervisory Boards

II.1. General Points

II.1.1. Structure and Duties

II.1.1.1 The Board of Directors shall assess the adopted model in its governance report and pin-point possible hold-ups to its functioning and shall propose measures that it deems fit for surpassing such obstacles.

II.1.1.2 Companies shall set up internal control systems in order to efficiently detect any risk to the company's activity by protecting its assets and keeping its corporate governance transparent.

II.1.1.3 The Management and Supervisory Boards shall establish internal regulations and shall have these disclosed on its website.

II.1.2 Governance Incompatibility and Independence

II.1.2.1 The Board of Directors shall include a number of non-executive members that ensure the efficient supervision, auditing and assessment of the executive members' activity.

II.1.2.2 Non-executive members must include an adequate number of independent members. The size of the company and its shareholder structure must be taken into account when devising this number and may never be less than a fourth of the total number of Directors.

II.1.3 Eligibility Criteria for Appointment

II.1.3.1 Depending on the applicable model, the Chair of the Audit Board, the Audit Committee or the Financial Matters Committees shall be independent and be adequately capable to carry out its duties.

II.1.4 Policy on the Reporting of Irregularities

II.1.4.1 The company shall adopt a policy whereby irregularities occurring within the company, are reported. Such reports should contain the following information: i) the means through which such irregularities may be reported internally, including the persons that are entitled to receive the reports; ii) how the report is to be handled, including confidential treatment, should it be required by the reporter.

II.1.4.2 The general guidelines on this policy should be disclosed in the corporate governance report.

II.1.5 Remuneration

II.1.5.1 The remuneration of the members of the Board of Directors shall be aligned with the interests of the shareholders. Thus: i) The remuneration of Directors carrying out executive duties should be based on performance and a performance assessment shall be carried out periodically by the competent body or committee; ii) the level of remuneration shall be consistent with the maximization of the long term performance of the company, and shall be dependent on sustainability of the levels of the adopted performance; iii) when the remuneration of non-executive members of the Board of Directors is not legally imposed, a fixed amount should be set.

II.1.5.2 The Remuneration Committee and the Board of Directors shall submit a statement on the remuneration policy to be presented at the Annual Shareholders General Meeting on the Management and Supervisory bodies and other directors as provided for in Article 248/3/b of the Securities Code. The shareholders shall be informed on the proposed criteria and main factors to be used in the assessment of the performance for determining the level (share bonuses; option on share acquisition, annual bonuses or other awards).

II.1.5.3 At least one of the Remuneration Committee's representatives shall be present at the Annual Shareholders' General Meeting.

II.1.5.4 A proposal shall be submitted at the General Meeting on the approval of plans for the allotment of shares and/or options for share purchase or further yet on the variations in share prices, to members of the Management and Supervisory Boards and other Directors within the context of Article 248/3/B of the Securities Code. The proposal shall mention all the necessary information for its correct assessment. The proposal shall contain the regulation plan or in its absence, the plan's general conditions. The main characteristics of the retirement benefit plans for members of the Management and Supervisory Boards and other Directors within the context of Article 248/3/B of the Securities Code, shall also be approved at the General Meeting.

II.1.5.5 The remuneration of the members of the Management and Supervisory Boards shall be individually and annually disclosed and, information on fixed and variable remuneration must be discriminated as well as any other remuneration received from other companies within the group of companies or companies controlled by shareholders of qualifying holdings.

II.2. Board of Directors

II.2.1 Within the limits established by Law for each Management and Supervisory structure, and unless the company is of a reduced size, the Board of Directors shall delegate the day-to-day running and the delegated duties should be identified in the Annual Report on Corporate Governance.

II.2.2 The Board of Directors shall ensure that the company acts in accordance with its goals, and should not delegate its duties, namely in what concerns: i) definition of the company's strategy and general policies; ii) definition of the corporate structure of the group; iii) decisions taken that are considered to be strategic due to the amounts, risk and particular characteristics involved.

II.2.3 Should the Chair of the Board of Directors carry out executive duties, the Board of Directors shall set up efficient mechanisms for coordinating non-executive members that can ensure that these may decide upon, in an independent and informed manner, and furthermore shall explain these mechanisms to the shareholders in the corporate governance report.

II.2.4 The annual management report shall include a description of the activity carried out by the non-executive Board Members and shall mention any restraints encountered.

II.2.5. The management body should promote member replacement for financial matters at least after a 2 year mandate.

II.3 Chief Executive Officer (CEO), Executive Committee and Executive Board of Directors

II.3.1 When Directors that carry out executive duties are requested by other Board Members to supply information, the former shall do so in a timely manner and the information supplied must adequately suffice the request made.

II.3.2 The Chair of the Executive Committee shall send the convening notices and minutes of the meetings to the Chair of the Board of the Directors and, when applicable, to the Chair of the Supervisory Board or the Auditing Committee.

II.3.3 The Chair of the Executive Board of Directors shall send the convening notices and minutes of the meetings to the Chair of the General and Supervisory Board and to the Chair of the Financial Matters Committee.

II.4. General and Supervisory Board, Financial Matters Committee, Audit Committee and Audit Board

II.4.1 Besides fulfilling its supervisory duties, the General and Supervisory Board shall advise, follow-up and carry out on an on-going basis, the assessment on the management of the company by the Executive Board of Directors. Besides other subject matters, the General and Supervisory Board shall decide on: i) definition of the strategy and general policies of the company; ii) the corporate structure of the group; and iii) decisions taken that are considered to be strategic due to the amounts, risk and particular characteristics involved.

II.4.2 The annual reports and financial information on the activity carried out by the General and Supervisory Committee, the Financial Matters Committee, the Audit Committee and the Audit Board shall be disclosed on the company's website together with the financial statements.

II.4.3 The annual reports on the activity carried out by the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Audit Board shall include a description on the supervisory activity and shall mention any restraints that they may have come up against.

II.4.4 The Financial Matters Committee, the Audit Committee and the Audit Board (depending on the applicable model) shall represent the company for all purposes at the external auditor, and shall propose the services supplier, the respective remuneration, ensure that adequate conditions for the supply of these services are in place within the company, as well as being the liaison officer between the company and the first recipient of the reports.

II.4.5 According to the applicable model, the Committees for Financial Matters, Audit Committee and the Audit Board, shall assess the external auditor on an annual basis and advise the General Meeting that he/she be discharged whenever justifiable grounds are present.

II.5. Special Committees

II.5.1 Unless the company is of a reduced size and depending on the adopted model, the Board of Directors and the General and Supervisory Committees, shall set up the necessary Committees in order to: i) ensure that a competent and independent assessment of the Executive Directors' performance is carried out, as well as its own overall performance and further yet, the performance of all existing Committees; ii) study the adopted governance system and verify its efficiency and propose to the competent bodies, measures to be carried out with a view to its improvement.

II.5.2 Members of the Remuneration Committee or alike, shall be independent from the Members of the Board of Directors.

II.5.3 All the Committees shall draw up minutes of the meetings held.

III. Information and Auditing

III.1 General Disclosure Duties

III.1.2 Companies shall maintain permanent contact with the market thus upholding the principle of equality for shareholders and ensure that investors are able to access information in a uniform fashion. To this end, the company shall create an Investor Assistance Unit.

III.1.3 The following information that is made available on the company's Internet website, shall be disclosed in the English language:

- a) The company, public company status, headquarters and remaining data provided for in Article 171 of the Commercial Companies Code;
- b) Articles of Association;
- c) Credentials of the members of the Board of Directors and the Market Liaison Officer;
- d) Investor Assistance Unit – its functions and access tools;
- e) Accounts Reporting documents;
- f) Half-Yearly Calendar on Company Events;
- g) Proposals sent through for discussion and voting during the General Meeting;
- h) Notices convening meetings.