

SONAE INDÚSTRIA

**CORPORATE
GOVERNANCE
REPORT**

2015

17 February 2016

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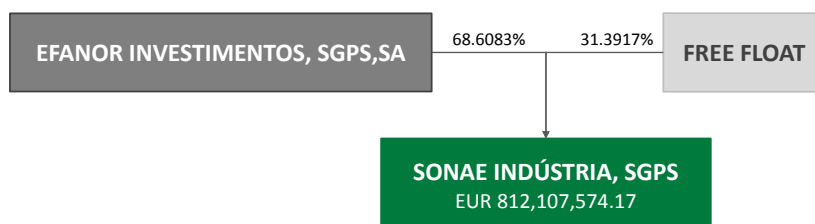
PART I – MANDATORY INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A.SHAREHOLDER STRUCTURE

I. CAPITAL STRUCTURE

- 1. Capital structure (share capital, number of shares, capital distribution, etc.), including information regarding shares not admitted to trading on a regulated market, different categories of shares, rights and duties incurred and share capital percentage by category (Article 245-A, number 1, paragraph a))**

Sonae Indústria's share capital amounts to 812,107,574.17 Euros and is represented by 11,350,757,417 ordinary nominal shares without nominal value. All shares are admitted to trading on the NYSE Euronext Lisbon. Sonae Indústria's share capital is distributed according to the below illustration (the qualified shareholding attributed to Efanor in the picture below is better explained in item 7 of this report):



- 2. Restrictions to the transfer of shares, such as clauses of consent on sale of shares, or restriction on ownership of shares (Article 245-A, number 1, paragraph b))**

No restrictions are in place regarding the transfer and sale of the company's shares.

- 3. Number of own shares, corresponding percentage of share capital and voting rights (Article 245-A, number 1, paragraph a))**

The company at the date of 31st December 2015 did not own any of its own shares.

- 4. Relevant shareholders' agreements which come into force, are amended or cancelled in the event of change of control by means of a public offer, the resulting effects thereof, whose disclosure is not adverse to the company, except when the company is specifically obliged to disclose that information due to legal requirements (Article 245-A, number 1, paragraph j))**

As of 31 December 2015, loans from financial institutions, amounted to a total circa 450 million Euros (79% of the consolidated net debt), relative to which the respective creditors have the option to consider the debt due in the event of a change in shareholder ownership.

Summary	Million €	No. Contracts
Commercial Paper	126	5
Bonds	150	1
Bank Loans	174	6
Total	450	12

Nevertheless, such agreements do not harm the free trading of the company shares, nor they interfere with the shareholders evaluation on the management bodies' performance, as these defend the social interests, aiming to ensure the sustainability of the business in the long term under the current market conditions.

5. Defensive measures in case of change in shareholding control

There are no statutory constraints regarding the number of votes that may be cast by a single shareholder.

6. Shareholders' agreements known to the company that may result in restrictions to the transfer of shares or voting rights (Article 245-A, number 1, paragraph g))

The company is unaware of the existence of a shareholders' agreement, which may restrict the transfer of its securities or voting rights.

II. SHAREHOLDINGS AND BONDS HELD

7. Identification of the individuals or companies that, directly or indirectly, hold a qualified shareholding (Article 245-A, number 1, paragraphs c) and d) and Article 16), indicating, in detail, the percentage of share capital and voting rights entitled, as well as the source and causes of such entitlement

Shareholder	No. of shares	% Share Capital	% Voting rights
Efanor Investimentos, SGPS, SA (1)			
Directly	4,842,637,142	42.6636%	42.6636%
By Pareuro, BV (controlled by Efanor Investimentos, SGPS, SA)	2,932,687,752	25.8369%	25.8369%
By Maria Margarida CarvalhaisTeixeira de Azevedo (Director of Efanor Investimentos, SGPS, SA)	1,010	0.000009%	0.000009%
By Migracom, SGPS,SA (Company controlled by Efanor Investimentos, SGPS, SA's Director, Duarte Paulo Teixeira de Azevedo)	9,732,857	0.0857%	0.0857%
By Linhacom, SGPS,SA (Company controlled by Efanor Investimentos, SGPS, SA's Director, Maria Cláudia Teixeira de Azevedo)	2,507,400	0.0221%	0.0221%
Total allocation	7,787,566,161	68.6083%	68.6083%

(1) Under the terms of paragraph b) of no. 1 of Article 20 and of no. 1 of Article 21 of the Portuguese Securities Code, Belmiro Mendes de Azevedo, is the ultimate beneficial owner, since he is the controlling shareholder of Efanor Investimentos SGPS, SA, which, in her turn, is the dominant company of Pareuro BV.

8. Indication of the number of shares and bonds held by members of the management and Supervisory Board

The Sonae Indústria directors detained the following company shares as of 31 December 2015:

Number of Shares		Number of Shares	
Duarte Paulo Teixeira de Azevedo		(2) Pareuro, BV	
Efanor Investimentos, SGPS, SA (1)	Minoritary	Sonae Indústria, SGPS, SA	2,932,687,752
Migracom, SGPS, SA (3)	Dominant		
Rui Manuel Gonçalves Correia		(3) Migracom, SGPS, SA	
Sonae Indústria, SGPS, SA	6,807,809	Sonae Indústria, SGPS, SA	9,732,857
		Imparfin, SGPS, SA (4)	Jointly controlled
(1) Efanor Investimentos, SGPS, SA		(4) Imparfin, SGPS, SA	
Sonae Indústria, SGPS, SA	4,842,637,142	Sonae Indústria, SGPS, SA	30,098,752
Pareuro, BV (2)	Dominant		

9. Special powers of the managing bodies, namely in respect to resolutions concerning share capital increase (Article 245-A, number 1, paragraph i)), indicating the date these powers were attributed, the date these competencies expire, the maximum quantitative limit of the share capital increase, the amount issued in accordance with the attribution of powers and the means for accomplishment of the attributed powers

The Sonae Indústria Board of Directors may decide to increase the company's share capital up to the amount of one thousand and two hundred million Euros, one or more times, through cash injections under the terms established by law. These powers were renewed in the General Meeting held on 4 April 2014 and may be exercised over a period of five years from that date, notwithstanding the general meeting decision to renew these powers again.

The Board of Directors under the use of the powers that were attributed to it has decided in 2014, with the favourable opinion of the Supervisory Board, to proceed with a share capital increase in an amount up to 150 million euros, limited to the subscriptions collected, which were in the amount of 112,107,574.17 euros.

10. Information regarding the existence of relevant relationships of commercial nature between the owners of qualified shareholdings and the company

There are no significant commercial relationships between the owners of the qualified shareholdings and the company.

B. GOVERNING BODIES AND COMMITTEES

I. GENERAL MEETING

a) Composition of the general meeting board

11. Identification and role of the members of the board of the Shareholders' general meeting and respective mandate

The Board of the Shareholders' General Meeting was elected at the Shareholders' Annual General Meeting of Sonae Indústria held on 31 March 2015, for the mandate 2015-2017 and is composed by:

- Carlos Manuel de Brito do Nascimento Lucena - Chairman
- Maria Daniela Farto Baptista Passos – Secretary

Up to the date of the Shareholders' General Meeting mentioned above, the chairman of the Shareholder's General Meeting was António Agostinho Cardoso da Conceição Guedes.

b) Exercise of Voting rights

12. Restrictions in terms of voting rights such as limitations to vote depending on the ownership of a number or percentage of shares, deadlines to exercise the voting right, or systems that highlight rights of asset contents (Article 245-A, number 1, paragraph f))

Under the terms of Sonae Indústria's Articles of Association, the Shareholders' General Meeting is composed only of shareholders with voting rights who provide evidence of their ownership, according to the terms established by law.

The Article 23^o-C of the Securities Code, added, establishes that, who is entitled to participate, discuss and vote in the Shareholders' General Meeting, are shareholders who at the record date, which corresponds to 0 hours of the 5th trading day prior to the date of the meeting, hold at least one vote, according to law and the statutes.

Under the terms of Sonae Indústria's Articles of Association, shareholders may be represented at Shareholders' General Meetings under the terms established by the law and by the respective notice of the meeting.

Under Sonae Indústria's Articles of Association, Shareholders' General Meetings can meet at the first session, as long as shareholders representing over fifty percent of the Company's share capital are present or represented.

The Company's Articles of Association stipulate that, while the Company is regarded as a listed and "publicly traded company", shareholders are allowed to vote by post in relation to all items on the agenda of the Shareholders' General Meeting, following the rules for the exercise of voting by post. The Company's Articles of Association establish that votes can only be considered when sent to the headquarters of the Company by registered post with notification of receipt addressed to the Chairman of the Shareholders' General Meeting. These votes should be received at least three days before the date of the General Meeting and are subject to the normal rules regarding evidence of share ownership. Postal votes are considered negative votes in relation to any proposals presented after the date on which they were issued. A standard form for postal voting is available at Sonae Indústria's corporate website www.sonaeindustria.com and at its head offices.

Sonae Indústria Articles of Association stipulate that the postal voting may be exercised by electronic means if this medium is made available to shareholders and is included in the notice of the meeting. This possibility has not been used yet. Nevertheless, the company is currently developing a system to implement the electronic vote, which is expected to be available for the Shareholder's General Meeting of 2016.

The preliminary information for the General Meeting and the proposals submitted by the Board of Directors are available at the time of disclosure of the notice of meeting.

The company has not adopted any mechanism that causes a time lag between the entitlement to receive dividends or the subscription of new securities and the right to vote of each share.

13. Indication of the maximum percentage of voting rights that may be exercised by a single shareholder or by shareholders that are related to him of article 20, number 1

Each share corresponds to one vote, with no limitation.

14. Identification of the shareholders' resolutions that, under the terms of the company's articles of association, can only be approved by qualified majority, apart from the legal ones, and description of those majorities

The decisions are taken by simple majority, apart from when law stipulates otherwise.

II. MANAGEMENT AND SUPERVISION

a) Composition

15. Identification of the governance model adopted

The Sonae Indústria's Articles of Association define a corporate governance model of the company composed by a Board of Directors, a Statutory Audit Board and a Statutory External Auditor.

The Board of Directors examines annually the advantages and possible disadvantages of adopting this model.

The Board of Directors believes that the model favours the interests of the company and its shareholders, being effective and having not faced any constraints to its operation.

16. Statutory rules concerning procedural and material requirements applicable to the appointment and replacement of the members of the Board of Directors (Article 245-A, number 1, paragraph h))

Under the terms of the Articles of Association, the Board of Directors may consist of an even or odd number of members, with a minimum of five and a maximum of nine, elected by the General Meeting for three-year mandates.

Members of the Board of Directors are elected by the Shareholders' General Meeting. Groups of shareholders representing between 10% and 20% of the Company's share capital, may submit a stand-alone proposal to nominate a Director in advance of the Shareholders' General Meeting. Such shareholder cannot support more than one list of Directors and each list must identify at least two eligible persons to fill each position on the Board. If lists are submitted by more than one group of shareholders, the voting will be based on all of these lists.

In the event of death, resignation or temporary or permanent inability of any of the Directors, the Board of Directors is responsible for his or her replacement. If the Director in question was nominated by minority shareholders, a new separate election must be held.

17. Composition of the Board of Directors, indicating the minimum and maximum number of members according to the company statutes, duration of the mandate, number of effective members, date of the first appointment e date of the end of the mandate of each member

The Sonae Indústria Board of Directors on 31 December 2015 comprised 8 directors, all elected in the Annual General Meeting held on 31 March 2015 for the 2015-2017 mandate.

Date of the Sonae Indústria Directors first appointment:

- Duarte Paulo Teixeira de Azevedo - 15 December 2005;
- Carlos António da Rocha Moreira da Silva – 12 November 2014;
- Albrecht Olof Lothar Ehlers – 8 September 2011;
- Javier Vega de Seoane Azpilicueta – 29 March 2012;
- José Joaquim Romão de Sousa – 31 March 2015;
- Rui Manuel Gonçalves Correia - 22 July 2002;
- Kurt Jan Bergmann - 29 March 2012;
- George Christopher Lawrie – 12 April 2013.

On 31st December 2015 the Board of Directors of Sonae Indústria was composed of:

- Duarte Paulo Teixeira de Azevedo – Chairman (Non-Executive)

- Carlos António da Rocha Moreira da Silva – Deputy Chairman (Non-Executive and independent)
- Albrecht Olof Lothar Ehlers (Non-Executive and Independent)
- Javier Vega de Seoane Azpilicueta (Non-Executive and Independent)
- José Joaquim Romão de Sousa (Non-Executive and Independent)
- Rui Manuel Gonçalves Correia (Executive)
- George Christopher Lawrie (Executive)
- Kurt Jan Bergmann (Executive)

Up to the Shareholders' General Meeting data, Belmiro de Azevedo was the Chairman of the Board of Directors.

18. Distinction between executive and non-executive members of the Board of Directors and, in relation to non-executive members, identification of the members that may be considered as independent

Among the eight (8) directors, three (3) are executive members and five (5) are non-executive members, as indicated in the previous item.

Among the non-executive Directors, four (4) are independent, also as indicated in previous item. As for the director Albrecht Olof Lothar Ehlers, it is deemed that the annual payment of 12,300 Euros, which he receives from the subsidiary Glunz, AG for his role as part of its Supervisory Board, does not compromise his independence.

19. Professional qualifications and other relevant curricular information of each of the members of the Board of Directors

Paulo Azevedo (Chairman of the Board of Directors): Holds a degree in Chemical Engineering from the Lausanne Polytechnic School (Switzerland) and a post-graduate degree in Business Studies (MBA) from the Oporto Business School (ex-EGP). Was CEO of Optimus – Telecomunicações S.A. between 1998 and 2000; CEO of Sonaecom between 2000 and 2007 and is CEO of Sonae SGPS, S.A. since May 2007. Holds a number of managerial and directorship roles in the Efanor/Sonae Group. Paulo Azevedo is Belmiro de Azevedo's son.

Javier Vega (Independent): obtained a degree in Mining Engineering by the Escuela Técnica Superior de Ingenieros de Minas of Madrid and in Business Management from Glasgow Business School (UK). He was a member of the Board of Directors of several companies such as Robert Bosch, Red Eléctrica de España, SEAT and Grupo Ferrovial. Currently performs other Board positions.

Albrecht Ehlers (Independent): lawyer; law degree from the University of Münster (Germany). From 1987 to 2000 held various positions in the legal and human resources departments of Glunz AG, having been appointed in 1995 to join the Executive Board (Vorstand) of that company, with responsibilities in several areas including human resources and legal department. Between 2000 and 2004 he was senior vice president of Hochtief AG (Germany) with particular responsibility in the areas of human resources and corporate services. From 2004 until 2009 he joined the Executive Board (Vorstand) of that company. Since the year 2010 he holds functions of chancellor at the Technical University of Dortmund (Germany).

Carlos Moreira da Silva (Deputy Chairman of the Board of Directors and Independent): Degree in Mechanical Engineering – Universidade do Porto, MSc in Management Sci. and Operational Research (University of Warwick – UK) and PhD in Management Sciences (University of Warwick – UK). Auxiliary professor of Faculdade de Engenharia of U.P. between November 1982 and March 1987, director of EDP, Electricidade de Portugal, E.P. (March 1987 and August 1988), occupied several positions in companies of Sonae Group / Sonae Indústria Group between September 1988 and January 2000, having, thereafter, in 2003, occupied the position of CEO of Sonae Indústria, SGPS, SA until April 2005, as well as in other companies of Sonae Indústria Group. Was member of Advisory Board of 3i Spain (2005-2012), member of the Supervisory Board of Jeronimo Martins Dystrybcuja, SA (2009 to 2012) and Chairman of the Board of Directors of La Seda de Barcelona (2010-2014). Currently exercises position of Chairman of BA Group and is member of the Board of Directors of Banco BPI.

José Romão de Sousa (Independent): Holds a BSc in Chemical and Industrial Engineering – IST, Universidade de Lisboa (Portugal) and a PhD in Chemical Engineering – Imperial College, University of London (UK). Large experience in the manufacturing industry, in particular in the areas of chemicals (formaldehyde resins, adhesives and water-borne emulsion resins) and plastics (Vinyl and polyolefin extrusion and calendaring). Has had several management functions in the ProHolding group, being still today non-executive Chairman of several group companies and associated companies, including a new venture into biologic fungicides. Experience in the financial sector, namely in private equity, portfolio management and stock broker company. Currently, is Chairman of the Board of Directors of Promotor SGPS, SA and Epoli-Espumas de Polietileno SA, among other companies.

Rui Correia (CEO): holds a degree in Economics from the University of Oporto and a post graduate degree in Business Management from the Oporto Institute of Business Studies. Having exercised functions in the Efanor/Sonae Group since 1994, he was head of the Finance Department of Sonae SGPS from 2000 and since 2001, he has also held a number of managerial and directorship roles in the Efanor/Sonae Group. He was appointed as Sonae Indústria CFO in 2005 and Sonae Indústria CEO in February 2013.

Christopher Lawrie (CFO): BA (Honours) Degree in Business Studies and Finance of Greenwich University (UK). He has broad experience in investment banking, having worked with Schrodgers, BZW and Credit Suisse where he was Director of the Corporate Finance Division covering specifically Southern European Telecoms markets. In 2001, he joined Sonae/Efanor Group as CFO of Sonaecom and, later, he was appointed CEO of Sonae Retail Properties. In 2013, he was appointed CFO of Sonae Indústria.

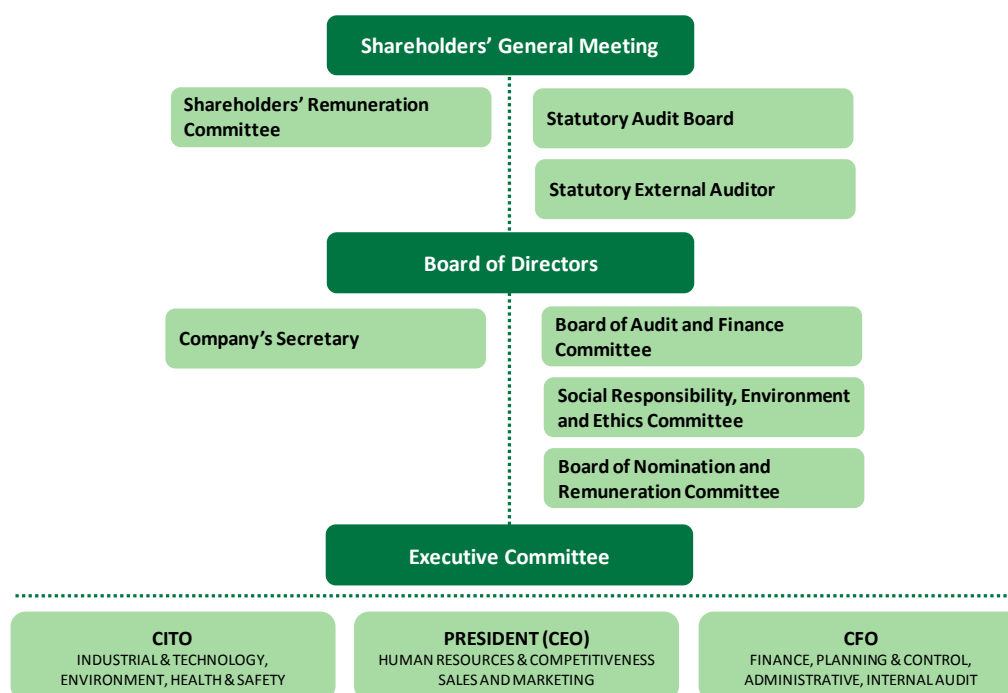
Jan Bergmann (CITO): obtained a degree in Engineering by Berlin University (Germany), “Dr.-ING” Technical University of Berlin, Business Administration and Finance for Technical Managers – European School of Management and Technology. Held various positions within the Group DuPont and joined Glunz AG in January 2011.

20. Significant family, professional or commercial relationships between members of Board of Directors and qualified shareholders with more than 2% of the voting rights

Paulo Azevedo is the son of Belmiro de Azevedo, who, under the terms of paragraph b) of no. 1 of Article 20 and of no. 1 of Article 21 of the Portuguese Securities Code, is the ultimate beneficial owner, since he is the controlling shareholder of Efanor Investimentos SGPS, SA, which, in her turn, is the dominant company of Pareuro BV.

21. Organisational charts with distribution of competencies of the various statutory bodies, committees and/or departments of the company, including information regarding delegation of competencies, particularly in what concerns the delegation of day-to-day company business

The responsibilities of the different governing bodies and committees of the company is split as follows:



The Board of Directors has delegated powers the broadest managing powers to the Executive Committee to manage operations of the Company, including all legal and statutory competences that are attributed to the Board of Directors, with exception of:

- a) appointing the Chairman of the Board;
- b) co-opting a substitute for a member of the Board;
- c) convening Shareholders' General Meetings;
- d) approving the Annual Report and Accounts;
- e) granting any pledge, guarantee or charge over the Company's assets;
- f) deciding to change the Company's headquarters and to approve any share capital increases;
- g) deciding on mergers, de-mergers and modifications to the corporate structure of the Company;
- h) approving the Company's Business Plan and Annual Budget;
- i) deciding key features of personnel policies including stock incentive plans and variable remuneration plans applicable to Executives and Senior Managers, in areas that do not require resolutions from the Shareholders' Remuneration Committee or deliberations at Shareholders' General Meetings, together with decisions on individual compensation for Executives and Senior Managers, which competence is delegated to the Board Nomination and Remuneration Committee and, when these Executives are Officers of the Company, also require decisions from the Shareholders' Remuneration Committee or deliberations at Shareholders' General Meetings;
- j) defining or changing major accounting policies of any company included in the consolidation perimeter of Sonae Indústria Group;
- k) approving quarterly and half-yearly reports and accounts;
- l) selling, acquiring directly or by long-term lease or transacting in any other way, investments classified as tangible fixed assets where the individual transaction value is in excess of 5,000,000 Euros;

- m) purchasing or subscribing new shares in the share capital of any subsidiary company where the accumulated amount exceeds 20,000,000 Euros in any financial year;
- n) investing in any other company or in other financial assets when the accumulated value is in excess of 10,000,000 Euros in any financial year;
- o) making any other financial investment which exceeds the accumulated amount of 10,000,000 Euros in any financial year, unless in the ordinary course of business, namely in short term investments of available cash;
- p) disposing of assets or other divestments, if such a transaction has a significant effect on the operating results of the Company (defined as equal or greater than 5%) or affects the jobs of more than 100 employees;
- q) defining Sonae Indústria and Sonae Indústria Group strategy and general policies;
- r) defining the corporate structure of Sonae Indústria Group.

b) Functioning

22. Availability and place of disclosure of the terms of reference of the Board of Directors

The Board of Directors and the Executive Committee are regulated by the functioning rules that can be read at the company website www.sonaeindustria.com.

23. Number of meetings held and attendance rate of each member of the Board of Directors to those meetings

The Board of Directors convened 11 times in 2015, with the respective minutes recording all the deliberations made. The attendance of the Board of Directors members to those meetings was the following (physical or electronic means):

Board of Directors' member	% assiduity
Belmiro de Azevedo	0%
Paulo Azevedo	100%
Carlos Moreira da Silva	100%
Albrecht Ehlers	81.81%
Javier Vega	63.63%
José Romão de Sousa	66.66%
Rui Correia	100%
Christopher Lawrie	100%
Jan Bergmann	100%

24. Indication of the corporate bodies responsible for the assessment of the performance of the executive directors

The company's Remuneration Committee, in connection with the Board of Nomination and Remuneration Committee assessed the performance of the executive directors.

25. Pre-defined criteria that are used to assess performance of the executive directors

The performance assessment criteria of the executive directors are predefined, based on the performance indicators of the company, the working teams under their responsibility and their own individual performance. These criteria are further explained in the Remunerations section of this report.

The pre-determined criteria for evaluation of the executive directors are as follows: objective criteria related to the degree of successful implementation of initiatives and actions that were agreed for implementation in the year in question; and subjective criteria related to the contribution in terms of experience and knowledge to the discussions by the Board of Directors, the quality of preparation of meetings and the contribution to discussions of the Board of Directors and Committees as well as the commitment to the success of the company, among others.

26. Availability of each member of the Board of Directors indicating offices held in other companies, inside and outside the group, as well as other relevant activities held by those members during the financial year

The members of the Executive Committee work full time on the management of Sonae Indústria and its subsidiaries.

The other members of the Board of Directors currently perform their roles of members as of the Board of Directors and the Supervisory bodies of other companies, as listed below.

In companies belonging to Efanor Group:

Board of Directors Member:

Duarte Paulo Teixeira de Azevedo:

- Efanor Investimentos, SGPS, S.A.
- Sonae - SGPS, S.A. (Chairman of the Board of Directors)
- Sonae Center Serviços II, S.A. (Chairman)
- Sonae Investimentos – SGPS, S.A. (Chairman)
- Sonae MC - Modelo Continente, SGPS, S.A. (Chairman)
- Sonae Sierra, SGPS, S.A. (Chairman)
- Sonae Specialized Retail, SGPS, SA (Chairman)

Rui Manuel Gonçalves Correia:

- Agloma Investimentos, SGPS, S.A.
- Aserraderos de Cuellar, S.A.
- BHW Beeskow Holzwerkstoffe GmbH
- Ecociclo – Energia e Ambiente, S.A.
- Frases e Frações Imobiliária e Serviços, S.A.
- GHP GmbH
- Glunz AG (Chairman)
- Glunz UK Holdings, Ltd.
- Imoplamac – Gestão de Imóveis, S.A.
- Isoroy SAS (Chairman)
- LaminatePark GmbH & Co. Kg
- Maiequipa – Gestão Florestal, S.A.
- Megantic, B.V.
- Poliface North America Inc.(Chairman)
- Racionalización y Manufacturas Forestales, S.A.
- Sociedade de Iniciativa e Aproveitamentos Florestais – Energia, S.A.

- Somit - Imobiliária, S.A.
- Sonae Indústria – Produção e Comercialização de Derivados de Madeira, S.A.
- Sonae Indústria (UK) Ltd.
- Sonae Novobord (PTY) Ltd. (Chairman)
- Sonae Tafibra International BV
- Spanboard Products, Ltd.
- Tableros de Fibras, S.A. (Chairman)
- Tableros Tradema, SL
- Tafiber, Tableros de Fibras Ibéricos, SL
- Tafibra South Africa (PTY) Ltd. (Chairman)
- Tafisa Canada Inc. (Chairman)
- Tafisa France S.A.S
- Tafisa UK, Ltd.
- Taiber, Tableros Aglomerados Ibéricos, SL
- Tecnologias del Medio Ambiente, S.A. (Chairman)

George Christopher Lawrie:

- Agloma Investimentos, SGPS, S.A.
- Aserraderos de Cuellar, S.A.
- Ecociclo – Energia e Ambiente, S.A.
- Glunz AG
- Glunz UK Holdings, Ltd.
- Imoplamac – Gestão de Imóveis, S.A.
- LaminatePark GmbH & Co. Kg
- Maiequipa – Gestão Florestal, S.A.
- Poliface North America Inc.
- Racionalización y Manufacturas Forestales, S.A.
- Serradora Boix, SL
- Sociedade de Iniciativa e Aproveitamentos Florestais – Energia, S.A.
- Somit - Imobiliária, S.A.
- Sonae Indústria – Produção e Comercialização de Derivados de Madeira, S.A.
- Sonae Indústria (UK) Ltd.
- Sonae Novobord (PTY) Ltd.
- Spanboard Products, Ltd.
- Tableros de Fibras, S.A. (Vice-Chairman)
- Tableros Tradema, SL
- Tafiber, Tableros de Fibras Ibéricos, SL
- Tafibra South Africa (PTY) Ltd.
- Tafisa Canada Inc.
- Tafisa UK, Ltd.
- Taiber, Tableros Aglomerados Ibéricos, SL
- Tecmasa Reciclados de Andalucía SL (Chairman)
- Tecnologias del Medio Ambiente, S.A.(Vice-Chairman)

Jan Kurt Bergmann:

- BHW Beeskow Holzwerkstoffe GmbH
- GHP GmbH
- Glunz AG (Vice-Chairman)
- Glunz Service GmbH
- Glunz UKA GmbH
- LaminatePark GmbH & Co. Kg

- OSB GmbH
- Sonae Indústria-Produção e Comercialização de Derivados de Madeira, SA
- Tableros de Fibras, SA
- Tafibra Suisse SA (Chairman)
- Tool GmbH

Supervisory bodies Member:

Albrecht Ehlers:

- Glunz AG (Supervisory Board Chairman – “Aufsichtsrat”)

In companies not belonging to Efanor Group:

Board of Directors Member:

Duarte Paulo Teixeira de Azevedo:

- Imparfin, SGPS, S.A.
- Migracom – SGPS, S.A. (Chairman)

Albrecht Ehlers:

- Erich-Brost-Institut für Journalismus in Europa GmbH

Javier Vega:

- DKV Seguros (Chairman)
- Gestlink, SA (Chairman)
- Ydilo Voice Solutions, SA

Carlos Moreira da Silva:

- BA Group (Chairman)
- Banco BPI, S.A.

José Romão de Sousa:

- Promotor SGPS, SA (Chairman)
- Epoli-Espumas de Polietileno SA (Chairman)
- Epoli (Czechia) sro (Chairman)
- CEV-Consumo em Verde Biotecnologia das Plantas SA (Chairman)
- Converde SA (Chairman)
- Monte das Janelas Verdes – Sociedade Agrícola SA (Chairman)

Supervisory bodies Member:

Albrecht Ehlers:

- PROvendis GmbH
- Salus BKK (Supervisory Board Chairman – “Aufsichtsrat”)

c) **Committees within the Management and Supervisory bodies and board delegates**

27. Identification of the Committees within the Board of Directors and place of disclosure of the terms of reference

To improve the operational efficiency of the Board of Directors and in line with the best practices for company governance, the Board of Directors appointed an Executive Committee, as well as 3 Specialised Committees.



The rules regulating the functioning of the Executive Committee and of the Board of Directors can be read on the company website, through the following links:

- Board of Directors:
- http://www.sonaeindustria.pt/file_bank/investor/BoD%20Regulation%20ENG_2015_FV.pdf
- Executive Committee:
- http://www.sonaeindustria.pt/file_bank/investor/ExCom%20Regulation%20ENG_2015_FV.pdf

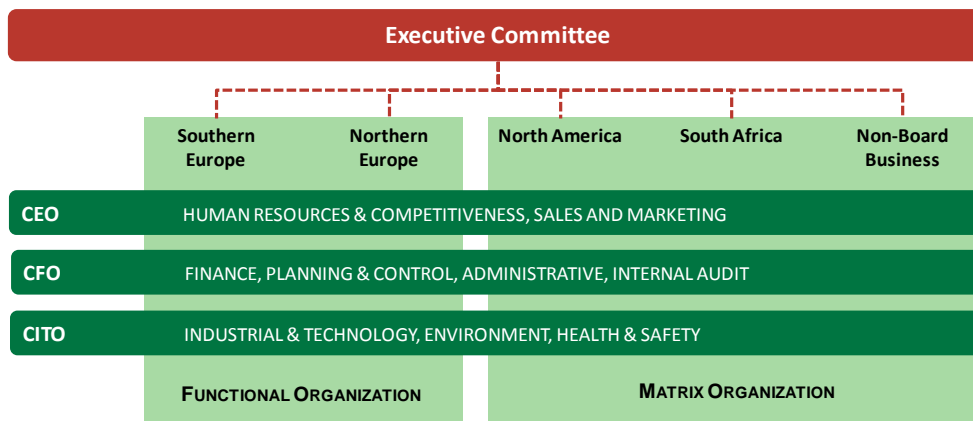
28. Composition of the Executive Committee

The Executive Committee is appointed by the members of the Board of Directors and comprises 3 members allocated the following areas of responsibility:



The fields of responsibility of the Executive Committee are split as follows:

- Rui Manuel Gonçalves Correia - CEO
- George Chistopher Lawrie - CFO
- Kurt Jan Bergmann - CITO



The Executive Committee normally meets at least once every month, excluding August and additionally whenever the Chairman of the Executive Committee calls a meeting. Meetings can only take place if the majority of the members are present or represented. The Chairman of the Executive Committee presides the meeting.

In 2015 the Executive Committee convened 16 times, with the respective minutes recording the deliberations made. The attendance level of the Executive members to the meetings was of 100% with exception of Jan Bergmann, whose attendance was of 81.25%.

Decisions made by the Executive Committee are taken with the favourable votes of the majority of the members present or represented, including those voting by post. In the absence of quorum, the Executive Committee must submit the matter under consideration to the Board of Directors for deliberation.

In order to keep the Board of Directors and the Statutory Audit Board constantly updated of the decisions made by the Executive Committee, the Chairman of the Executive Committee provides the minutes of the Executive Committee's meetings to all the members of both the Board of Directors and the Supervisory Audit Board. At the end of each year, the Executive Committee drew up the schedule of its meetings for the following year, informing the Board of Directors and the Statutory Audit Board of this schedule.

The members of the Executive Committee provided all the information requested by other members of the governing bodies on time and appropriately.

29. Indication of the competencies of each board committee and summary of the main activities performed

The Board of Directors also appointed three committees with specialised expertise.

Board Audit and Finance Committee ("BAFC")

The BAFC is composed of the following Non-Executive Directors:

- Javier Vega (Chairman; Independent)
- Carlos Moreira da Silva (Independent)
- José Romão de Sousa (Independent)
- Albrecht Ehlers (Independent)

The BAFC normally meets at least 5 times yearly and is responsible for:

- reviewing the financial statements and earnings announcements to be disclosed to the market and to report its findings to the Board;
- analysing risk management, internally control, businesses and processes;
- reviewing the results of internal and external audits;
- following the trends in the main financial ratios and changes in formal and informal ratings of the Company, including reports from rating agencies;
- analysing and advising on any changes in accounting policies and practices;
- reviewing compliance with accounting standards;
- verifying compliance with legal and statutory obligations, in particular within the financial domain.

Over the course of 2015, the BAFC held 5 meetings with the respective minutes having been drafted.

Responsibilities attributed to BAFC as a specialised committee of the Board of Directors, are developed in terms of company management and do not override the functions of the Statutory Audit Board, as a supervisory board. The BAFC is a Committee within the Board of Directors and according to its empowerment is responsible for an in-depth analysis of the financial statements, analysis of internal and external audit works, risk management processes and the performance of the key financial ratio, among other areas. It also issues recommendations for final deliberation at the Board of Directors, thereby improving its operational functioning.

Social Responsibility, Environment and Ethics Committe (SREEC)

The SREEC is composed of the following Non-executive Members:

- José Romão de Sousa (Chairman, Independent)
- Albrecht Ehlers (Independent)
- Javier Vega (Independent)

This Committee is responsible for:

- Monitoring and analysing the conduct of business in society, the impacts in terms of sustainability in its economic, environmental and social as well as corporate governance and ethical standards. It shall safeguard and monitor the implementation of the Code of Conduct, and proceed on its update whenever necessary.

This Committee has an Ethics sub-committee composed by an independent non-executive member of the Board of Directors, by the Internal Auditor and by the Global Human Resources Director, which have the function to advise the SREEC. The Ethics sub-committee prepares at least one annual report to the Board of Directors, and when appropriate also the auditing bodies of the related country, issues related with the corporate governance or business ethics.

The current members of the Ethics sub-committee are:

- Albrecht Ehlers (Chairman)
- Edite Barbosa (Global Human Resources Director)
- Rogério Ribeiro (Internal Auditor)

SREEC met once during 2015 and recorder in the minutes their deliberations.

The Ethics Sub Committee met once.

Board Nomination and Remuneration Committee (BNRC)

The BNRC is composed of the following Non-Executive Members:

- Carlos Moreira da Silva (Chairman, Independent)
- José Romão de Sousa (Independent)
- Albrecht Ehlers (Independent)

Committee meetings are normally held at least twice a year. The BNRC's main functions are to review and submit proposals and recommendations on behalf of the Board of Directors to the Shareholder's Remuneration Committee in relation to the remuneration and other compensations of Board members. Additionally, it analyses and approves proposals and recommendations on behalf of the Board of Directors in relation to the remuneration and other compensations for other senior executives of the Sonae Indústria Group, depending on the activity performed by them.

The BNRC liaises with the Sonae Indústria Shareholders' Remuneration Committee since this is the only means through which to guarantee that the Shareholders' Remuneration Committee has the necessary knowledge on the performance of every director throughout the year. This is particularly important in the case of the Executive Directors, given that the Shareholders' Remuneration Committee does not closely shadow the performance of every Director and therefore does not have the necessary knowledge that enables them to perform their functions in the best way. The BNRC may also be assisted by external entities provided absolute confidentiality is ensured in relation to the information obtained arising from that cooperation.

Over the course of 2015, the BNRC met on two occasions with the respective minutes having been drafted.

III.	SUPERVISION
a)	Composition

30. Identification of the supervisory body

The company's supervisory body is the Statutory Audit Board, which is elected at the Shareholders' General Meeting.

31. Composition of the Statutory Audit Board, indicating the minimum and maximum number of members, duration of the mandate, number of effective members, date of the first appointment and term of the mandate of each member

The Statutory Audit Board may comprise an even or odd number of members, with a minimum of three and a maximum of five with one or two substitutes appointed, depending on the number of members being either three or more, respectively. The members are elected for three-year mandates.

The current Statutory Audit Board was elected at the 2015 Shareholders' Annual General Meeting for the 2015-2017 mandate and has the following composition:

- Manuel Heleno Sismeiro – Chairman
- Óscar José Alçada da Quinta -Member
- António Augusto Almeida Trabulo – Member
- Paulo Manuel Carvalho da Silva – Substitute member

The current members of the Statutory Audit Board were elected for the first time on the following dates:

- Manuel Heleno Sismeiro – April 2009
- Óscar José Alçada da Quinta – May 2007, as substitute member and March 2015 as effective member
- António Augusto Almeida Trabulo – March 2015
- Paulo Manuel Carvalho da Silva – March 2015

Up to the date of the Shareholders' Annual General Meeting, the following members were part of the Statutory Audit Board: Armando Luís de Magalhães e Jorge Manuel Felizes Morgado.

32. Independence of the Statutory Audit Board members as applicable, that may be considered as independent, under the terms of Article 414, number 5 of the Companies Law

All members of the Statutory Audit Board comply with the rules of incompatibilities referred to in paragraph 1 of art. 414-A and the criteria of independence set out in paragraph 5 of art. 414, both of the Companies Law.

To ensure at all times the independence of members of the Statutory Audit Board prior to their appointment, such members issued statements attesting that: (i) not to incur in any of the incompatibilities provided in Article 414^a-A of the Companies Law as well as they were not in any situation that affects their independence in accordance with paragraph 5 of Article 414^o of the same law; (ii) committed themselves to immediately notify the company of anything that may lead to their loss of independence or to any incompatibility during their mandate.

The Statutory Audit Board Regulation also states that if, during the course of their term of office, any situation related to loss of independence or incompatibility regarding any member of the Statutory Audit Board arises, the respective member should immediately communicate this to the Chairman of the Board of Directors. Any situation of legal incompatibility shall lead to forfeiture of the term of office of the Statutory Audit Board member.

33. Professional experience of the members of the Statutory Audit Board

MANUEL HELENO SISMEIRO (Chairman of the Statutory Audit Board): Degree in Finance, SCEF (Portugal), Accountant, ICL (Portugal). Currently he is a specialist consultant in the areas of internal audit and internal control and is Chairman of the Statutory Audit Board of OCP Portugal Produtos Farmacêuticos SA, Sonae Industria, SGPS, SA and Sonae Capital, SGPS, SA. Prior to this he was a partner at Coopers & Lybrand and Bernardes, Sismeiro & Associados and from 1998 to 2008 at PricewaterhouseCoopers - auditors and Statutory External Auditor and responsible for the Audit and official review in various activity sectors. He was also responsible for managing the office of those companies at Porto and Director of Audit Division in the period of 1998 – 2002 as well as member of the management board at PricewaterhouseCoopers.

OSCAR ALÇADA DA QUINTA (Statutory Audit Board Member): Degree in Economics (University of Porto). He has held various functions in both the administrative and financial departments of different companies (1982-1986) and since 1986 has provided services within the external audit of the Official Statutory Auditors Association. Through this activity in 1990 he was included in the List of Official External Auditors, a function which he works on exclusivity, initially on a stand-alone basis but subsequently as partner of Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC.

ANTÓNIO AUGUSTO ALMEIDA TRABULO (Statutory Audit Board Member): Degree in Economics – University of Porto, Postgraduate Course in Accounting and Corporate Finance – Open University (Portugal), Sufficiency Researcher Diploma in the field of Economics Financiera y Contabilidad – University of Valladolid (Spain), Phd Course in Management and Business Administration – University of Valladolid (Spain), completed curricular part (in the final stages of completion Thesis), Statutory Auditor. Currently exerts functions of Statutory Auditor, partner of the company Velosa, Silva, Marques and Trabulo, SROC.

PAULO MANUEL CARVALHO DA SILVA (Statutory Audit Board Substitute-Member): Bachelor of Accounting and Administration – ISCAP, Bachelor Customs Expert – ISCAP, Degree in Administration and T. Customs – ISCAP, CEOG course of Católica University. Since 1992, is member of the company Velosa, Silva, Marques and Trabulo, SROC.

All members of the Supervisory Audit Board have adequate competencies to exercise their respective functions.

b) Functioning

34. Existence and place for disclosure of the terms of reference of the Statutory Audit Board

The rules regulating how the Statutory Audit Board functions can be read at the company website, through the following links:

http://www.sonaeindustria.com/file_bank/investor/Regulamento%20do%20Conselho%20Fiscal_PT_FINAL.pdf

http://www.sonaeindustria.com/file_bank/investor/Statutory%20Audit%20Board%20Regulation_EN_FINAL.pdf

35. Number of meetings held and attendance rate of each member of the Statutory Audit Board

In 2015 the Statutory Audit Board convened 7 times. The minutes were drawn up recording the respective deliberations. All the members attended 100% of the meetings.

36. Availability of each member of the Statutory Audit Board, indicating simultaneously offices held in other companies, inside and outside the group, as well as other relevant activities held by those members during the financial year

The Statutory Audit Board members exercised their roles in conjunction with the functions listed below, as outlined in section 33.

Functions exercised by Statutory Audit Board members as of 31 December 2015:

In companies belonging to Efanor Group:

Manuel Heleno Sismeiro

- Sonae Capital, SGPS, SA (Statutory Audit Board)
- Sonae, SGPS, SA (Statutory Audit Board)

Óscar Alçada da Quinta

- Sonaecom - SGPS, S.A. (Statutory Audit Board)

António Trábulo

- Sonae Investimentos, SGPS, SA (Statutory Audit Board member)

In other companies not belonging to Efanor Group:

Manuel Heleno Sismeiro

- BBI – Banif Banco de Investimentos, SA (Chairman of the Statutory Audit Board)
- OCP Portugal Produtos Farmacêuticos SA (Chairman of the Statutory Audit Board)
- Segafredo Zanetti (Portugal) SA (Chairman of the Board of the Shareholders' General Meeting)

Óscar Alçada da Quinta

- BA GLASS I – Serviços de Gestão e Investimentos, S.A. (Conselho Fiscal) (Statutory Audit Board)
- Caetano-Baviera – Comércio de Automóveis, SA (Statutory Audit Board)
- Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC (Board of Directors)

c) Responsibilities and functions

37. Description of the procedures and criteria applicable to the involvement of the supervisory body in relation to hiring additional services of the external auditor

If the company or any of its subsidiaries has the intention to hire the services of the external auditor or any entities with which they have joint shareholdings or which are part of the same network, other than auditing services, the Statutory Audit Board must previously approve such hiring.

Thus, if Sonae Indústria or any group subsidiary intends to hire services to the External Auditor or to any entity that is in a group relationship with it, the Statutory Audit Board must be previously informed, so that such hiring does not affect the independence of the External Auditor and does not, in the overall services provided, have a significant relevance when compared to the Auditing services. The Statutory Audit Board must also ensure that the necessary conditions to perform such services with autonomy and independence from the executed under the audit process are in place.

38. Other roles of the supervisory body

The Statutory Audit Board main responsibilities are as follows:

- a) supervising the Company's management;
- b) overseeing compliance with legal and regulatory requirements and the Company's Articles of Association;
- c) verifying that the books of account, accounting records and supporting documentation are correctly maintained;
- d) verifying, when considered convenient and in a manner considered as appropriate, the extent of cash and stocks of any kind of goods or other values belonging to the Company or received as a guarantee or deposit;
- e) verifying the accuracy of the documents used in the presentation of accounts;
- f) verifying if the accounting policies and criteria used by the Company are conducive to a true and fair view of the financial position and results of its operations;
- g) preparing an annual report on the supervisory work performed and express an opinion on the report, accounts and other proposals submitted by the Board of Directors;
- h) convening the Shareholders' General Meeting, whenever the Chairman of the General Meeting fails to convene it when being obliged to do this;
- i) overseeing the effectiveness of the risk management, internal control and internal audit system, if they exist;
- j) receiving communications of alleged irregularities presented by the Company's shareholders, employees or others;
- k) appointing and hiring services from experts to help one or more members in the exercise of their duties. The hiring of and fees for these experts should bear in mind the complexity of the matters involved and the financial position of the Company;
- l) overseeing the process of preparation and disclosure of financial information;
- m) proposing the appointment of the statutory external auditor to the Shareholders' General Meeting;
- n) overseeing the work performed by the statutory external auditor in the Company's financial statements;
- o) overseeing the independence of the statutory external auditor, namely in relation to additional services provided;
- p) complying with any other functions required by law and by the Company's Articles of Association;

- q) approving the hiring of the statutory external auditor or of any entities that are in a participation relationship with it or that are part of the same network, to render services other than audit services.

Besides those responsibilities the Statutory Audit Board must issue prior opinion on any transaction with shareholders or entities with whom they are in any relationship, under Article 20 of the Securities Code (reference shareholders), in the terms set forth in section 91.

The Statutory Audit Board's Report, available on the company website together with the other accounting documents, details the supervisory activity carried out, with no constraints detected.

IV. STATUTORY EXTERNAL AUDITOR

39. Identification of the statutory external auditor and its representative partner

The Statutory External Auditor is PriceWaterHouseCoopers & Associados, SROC, Lda, represented by Hermínio António Paulos Afonso.

40. Indication of the number of consecutive years the statutory external auditor works for the company and/or group

PriceWaterhouseCoopers has been the statutory external auditor of the company since the Annual General Meeting of 2006, and is currently undertaking its fourth three-year mandate.

41. Other services provided to the Company by the Statutory External Auditor

In 2015 PriceWaterHouseCoopers did not provide other compliance and assurance services to any Sonae Indústria subsidiaries.

V. EXTERNAL AUDITOR

42. Identification of the external auditor

The external auditor of the company is PriceWaterHouseCoopers & Associados, SROC, Lda, represented by Hermínio António Paulos Afonso, registered in the CMVM under no. 9077.

43. Permanence of Functions

PriceWaterhouseCoopers has been the external auditor of the company since 2006. Its current representative, Hermínio Afonso, has represented it since 20 September 2011.

44. Policy and periodicity of rotation of the external auditor and its representative

Sonae Indústria has adopted the principle of not proceeding with the rotation of the external auditor at the end of its third mandate, only if the Statutory Audit Board concludes that, if the external auditor is kept in functions beyond the before mentioned period, it will not collide with its independence, and if the cost-benefit analysis of this replacement are in favour of the renewal of this mandate.

In the proposal presented at the last Shareholders' Annual General Meeting to appoint the statutory external auditor of the company, the Statutory Audit Board considered that the quality of the work performed and the accumulated experience in the sector of activity that Sonae Indústria is part of, both of the statutory audit firm

which election is proposed as well as of the entities belonging to the same network in the countries where Sonae Indústria holds, direct or indirectly, affiliated companies, that are included in her consolidated accounts and where such entities are external auditors of Sonae Indústria's affiliated companies constituted an asset that must be taken into account. Having contemplated those facts and the extent of the burden to be supported by Sonae Indústria in an eventual replacement, it was recommended the permanence of such statutory audit firm in the exercise of her functions. The Shareholders' Annual General Meeting has approved the presented proposal.

As for the Statutory External Auditor representative, on top of ensuring compliance with the legal stipulations, it must also be conducted an evaluation to ensure its independence.

45. Indication of the governing body responsible for the appraisal of the external auditor and periodicity of such appraisal

The Statutory Audit Board monitors the performance and execution of the works conducted by the external auditor throughout each period, meeting with him whenever it deems fit. Moreover, the Statutory Audit Board evaluates, on a yearly basis, the global performance of the external auditor, including an appraisal on its independence.

46. Identification of the works, other than auditing, performed by the external auditor in the company and/or other companies in relation of domain, as well as indication of the internal procedures in place for the approval of such services and indication of the reasons that led to such hiring

During 2015 no subsidiary of Sonae Indústria hired other services to the external auditor. If the company or any of its subsidiaries intends to hire such services, these must be approved by the Statutory Audit Board.

47. Indication of the annual remuneration paid by the company, and/or companies in relation of domain or group, to the external auditor and to other individuals or companies belonging to the same network and discrimination of the percentage

Sonae Indústria and its subsidiaries paid PriceWaterhouseCoopers the following amounts in 2015:

By the company	
Auditing services (€)	13,730 € / 3.29 %

By other group entities	
Auditing services (€)	352,581€ / 84.42%
Other reliability guarantee services (€)	51,359 € / 12.30%

C. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

48. Rules applicable to the amendment of the company's articles of association (Article 245-A, number 1, paragraph h))

The rules applicable to amendments of the Articles of Association are established by law. It is up to the Shareholders' General Meeting to decide on the amendment of the Articles of Association. However, the Board of Directors can decide to change the registered office within the national territory, as well as deliberate on increases in the Company's share capital through new cash injections up to one thousand and two hundred million Euros, on one or more times.

II. REPORTING OF IRREGULARITIES

49. Tools and policy for reporting of irregularities

Sonae Indústria has a Code of Conduct that includes the irregularities communication policy, which is available at the website www.sonaeindustria.com. Sonae Indústria's Code of Conduct and irregularities communication policy aims to create the climate and means for its employees and service providers to express their concerns about any behaviour or decision that they believe does not respect the company's ethics or Code of Conduct.

Any information on a suspected irregularity should be sent via e-mail or post to one of the following addresses:

By e-mail: ethics.committee@sonaeindustria.com

By post: Sonae Industria SGPS, S.A.

Subcomissão de Ética da Comissão de Responsabilidade Social, Ambiente e Ética
Lugar do Espido, Via Norte
Apartado 1096
4470-177 Maia Codex
Portugal

A meeting to clarify the alleged irregularity can then be arranged with the Ethics Subcommittee of the Social Responsibility, Environment and Ethics Committee, when required.

Each irregularity report will be received by the Ethics Subcommittee, who is responsible for initiating and supervising the investigation into all reports. Once the research is concluded and if the irregularity reported corresponds to wrongful conduct, the Ethics Subcommittee of the Social Responsibility, Environment and Ethics Committee, shall notify the situation to the superior of the employee or the Service Provider's employer in order to apply corrective actions and / or initiate disciplinary proceedings.

As the Company wishes to encourage good faith reporting of any alleged irregularity while avoiding damage to the reputation of innocent persons initially indicated as allegedly suspected of wrongful misconduct, anonymous reports are not accepted.

The investigation will be conducted in a confidential manner and the Company ensures that there will be no discriminatory or retaliatory action against any employee or service provider who reports an alleged irregularity in good faith. If any employee or service provider believes that he or she has been retaliated against for reporting or participating in an investigation, he/she should immediately report such perceived retaliation to the Ethics Subcommittee of the Social Responsibility, Environment and Ethics Committee.

The company provides a means by which to report irregularities on its intranet.

The Ethics Subcommittee shall inform the Statutory Audit Board about any report of non-ethical behaviour received.

The company maintains a record of all complaints and cases investigated as well as their findings which is be available for consultation by the statutory bodies and external auditor.

The **Code of Conduct** of Sonae Indústria contains a set of standards based on our shared values that govern the activities of Sonae Indústria. It applies to everyone employed by the Group, including members of the statutory bodies of Group companies, managing directors, senior executives, employees and people whose status is equivalent to that of employees, such as temporary staff and service providers. The Code sets out guidance on those matters of business ethics to be complied with by all employees and service providers when carrying out their professional duties.

Sonae Indústria adheres to and actively promotes the highest ethical standards of professional conduct at all levels of the Group. Commitment to standards of conduct must emanate from the top. Therefore, Sonae Indústria's top managers are expected to set an example for the rest of the organisation through their actions, by actively leading the adoption and by monitoring the enforcement of these standards. As such, the senior managers must guarantee, in their area of responsibility, strict compliance with the law, permanently monitoring such compliance, and clearly explaining to their employees that the transgression of any law will have both legal and disciplinary consequences.

It is particularly important that a commitment to these standards of conduct is accepted by all employees and service providers at all Group companies, wherever they operate. Country operations are also required to adopt appropriate principles and actions to deal with specific ethical issues that may arise in their own countries.

The Code of Conduct of Sonae Indústria was defined in such a way that clearly explains the conduct to be followed with all stakeholders, as well as to connect it with the company's values. The code of conduct is structured in the following way:

Relations with employees and service providers

- Knowledge sharing and personal development
- Innovation and initiative
- Respect, accountability and cooperation
- Confidentiality and responsibility
- Sustainability
- Conflict of interest
- Health and safety at Work
- Social Conscience
- Communication
- Compliance

Relations with shareholders and other investors

- Value creation
- Transparency
- Compliance

Relations with governments and local communities

- Ethical Behaviour
- Social Conscience
- Tax Statement
- Environmental Awareness

Relations with business partners

- Customer Focus

- Integrity
- Ethical behaviour
- Transparency

Relations with competitors

- Enforcement of competition laws
- Ethical behaviour

The complete code of conduct can be found at the company site www.sonaeindustria.com.

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. Individuals, bodies or committees responsible for the internal audit and/or the implementation of internal control systems

Both Internal Control and Risk Management are important parts of Sonae Indústria culture, being present in the management processes and responsibilities of all group employees, at the different levels of the organization. This is supported by the Group transversal functions, notably the Risk Management, Internal Audit and Planning and Management Control departments, with specialized teams that report hierarchically to the Board of Directors.

The **Risk Management** department's mission is to support the companies in achieving their business objectives through a structured and systematic approach of identifying and managing risks and opportunities. It has also the objective to promote the consistency of principles, concepts, methodologies and tools to evaluate and manage the risks of all business units of the Group.

The **Internal Audit** department's mission is to identify and evaluate, in a systematic and independent way, the correct functioning of the risk management and internal control systems, as well as the implementation effectiveness and efficiency of the controls and mitigation actions. It must also inform and alert, on a regular basis, the Board of Directors and the Statutory Audit Board of the more relevant observations and recommendations, identifying improvement opportunities.

The **Planning and Management Control (PMC)** department promotes and supports the integration of the risk management activities in the planning and management control processes of the companies. This department, supported by robust information systems, produces reports containing operational, financial and compliance-related information. Through its Procedural Manual, defines and implements a set of rules and procedures relative to the planning processes, reporting, management accounts and investment approval process.

Ongoing monitoring activities of control are in place, namely: approvals, authorisations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties. Pertinent information is identified, captured and communicated within a form and timeframe which enables employees to fulfil their responsibilities.

The centralised accounting back-office, **Shared Service Centre (SSC)** performs the accounting of all subsidiaries, with the exception of the Canadian, thus helping to guarantee alignment of policies and strengthening of procedures and controls.

The reliability and integrity risks of the accounting and financial information are also evaluated and reported by the External Audit activity.

Sonae Indústria has a reasonable level of confidence in the internal control framework which is currently in place. Communication of the Vision, Values and Principles throughout the organization reinforces the importance in terms of ethical behaviour. The existence of the Code of Conduct, of the Whistle-blower (reporting of irregularities) tool and the Ethics Subcommittee, enhance the control culture of the organisation.

51. Explanation of the hierarchical and functional reporting lines to other corporate governing bodies or committees

It is the responsibility of the Board of Directors to create the necessary structures and services to ensure that the internal control and risk management system works properly. For this purpose, the Board of Directors, through the Board Audit and Finance Committee, monitors the activities of Internal Audit and Risk Management.

The Internal Audit and Risk Management departments report functionally to and meet the Statutory Audit Board at least twice a year as well as the Board Audit and Finance Committee, whose chairman is an Independent Director. Both Governing Bodies can request information or clarifications whenever they wish.

The competences of the Statutory Audit Boards include reviewing the effectiveness of the risk management system as well as that of the internal control and audit systems. The Statutory Audit Board has access to all the information whenever it deems necessary and can liaise with the heads of the respective departments, receiving the reports related to those activities.

The Statutory Audit Board is presented with the internal audit and risk management plan of activities, and may issue its opinion on it, in addition to the suitability of the resources allocated to the different activities.

The External Auditor reviews the effectiveness and operation of the internal control mechanisms according to work plan aligned with the Statutory Audit Board, to whom it also reports its findings.

52. Existence of other functional areas with competencies in terms of risk control

Sonae Indústria is based on integrity and ethical values, as outlined in the company's Code of Conduct, which emanate from the top down with the example then being set by management.

The different governing bodies have been born from a management philosophy and operating style based on a strong organizational structure with adequate assignment of authority and responsibilities. Sound Human Resource policies and procedures and the existence of the Code of Conduct are enshrined in such structure.

Sonae Indústria faces a variety of risks from external and internal sources which must be assessed and we have installed in our company a culture of prevention and early detection. As you will see subsequently, an Enterprise-Wide Risk Management Framework was developed and is updated periodically. Additionally, it is also each functional area of the Group the responsibility of controlling and monitoring of the risks inherent to each function.

53. Identification and description of the main types of risk (economic, financial and legal) the company may be subject to in the exercise of its activities.

- **Macroeconomic risks**

Sonae Indústria's activity is reliant upon the macroeconomic environment and the profile of the markets in which it operates. Sonae Indústria's subsidiaries' products are fundamentally commodities, having the nature of durable goods, and are mainly intended for the construction and furniture sectors. The Group's operational activity is, therefore, cyclical, being positively correlated with general economic cycles and, in particular, with the evolution of the sectors mentioned. Thus, Sonae Indústria's and its subsidiaries' businesses can be negatively affected by periods of economic recession, in particular by a drop in household consumption levels which, in turn, are influenced, among other things, by wage policies and unemployment levels, as well as prevailing confidence and social protection levels. The availability of credit in the economy is also relevant for Sonae Indústria Group's business due to its potential impact on the property market. Sonae Indústria, through its subsidiaries, has a strong presence in international markets, where it produces and sells, contributing almost 80% of its consolidated turnover. Its most important markets are the Eurozone, North America (namely Canada and the United States) and South Africa. These markets have different macroeconomic, political and social profiles and, as such, are reacting differently to the global economic and financial crisis. In fact, the rate at which the various markets emerge from the current crisis depends on variables outside of Group's control. Equally, possible political and/or social and/or religious tensions in any of the markets may have a material impact on Sonae Indústria Group's operations and financial situation that is impossible to estimate.

- **Competition**

The activity developed by Sonae Indústria through its subsidiaries faces stiff competition in all the markets in which it is present (namely in Iberian Peninsula, Germany, Canada and South Africa), which could have adverse effects on the Group's financial situation and results to the extent that new competing factories and/or the adoption of a more aggressive pricing policy by these competitors, could lead to a reduction in turnover and/or the need to review prices by Sonae Indústria's subsidiaries, with a knock-on effect on the profitability and sustainability of its operations. Based on Sonae Indústria's diversified assets and geographical exposure to various European markets, but also the North American and South African markets, and also others through exports, as well as the initiatives taken with respect to resizing the industrial presence by closing and selling the least profitable units, the increased focus on higher added value products as a way of differentiating, and the effort to contain costs as part of a strategy already being implemented, could protect the competitive position of the Company and allow it to achieve its objectives of being recognised as a reference player in the wood-based panels sector. It must also be mentioned that the potential closure or sale of industrial units by Sonae Indústria as part of the ongoing Strategic Plan may affect its market position, where it has a presence, since such closures and/or sales may mean a reduction in installed production capacity and a loss of market position compared to its competitors. This loss of market position may have adverse effects on the Group's profitability, since competing companies may adopt a more aggressive strategy in terms of pricing and supply policy within these markets, with consequences for the sustainability of the Group's turnover and cost structure.

- **Business Continuity risks**

Some of the businesses developed by Sonae Indústria may require additional investment, the conditions of which could depend on the financial framework, on its current indebtedness level and by the evolutions of its activity and that of its subsidiaries. Financing of the additional component may be obtained through its own and/or external capital. Sonae Indústria cannot guarantee that these funds, if necessary, will be obtained, or that they will be subject to the predicted conditions. If there is a need for external capital, the current macroeconomic and financial framework involves a set of constraints, namely a lack of liquidity and the resulting increase in spreads charged to the companies, which may affect or preclude access to bank credit and/or issues of commercial paper. Even under a recovery context, the speed and manner in which this takes place is subject to considerable uncertainty, meaning the financing of Sonae Indústria and/or of its subsidiaries possible future investments cannot be guaranteed.

- **Cost structure risks**

Since industrial activity in the sector is dependent on considerably large factory units, Sonae Indústria's consolidated cost structure has a significant fixed component, i.e. not dependent on sales volume and upon which the Group can only act through restructuring or efficiency increase initiatives. An insufficient turnover or gross margin on sales to offset fixed costs could determine losses that could be sustained by Sonae Indústria and its subsidiaries.

On the other hand, the variable cost structure of the subsidiaries of Sonae Indústria, notably in the case of raw materials, mainly wood, chemicals and air-dried paper, is exposed to external factors (that are outside the company's control), with a positive or negative impact on the availability of such raw materials and their purchase price. In particular, the risk associated with access to wood, the raw material essential to the production process, in terms of suitable quantity, type, quality and price, could have ramifications not only for the subsidiaries ability to provide its customers with products according to agreed time frames and conditions, but could also affect expected profitability when it comes to setting a sale price for its products. In an extreme scenario, the inability to access wood in sufficient quantities could lead to a temporary interruption in production at the industrial unit in question, with knock-on effects for operational profitability. To mitigate this risk, Sonae Indústria's subsidiaries have diversified their supply sources and the types of wood used, namely through recycling waste, and introducing different types of wood and alternative by-products.

- **Technological risks**

The ability of Sonae Indústria to develop and offer higher added value products on competitive terms at global level is an increasingly crucial objective in the current context of the wood-based materials sector. This is dependent on technological developments, which may be difficult to predict and monitor. Failure by Sonae

Indústria to monitor and anticipate technological advances, or to predict the receptiveness of new products, could affect its business and the results of its operations.

- **Operational risks**

Sonae Indústria's activities are subject to certain operational risks, especially with respect to industrial production of its subsidiaries. There are multiple factors, not directly controllable by Sonae Indústria nor by its subsidiaries, which may interrupt production and have potentially negative effects on operations and, consequently, its financial situation and results. The manufacture of wood-based panels is an industrial activity that entails high operational risk due to the possibility of accidents involving fire or explosions. As a result, the management of operational risk is a central concern of the Company, which takes an active stance in terms of implementing regulations and best practice, as well as selecting systems capable of reducing industrial risks. In addition, flawed policies for the management and control of operational risks could affect the Group's business and operational results.

- **Financial risks**

The main **financial risk** that Sonae Indústria is exposed to is the risks associated with its customer portfolio, namely **credit risk**. The credit risk is related to receivables from customers, i.e. the risk that a customer is late in paying or does not pay for the goods and services acquired, basically due to a lack of liquidity. Sonae Indústria Group's credit risk control systems are, above all, related to receivables from customers, having as main purpose to guarantee the effective collection of the receivables from customers in accordance with the agreed conditions. Among other procedures implemented by Sonae Indústria to mitigate this risk, Sonae Indústria makes use of credit insurance, as a mandatory tool to mitigate this risk, in all regions where it is present and such insurance is available. In specific situations where we are not able to contract credit insurance to mitigate this risk, alternative and/or complementary solutions (like bank guarantees, letters of credit and confirming, among others) are explored together with our clients in order to achieve the largest possible turnover volumes in an environment of minimum and controlled risk. In the limit situation where we are not able to obtain risk coverage for a specific customer or operation, we develop a detailed internal process with the objective of analysing every particular aspect of such business, so an informed and complete decision can be taken over a possible own risk-taking situation.

It should be noted that none of Sonae Indústria Group's customers represent more than around 8% of its consolidated turnover. Sonae Indústria has been signing multi-annual supply contracts with its largest customers, being the most recent one in place until 31 August 2018. Despite the greater spread of the customers' base, the possible non-renewal of these agreements could impact upon the profitability of Sonae Indústria's business.

The second financial risk is related with the existence of **financial covenants** in Sonae Indústria financing agreements.

The refinancing agreements signed during 2014 with the two main creditor banks include one financial covenant. Sonae Indústria undertakes to maintain a Financial Autonomy Ratio, calculated annually from 31 December 2015 onwards, higher than 6.97%. The non-compliance with this financial autonomy ratio requirement may lead to an event of default of the contractual obligations assumed in the before mentioned refinancing agreements, which could lead to its termination, including the early repayment of the associated financial debt.

- **Economic risks**

The **economic risks** that Sonae Indústria is exposed to include: Interest Rate Risk, Foreign Exchange Risk and Liquidity Risk.

Interest Rate Risk depends on the proportion of floating rate debt on Sonae Indústria's consolidated Statements of Financial Position and the consequent cash flows related to interest payments. As a general rule, Sonae Indústria does not hedge its exposure to floating interest rates through financial derivatives. This approach is based on the principle of the existence of a positive correlation between the interest rate levels and the "operating cash flow before net interest charges" which creates a natural hedge on the "operating cash flow after net interest charges" for Sonae Indústria. As such, and as an exception to its general rule, Sonae Indústria Group may engage into interest rates derivatives, and in this case, the following principles should be observed: (i) derivatives should not be used for trading, profit making, or speculative purposes; (ii) engage preferably in derivative transactions with Investment Grade financial institutions; (iii) match exact periods, settlement dates and base interest rate of the underlying exposures; and (iv) maximum financial charges (aggregate of the

derivative and the underlying exposure) should be known and limited on the inception of the hedging period. The inefficiencies, whenever they exist, are booked under the financial results item of the consolidated income statement

Foreign Exchange Risk exposure is due to the fact that it is a geographically diversified group, with subsidiaries located in three different continents, and as such it is subject to transactions and balances denominated in pound sterling, South African rand, Canadian dollar, American dollar, Swiss franc and polish zloty. The Consolidated Statements of Financial Position and Income Statement are exposed to the risk of a change in exchange rates (risk relative to the value of capital invested in subsidiaries outside the Eurozone) and Sonae Indústria's subsidiaries are exposed to the risk of a change in both exchange and transaction rates (risk associated with commercial transactions made in currencies other than the euro). Transaction risk arises when there is exchange risk related to a cash flow in other than a subsidiary local currency. The Group company cash flows are largely denominated in the subsidiary local currency. This is valid independently of the nature of the cash flows, i.e.: operating or financial, and provides a degree of natural hedging, reducing the Group's transaction risk. In line with this reasoning, Sonae Indústria's subsidiaries only contract debt that is denominated in the respective local currency. Also, in situations where there is a relevant exchange risk as a result of operational activity involving currencies other than the local currency of each subsidiary, the exchange risk must, as a general rule, be mitigated by the subsidiary exposed to the exchange rate risk contracting foreign exchange derivatives. In turn, the currency conversion risk emerges from the fact that, when preparing the Group's consolidated accounts, the financial statements of the subsidiaries denominated in currencies other than that of the consolidated accounts (euro), must be converted into euros. As exchange rates vary between accounting periods and as the value of the subsidiaries' assets do not match their liabilities, volatility in the consolidated accounts arise as a result of conversion in different periods at different exchange rates.

Liquidity Risk aims mainly to ensure that the company can obtain the financing required to properly carry on its business activities on time, implement its strategy and meet its payment obligations when due, while avoiding the need for having to obtain funding under unfavourable terms. For this purpose, liquidity management at Sonae Indústria mainly comprises consistent financial planning, diversification of financing sources and diversification of debt maturities issued. For several years now the Group has maintained a series of bank and commercial paper credit facilities to meet treasury needs, for terms typically of up to one year, renewable with the agreement of the respective credit entities. These entities, most of which are also involved in medium and long term loans, are contractually entitled to not renew these credit facilities on maturity, although they have always ensured its renewal or replacement. Furthermore, it is not possible to foresee the level of subscription for commercial paper to be issued by the Company. In case these operations are not renewed, Sonae Indústria will have to find alternative short term financing sources so as to meet its debt service obligations. The Company believes that gains in operating performance attained over the last quarters will have a positive effect on the probability of renewing short term credit facilities as well as on the possibility of contracting additional short term financing facilities with other banks, as already accomplished in 2015. On the other hand, the possible execution of the agreement signed with Arauco Group, which has been disclosed to the market, to set up a strategic partnership involving wood based panels and related activities in Europe and South Africa, will bring about the renegotiation of most of the Group's bank debt. The company estimates that the possible conclusion of these renegotiations with present and new creditor banks, along with a reduction in global debt to be accomplished as a result of an increase in share capital of subsidiary Tableros de Fibras, S. A. for EUR 137.5 million to be subscribed for by Arauco, as stated on the signed agreement, will contribute to a significant improvement in the Company's debt maturity profile and cost.

- **Legal and Regulatory risks**

Regarding **Legal Risks**, the main risk of the Group's business relates to legislative changes that may occur at the level of the activity (environmental law and labour, among others) that can encumber the activity to such an extent that its profitability may be affected.

The activities of Sonae Indústria and its subsidiaries are, as industrial activities, subject to regulatory frameworks in a number of areas, including national regulations, European Union directives and international agreements, by which Sonae Indústria is bound and which may influence its management and strategic decisions. Indeed, Sonae Indústria, through its subsidiaries, is subject not only to different legal frameworks in countries as diverse as Canada, South Africa, Germany, Spain, Portugal or France, but also to legislation in different areas, such as industrial and forestry, environmental, labour, hazardous materials transportation, health and safety, construction and housing, urban planning, among others. The non-compliance with such regulations could lead

to operational restrictions, investment needs or even the revocation of licences, authorization or permits or in sanctions. Possible changes to regulations, legislation, or changes in interpretation on the part of competent authorities, the position of authorities or difficulties in complying with new laws and regulations could lead to increased adjustment costs, namely industrial and operational, or, in the limit, constricting the respective operating income, which could have an adverse impact on Sonae Indústria and its subsidiaries activity and operating results. It should be highlighted the on-going regulatory changes of both REACH¹, on the reclassification of formaldehyde as dangerous substance and of the European Industrial Emissions Directive² in the definition of the best practices in the wood based panels sector. In the reclassification of formaldehyde – substance used in the manufacturing process of urea-formaldehyde resins, which are the bonding agent of the vast majority of the products manufactured by the Sonae Indústria – there is already a recommendation to reclassify this substance as “category 1B carcinogen” (presumed to have carcinogenic potential for humans, classification largely based on animal evidence)³. This substance reclassification has entered into force from 1 January 2016 onwards. This reclassification may have consequences both in the definition of the emission standards of Sonae Indústria’s industrial operations, and on the restrictive levels of concentration of formaldehyde in the workplace environments. These changes may lead to additional investments needs in Sonae Indústria’s manufacturing units. Although a general ban on the utilization of formaldehyde may be a possible theoretical scenario, it is not considered a likely one, being more foreseeable that such regulatory changes result in restrictions as the ones previously described. As for the definition of the best possible practices in the wood based panels sector, Sonae Indústria considers that additional investment may be required to comply with such practices, in a period between two to five years, with the aim of incorporating some of those practices in the activities where they are not currently considered.

54. Description of the process for identification, evaluation, monitoring, control and management of risks

Internal Audit is an independent and objective activity, which aims helping Sonae Industria to achieve their goals by participating in the process of value creation. Uses a systematic and structured approach to evaluate and improve the effectiveness of risk management, internal control procedures and corporate governance.

Internal Audit operates in accordance with International Standards for the Professional Practice of Internal Auditing, established by the Institute of Internal Auditors, including its Code of Ethics.

In fulfilling its responsibilities, Internal Audit has access to any persons, records, information, systems and assets deemed necessary.

Internal Audit reports functionally to the Board Audit and Finance Committee (BAFC) and to the Statutory Audit Board.

The planning of the activity of Internal Audit is essentially developed based on a prior assessment of the systematic business risks of Sonae Indústria. The annual plan of Internal Audit activity is approved in advance by the Executive Committee and submitted to the Board Audit and Finance Committee (BAFC) and to the Statutory Audit Board.

Descriptive reports of the activity of Internal Audit are periodically prepared and sent to the Executive Committee, the Board Audit and Finance Committee (BAFC) and to the Statutory Audit Board of Sonae Industria, which includes the summary of significant internal control deficiencies and shortcomings in procedures and policies set by Company.

The reporting system implemented ensures regular feedback, a proper review of the activities and the possibility to adjust the plan of activities to emerging needs.

Board Audit and Finance Committee (BAFC) and the Statutory Audit Board are responsible for overseeing the effectiveness of the internal audit function. Accordingly, Internal Audit has developed a quality assurance and quality promotion, which includes ongoing analysis and regular and periodic evaluations of the quality conducted internally and externally.

¹ *Registration, Evaluation, Authorisation and Restriction of Chemicals*; Regulation (CE) n. 1907/2006, of 18 December or Decree-law n. 293/2009, of 13 October.

² Directive n. 2010/75/EU.

³ In experiences performance on animals in relation to which there are enough evidence to support carcinogenicity consequences to animals (presumed carcinogenic for humans).

Risk Management is a key concern within the Sonae Indústria culture and is present in all management processes, forming part of the delegated responsibility of managers and employees at all levels within the Sonae Indústria Group.

Risk Management comprises the process of identifying potential risks, analysing their possible impact on the organisation's strategic goals and seeking ways to minimise the probability of their materialisation, in order to determine the best procedures to manage exposure to them.

A global approach is in place to assure a suitable and balanced coverage of the operational risk through its transfer to our reinsurance panel. Sonae Indústria developed various insurance programs to place the risk, aiming to cover:

- Property damage (including machinery breakdown) and Business Interruption;
- Damage in transports;
- Damage caused to third parties (Product, Public and Environmental Liability);
- Credit Risk;
- Work accidents.

Sonae Indústria adopts global and local insurance policies as a support to its processes of risk management that better approach specific risks and topics and is committed to improve its assets protection and prevention levels to reinforce the partnership with the insurance market.

The production of wood-based panels is an industrial activity with a significant operational risk arising from fire and explosion. Consequently, the operational risk management is active in the implementation of standards and the choice of systems that are capable of reducing industrial unit risks.

The Risk Management Area is separated in two responsibilities to guarantee a more focused and specialized approach - Operational Risk Management and Integrated Risk Management (which includes the area of Insurance Management).

Operational Risk Management reports directly to the company Industrial Manager, in order to be focused on developing and implementing measures to mitigate risks in industrial operations.

A formally coordinated network of Country Risk Officers exists (for Germany and South Africa only) and at each of the sites there is a dedicated Plant Risk Officer.

The Operational Risk Management is also related to the **Corporate Department GTech** ("Group Technology"). This department is responsible for the implementation and sharing of industrial best practices and procedures, through an effective coordination with local teams, namely the Plant Managers, and support to the implementation of industrial investments. This team is also responsible for the promotion of several actions to optimise energy efficiency and to ensure a global coordination of the maintenance works carried out at the plants.

Sonae Indústria has also established an autonomous **Continuous Improvement** team, which promotes the implementation of continuous improvement best practices, which lead to higher efficiency and productivity levels in the group, gradually implementing a cultural change in the company's employees. Its objective is to promote throughout all people a faster and more efficient way of work, not only in the industrial areas, but also in commercial and support activities of the company.

The integrated risk management is encompassed into the **Internal Audit & Risk Management** area.

The goal of the insurance management, which is included in the Integrated Risk management area, is to bring about more efficient and effective management of the Group's different insurance policies, in order to mitigate insurance risks. It is responsible for drawing up and implementing procedures that minimize exposure to risk, reducing the likelihood of risk situations occurring and ensuring maximum coverage.

This Department is also responsible for implementing the Enterprise Wide Risk Management (EWRM) methodology, detecting, assessing and prioritising the risks and their potential impact on the organisation's activities.

The company Risk model, aggregates the business risks into three categories (Business Division Risk, Business Process Risks and Risk Information for Decision Making) and contains the quantification of the relevance (impact on EBITDA and operating efficiency) as well as probability (frequency of the event or scenario occurring) of the critical risks for Sonae Indústria.

The management of financial risks, incorporated into the business process risks is carried out and monitored within the ambit of the finance function.

Operational Risk Management

Sonae Indústria aims to improve its industrial process by implementing more efficient and sustainable practices. The operational risks are assessed and mitigated in order to raise awareness about the new risks and change behaviour in relation to the current risks.

Operational risk management activities were carried out in 2015 to achieve the goals set as regards risk control environment.

Taking into account all the risks an industrial activity such as ours entails, the protection of the key assets, as well as the loss prevention activities, are ongoing concerns of the Group, and have been defined as priorities for 2015.

Corporate Operational Risk Standards (CORS)

The CORS were developed with reference to international standards such as NFPA⁴ and/or FM⁵ data sheets, bringing together the best engineering protective practices against fire at Sonae Indústria, and in the wood industry. These standards were validated with external experts and specialists from the risk management and insurance market fields. They aim to ensure standardisation of processes and procedures in all geographies in an effort to improve operational risk management by leaving little or no room for uncertainty.

The Corporate Operational Risk Standards (CORS) are divided into three areas:

1. Management Programs and Procedures:

- Best Industry Practices in Loss Prevention involving the Human Element;
- Preparation for emergencies;
- Management of Programs (maintenance, equipment inspections, training, contractors, housekeeping).

2. Fire Protection Systems:

- Reference to international recognised standards, mainly NFPA;
- General requirements in fire detection and protection of industrial premises, fire water supply specifications and building materials characteristics;
- Integration of component for Surveillance practices (hardware).

3. Special Hazards:

- World class developed knowledge in fire detection and protection inherent to the wood based panels industry: wet and dry particle handling and transport, dryers, hot presses;
- Specific issues such as, thermal and hydraulic oil installations, electrical cabinets, and rooms, or transformers.

⁴ National Fire Protection Association.

⁵ Factory Mutual.

With the objective of complementing the above standards, specific standards that define the ideal protection per type of industrial equipment, started to be developed and implemented in 2015. This information is developed by the Operational Risk Management department together with GTech department, based on the existing equipment suppliers' best-practices and recommendations. These standards expedite the investment approval process, as the industrial already have the specifications necessary for the installation, thus promoting the standardization of the systems.

Under the scope of the risk reduction plan adopted by Sonae Indústria, namely prevention of risk of explosions, a specialized reference company has been selected to implement the mitigation measures. The execution of this plan was started in 2015 in Oliveira do Hospital and Beeskow industrial units.

In 2015, Sonae Indústria incident communication report procedure was revised to include additional and relevant information for the investigation of the accidents occurred in all industrial units.

As part of this procedure, on top of the incidents' report, it was included the report on "Near Misses". The analysis and sharing of this information allows a preventive action to reduce the number of incidents in the group.

It was implemented a monthly report, for each industrial unit, with four improvement actions implemented with the objective of eliminating risk situations. The report compiled with information on all industrial units is shared monthly within all Sonae Indústria group, promoting the benchmark of the corrected situations.

It was also developed and implemented a corporate report that compiles all events occurred in the month, related with people and assets, with identification of the root causes, consequences and mitigation measures implemented. The same reports include a monthly follow-up on these areas indicators.

These reports were widespread with all industrial units and shared with all employees to promote the identification of similar situations.

INSPECTIONS

External Risk Inspections

As Sonae Indústria changed from a Global Insurance program to Local Insurance programs, there is no longer in place a common evaluation to all industrial units.

This evaluation program is now performed in each geography by risk engineers from the insurance companies that are responsible for the corresponding policies in place. Depending on the geography and on the insurance companies, this process of risk evaluation can be either performed on an annual or quarterly basis.

These evaluation results are then translated into recommendations que continue to be scheduled in the Risk plan of each industrial unit.

Internal Risk Inspections

Following the change to local programs, and to define an evaluation criterion between all industrial units, it was implemented a common internal evaluation process for Safety, Operational Risk Management and Environment area.

During 2015 five industrial units were evaluated according to this new process.

The visits results are reported and a follow-up of the identified commendations is performed.

Risk Plan

Each individual plant plan defines a set of measures to be taken towards achieving full compliance with the Corporate Operational Risk Standards, with corporate directives published and with recommendations that result from the internal risk inspections. The main objectives encompass:

- Improving Sonae Indústria's Installations Risk Standard with a view to increasing employee and asset safety, and avoiding eventual periods of business interruption;

- Obtaining a payback reflected in the insurance premiums (demonstration of real and tangible commitment to loss prevention);
- Forming the basis for preparation of the annual budget for investment in Loss Prevention measures and establishing priorities based on the impact on Loss Prevention.

In 2015 this process was reviewed and is now part of the investment needs preparation for the following year.

55. Main elements of the internal control systems and risk management adopted by the company in relation to the process of disclosure of financial information (Article 245-A, number 1, paragraph m))

For Sonae Indústria, the implemented **internal control** environment that also covers the process of preparation and disclosure of financial information, is a transversal set of procedures implemented by the Group executive governing bodies, supported in principles of coherence, consistency, transparency, accountability, honesty, integrity, reliability and relevance, aiming to verify the reliability and the accuracy of the financial information, the compliance with accounting rules and regulations, without letting to promote the operational effectiveness. The internal control system seeks to ensure the good management practises and procedures, the compliance with the management established policies and to obtain reasonable assurance relating to the preparation of financial statements, in accordance with adopted accounting principles, and warranting the quality of financial reporting.

In this internal control system, the Group's first point of control is associated with organization, procedures and with the tasks related with the decision processes and execution which they end up to translate, in a systematic, controlled and validated way, in the authorizations of the operations by management.

It is then tried to ensure that those management operations translate into procedures and movements related with accounting and financial records which, in result, are elaborated in a way to allow a reasonable level of certainty that operations are executed in accordance with a general or specific management authorization, that operations are registered in order to enable an appropriate financial statements preparation in accordance with the generally accepted accounting principles and to keep an adequate accounting record of the company financial situation. The accounting evidence of the company financial situation is compared, in frequent time intervals, with existent assets and liabilities and appropriate measures are taken so that relevant material differences are verified.

The reliability, independence, integrity and the opportunity of the financial information are guaranteed through the clear separation between who executes the operations, prepares the information and its internal users (and naturally external), and even through the realization of several control activities throughout the process of preparation, validation and disclosure of financial information.

The internal control system for the accounting and preparation and disclosure of financial information includes the following key controls:

- The process of reporting financial information is documented. The risks, tasks and associated controls are identified, individualized and segregated, being properly established and approved the criteria for its preparation and disclosure, which are periodically reviewed;
- The utilization of consistent accounting principles in compliance with the rules in force, which are explained in the notes to the financial statements and are present in the company formal document – “Políticas Contabilísticas do Grupo” – permanently updated and validated by the Group's Executive Committee, constitutes the base of the report control system;
- The plans, procedures and records of Group companies allows a reasonable assurance that the transactions are executed only with a proper authorization approved by management, and recorded in compliance with accounting principles, also ensuring that the Group companies maintain a proper record of its assets with their existence reconciled with the accounting records, being adopted appropriate measures always when differences are verified.
- The financial, accounting and management information is reviewed regularly by the management of each business unit and by the persons in charge of the profit centres, ensuring continuous monitoring and related budget control;

- During the process of preparation and review of financial information, detailed schedules are established by the Consolidated Accounts Department, which are shared with the areas involved, being all documents reviewed in detail, including the review of principles used, verifying the accuracy of the information and its consistence with principles and policies defined in the Group's accounting policies document and followed in previous periods;
- With regard to the separate entities, accounting records are ensured by the Group's Share Service Centre that guarantees the control and consistent recording of business processes transactions and the recording of the assets, liabilities and equity accounts balances. The financial statements are prepared by the different functions of administrative services. Compliance with the rules and the schedule mentioned above, guarantees the consistent respect of criteria and the early detection of any potential deviation or inaccuracies in records. Financial statements are prepared by chartered accountants of each company and reviewed by Planning and Management Control, Consolidation, Statutory External Auditor and by Sonae Indústria's Statutory Audit Board;
- Consolidated financial statements are prepared on a monthly basis by the consolidation Group department. This process represents an additional control of the reliability of financial information, as regards the consistent application of accounting principles, cut-off procedures and control of related parties transactions and balances;
- In the assessment process of the company risk, the Executive Committee permanently identifies the relevant risks to the preparation of the financial statements in order to ensure an appropriate and real image of the company situation in every moment. A monthly detailed analysis of the financial statements aims to ensure that these reflect the risks, events and external and internal circumstances that impact the report period.
- The Management Report is prepared by the Investors Relations department and contributed to, and reviewed by, several business and support departments. The Corporate Governance Report is also prepared by the same department in cooperation with the legal department.
- The Group financial statements are prepared under the supervision of the Executive Committee. The documents that constitute the Annual Report and Accounts are sent for review and approval by the Sonae Indústria Board of Directors, after being preliminarily verified with the External Auditor. Once approved, the documents are sent to the External Auditor who issues the accounts legal certification and its report, both object of a detailed analysis and deliberation by the Statutory Audit Board.
- The process of preparing separate and consolidated financial information and the Management report is supervised by the Statutory Audit Board and by the Board Audit and Finance Committee of the Board of Directors. These bodies meet quarterly to review the individual and consolidated financial statements. The Statutory Auditor presents the main conclusions of the work carried out regarding the yearly financial information, directly to the Statutory Audit Board and to the Board Audit and Finance Committee. Promptly and when something material happens with relevant impact in the accounts, the External Auditor meets with the Statutory Audit Board to discuss and validate the implications of those situations in the results' announcements.
- Internal rules applicable to the disclosure of financial information aim to warrant that information is disclosed to the market in a timely manner, in order to prevent information asymmetry.

Among the risks that may materially affect the financial and accounting report preparation, the following are worth highlighting:

- Accounting estimates – major accounting estimates are described in the notes to the financial statements. Estimates are based on information available during the preparation of the financial statements and in the best knowledge and experience of past and present events;
- Balances and transactions with related parties – balances and transactions with related parties are disclosed in the notes to the financial statements. These transactions are related mainly to the operational recurrent activities of the Group, and to the granting and obtaining of loans under arm's length conditions and supported in good transfer pricing practices.

- Compliance and updated rules and accounting policies – The accounting policies produced by the different regulators are permanently updated. Financial statements are presented according with the last available versions and whenever such impacts the disclosure of the financial information reports, to prevent incompleteness, inaccuracy or ill-time of the financial statements, as referred in the notes to the financial statements.
- New information systems or reviewed or its discontinuity – The adoption of new information systems or its constant updates could impact the timely presentation of the financial information and even its reliability and consistency. The permanent update of the decision-making information systems is accompanied by multidisciplinary internal and external teams that provide an adequate control environment. In turn, the company risk of not having an effective and redundant information and technology infrastructure in the processes scope used to define, develop, keep and operate a timely and adequate treatment information environment, could result in information loss and/or in the availability of the systems to report the information in a complete way and in time. To minimize this risk, the Group has been developing and implementing information technology solutions that allows to face this risk in a more controlled way.
- Fraud and Human errors – The fraud situation in which an individual or a group of people in collusion, namely those with higher management responsibility positions, engages in fraud practices related with the financial information preparation can be hard to detect, depending on the hierarchical level of the intervenient. The existence of different information internal recipients, namely the top management level, the Planning and Management Control, the Investor Relations department and local teams allows successive and redundant controls which enable the identification of potential fraud and human errors situations.
- Cost/benefit relation of the internal control process – The implementation of an internal control system related with the preparation and disclosure of financial information can represent a cost that has to be assessed in terms of benefit. It has to exist a direct relationship between benefits (security) that the company aims to achieve with the internal control system implementation and the reasonable security that this may provide. The business processes optimization, which includes the process of preparation and disclosure of business information, has been subject of analysis and permanent update, in terms of processes optimization and internal control environment, existing an effective responsibility in the company with that objective and included in the information and technology department.
- Company's less common transactions – Sometimes company's less common transactions occur and because they are exceptional, they could not be detected and timely signaled by the internal control system once this could not be prepared to overcome it. When this exceptional situation happens, it is immediately identified at local or consolidated level, analysed by the several internal departments and, if it is the case, with external confirmation usually with the External Auditor and/or experts.

IV. INVESTOR RELATIONS

56. Department responsible for investor relations, composition, roles, information made available by the department and contact details

Sonae Indústria has its own Investor Relations' Department, responsible for managing the relationship between the Company and shareholders, investors, analysts and market authorities including the CMVM (the Portuguese Securities Exchange Regulator).

Each quarter, the Investor Relations Department is responsible for coordinating the preparation of an earnings announcement to be issued to the market and provides statements whenever necessary to disclose or clarify any relevant fact or event that could affect the share price. The Investor Relations Department is available at all times to respond to any general questions posed by the market. The Company is available to meet investors, either at road shows or in one-to-one meetings upon request, or by participating at conferences.

Sonae Indústria's Investor Relations Department comprises two staff members. Its manager is António Castro. The Department may be contacted,

by e-mail: investor.relations@sonaeindustria.com or by telephone: +351 220 100 655.

57. Representative for the Relations with Capital Markets

Sonae Indústria's legal Representative for Relations with Capital Markets is its executive director George Christopher Lawrie, who can be contacted via the Investor Relations Department or alternatively, directly by e-mail: chris.lawrie@sonaeindustria.com

58. Information on the volume and time of response to information requests received during the year or pending from previous years

The company keeps a record of the requests made to the Investor Relations Department and how each request was dealt with. In 2015 the Department received contacts and requests for clarification from 15 investors, of which 6 were non-resident. In overall terms, the average response time to the information requests from investors was less than 48 hours. No information requests from earlier years are pending.

V. WEBSITE

59. Website address

The company's website is www.sonaeindustria.com.

60. Place where information on the firm, public company status, registered office and the remaining information is available set out in Article 171 of the Portuguese Companies Law

Information on the company's firm, the quality of publicly traded company, headquarters and other elements mentioned in Article 171 of the Companies Code is available at:

<http://www.sonaeindustria.com/page.php?ctx=2,0,27> (Portuguese version)

<http://www.sonaeindustria.com/page.php?ctx=1,0,27> (English version)

61. Place where the company's articles of association and terms of reference of the governing bodies and/or committees are available

The company's Articles of Association are available at:

<http://www.sonaeindustria.com/page.php?ctx=2,0,31> (Portuguese version)

<http://www.sonaeindustria.com/page.php?ctx=1,0,31> (English version)

The functioning regulations of the Board of Directors, Executive Committee and Statutory Audit Board are available at:

<http://www.sonaeindustria.com/page.php?ctx=2,0,109> (Portuguese version)

<http://www.sonaeindustria.com/page.php?ctx=1,0,109> (English version)

62. Place where information regarding the identification of the members of the governing bodies, the Representative for the Relations with the Capital Markets, the Investor Relations Department or its equivalent, respective roles and contact details is available

The identity of the members of the company's governing bodies is available at:

<http://www.sonaeindustria.com/page.php?ctx=2,0,29> (Portuguese version)

<http://www.sonaeindustria.com/page.php?ctx=1,0,29> (English version)

Information about the Representative for the Relations with the Capital Markets is available at:

<http://www.sonaeindustria.com/page.php?ctx=2,0,30> (Portuguese version)

<http://www.sonaeindustria.com/page.php?ctx=1,0,30> (English version)

Information about the Investor Relations Department is available at:

<http://www.sonaeindustria.com/page.php?ctx=2,0,55> (Portuguese version)

<http://www.sonaeindustria.com/page.php?ctx=1,0,55> (English version)

63. Place for disclosure of the company financial statements, which must be available for at least five years, as well as the half-year calendar of corporate events, released at the beginning of each semester, which must include dates of shareholders' general meetings and dates of release of annual, half-year and, if applicable, quarterly results

The company's accounting documents are available at:

<http://www.sonaeindustria.com/page.php?ctx=2,0,42> (Portuguese version)

<http://www.sonaeindustria.com/page.php?ctx=1,0,42> (English version)

http://web3.cmvm.pt/sdi/emitentes/emit_contas.cfm?num_ent=%25%23D%3FT%21%3D%3C%20%0A

The half-yearly schedule of company events is available at:

<http://www.sonaeindustria.com/page.php?ctx=2,0,53> (Portuguese version)

<http://www.sonaeindustria.com/page.php?ctx=1,0,53> (English version)

64. Place for disclosure of the notice of General Meeting and all the preparatory and subsequent information

The notifications convening the general meetings and all the preparatory information and information subsequent to the meetings are available at:

<http://www.sonaeindustria.com/page.php?ctx=2,0,102> (Portuguese version)

<http://www.sonaeindustria.com/page.php?ctx=1,0,102> (English version)

http://web3.cmvm.pt/sdi/emitentes/emit_convocatorias.cfm?num_ent=%25%23D%3FT%21%3D%3C%20%0A

65. Place for the release of the historic records of all resolutions approved at the shareholders' general meetings, the percentage of share capital represented and the results of the votes cast, all in relation to the last three years

The record of the deliberations made in the general meetings, capital represented and the results of the votes are available at:

<http://www.sonaeindustria.com/page.php?ctx=2,0,102> (Portuguese version)

<http://www.sonaeindustria.com/page.php?ctx=1,0,102> (English version)

D. REMUNERATIONS

I. COMPETENCIES FOR APPROVAL OF REMUNERATIONS

66. Details of the powers for establishing the remuneration of the governing bodies, Executive Committee members and of the company Persons Discharging Managerial Responsibilities

As defined in the Articles of Association of the company, the Shareholders' General Meeting is responsible for establishing the remuneration of the members of the governing bodies or for electing a committee for this

purpose. As for the members of the Board of Directors, the Remuneration Committee talks to the Board Nomination and Remuneration Committee. Only as such can the Remuneration Committee gain the necessary knowledge about the performance of each director, and especially the executive directors, throughout the year.

II. REMUNERATIONS COMMITTEE

67. Composition of the remunerations committee, including identification of the individuals or companies who have been retained to support the decision process and information regarding the independence of each member and advisor

Sonae Indústria's Shareholders' Remuneration Committee is appointed by the Shareholders' General Meeting for a three-year term and was elected at the Shareholders' General Meeting held on 31 of March 2015 for the mandate 2015-2017. Currently this committee is composed by Efanor Investimentos - SGPS, SA, represented by Duarte Paulo Teixeira de Azevedo, by, Imparfin - SGPS, SA, represented by José Fernando Oliveira de Almeida Côte-Real and by the Professor José Manuel Neves Adelino.

Professor José Manuel Neves Adelino is an independent member of the Remuneration Committee.

The participation of Paulo Azevedo at the Shareholders' Remuneration Committee, who is also Chairman of the Board of Directors, corresponds to the representation of shareholder interests in the Shareholders' Remuneration Committee, as he intervenes in that capacity. Paulo Azevedo does not participate in the discussion nor is present in the moment of the meeting in which his own payment is discussed therefore ensuring the necessary impartiality and transparency.

No company was hired to assist the Shareholders' Remuneration Committee nor the Board Nomination and Remuneration Committee. For the benchmark salary level of Board of Directors members, these Committees use multi-company studies prepared by international consultants present in Portugal which are available in the market.

68. Experience and knowledge of the members of the Shareholders' Remuneration Committee in remuneration policy issues

The representative of Imparfin, José Corte Real, works for the Efanor Group on Human Resources' area; his extensive knowledge and vast experience in Human Resources, namely in regard to remuneration policy contribute very positively to the work of the Shareholders' Remuneration Committee.

III. REMUNERATION STRUCTURE

69. Description of the remuneration policy of the Management and Supervisory bodies as mentioned in Article 2 of Law 28/2009, dated 19 June

At the General Meeting held in 2015 the Remuneration Committee presented a declaration concerning the remuneration and compensation policy of the governing bodies and the Persons Discharging Managerial Responsibilities, and a share attribution plan.

However, the shareholder Efanor Investimentos, SGPS, S.A., taking into consideration that Sonae Indústria's restructuring plan is nearing completion, considers that the main objective of the organization should now be to increase the productivity and profitability of the existing businesses in order to create value for its shareholders. Thus, the variable component of the remuneration of the executive directors should be aligned with those strategic objectives. And, considering that the indexation of that variable component to the trading price of the shares of Sonae Indústria, SGPS, SA, is not the most direct way to ensure the referred to alignment, as an alternative to the proposal submitted by the Shareholders' Remuneration Committee of Sonae Indústria, it proposed the approval of the statement on the remuneration and compensation policy to be applied to the

Company's Statutory Governing Bodies and to Persons Discharging Managerial Responsibilities that presented and which was approved at the General Meeting.

The remuneration and compensation policy to be applied to the Statutory Governing Bodies of Sonae Indústria and other Senior Management complies with European guidelines, Portuguese law and the recommendations of the Portuguese Securities Market Commission (CMVM) and is based on the understanding that initiative, competence and commitment are the essential foundations for good performance and that the latter should be aligned with the medium and long term interests of the Company, in order to achieve sustainability.

In determining the remuneration policy comparisons are made with market studies available in Portugal and other European markets, including those prepared by the specialised consultant Hay Group. Comparisons are also made with remuneration practice of comparable companies issuers of securities listed at the stock market.

The fixed remuneration of the Directors is fixed in function of their level of responsibility, is subject to annual review and is placed in the median position in comparable circumstances.

Besides the fixed remuneration, the executive directors participate on an incentives plan, with a variable component, which is divided in three elements, one of short term, other of medium term and other of long term. The total remuneration is placed in the respect to the fixed remuneration in the median, and in the ninth deciles in respect to the variable component, being the total remuneration placed in the third quartile in comparable circumstances.

The fixed remuneration and the incentives plan are decided by the Shareholders' Remuneration Committee in coordination with the Board Nomination and Remuneration Committee.

The incentives plan, awarded to Executive Directors, is subject to maximum percentage limits and is determined by pre-established and measurable performance criteria - performance indicators - agreed with each executive director for each financial year.

This incentives plan is established based on a set of performance indicators at business level, mainly of an economic and financial nature, also named by "Key Performance Indicators of Business Activity" (or Business KPIs), as also at individual level named as "Personal Key Performance Indicators" (or Personal KPIs). The content of the performance indicators and their specific weight in determining actual remuneration awarded, ensure the alignment of Executive Directors with the strategic objectives defined for the organisation and the compliance with the laws that apply to the Company's activities.

The award of the incentives plan is based on an individual performance assessment, which is made by the Shareholders' Remuneration Committee, in coordination with the Board Nomination and Remuneration Committee. This assessment takes place after the results of the Company are known.

Thus, for each financial year, an evaluation is made of business activity and of the performance and individual contributions to the collective success, which, obviously, impacts the awards of the fixed and variable components of the remuneration package of each Executive Director.

In applying the Remuneration and Compensation Policy consideration is given to roles and responsibilities performed in affiliated companies.

The Company's Remuneration and Compensation Policy incorporates the principle of not contemplating any compensation to members of the Board of Director, or to members of other Statutory Governing Bodies, related with the termination of a mandate, whether such termination occurs at the end of the respective mandate, or there is an early termination for any reason or on any basis, without prejudice of the Company's obligation to comply with the applicable law.

The Remuneration and Compensation Policy does not include any additional benefits system, particularly retirement benefits, in favour of the members of the governing bodies or other "Senior Management", without prejudice of the Shareholders' Remuneration Committee having the option to proceed with the payment of part of the amounts due through the attribution of retirement saving plans.

To ensure the effectiveness and transparency of the objectives of the Remuneration and Compensation Policy, the Executive Directors have not, and will not, enter into agreements with the Company or third parties that have the effect of mitigating the risk inherent in the variability of their remuneration awarded by the Company.

The definition of the remuneration and compensation policy of members of the Company's statutory bodies, the main objective is to seize talent with high performance level, which represent a relevant and material

contribution to the sustainability of the Company's businesses. With that in mind, remuneration parameters of statutory bodies are set and periodically reviewed in accordance with remuneration practices of comparable national and international companies, aligning, in individual and aggregate terms, the maximum target amounts to be paid to members of the statutory bodies, with market practices, differentiating on an individual and positive manner the members of statutory bodies according to, amongst others, the respective profile and curriculum, the nature and job description and the responsibilities of the relevant statutory body and of the member itself, and the direct correlation degree between individual performance and businesses performance.

To determine the global market reference values is considered the average of values applicable to top management in Europe. The companies considered as peers for remuneration purposes are those included in the group of companies which are listed in Euronext Lisbon, being the maximum potential amounts to be paid to members of the statutory bodies the following, according to market references:

Board of Directors	Components		Market Positioning	Circumstances when the amounts are due
Executive Directors	Fixed	Base Remuneration	Median	N/A
	Variable	Short Term Variable Component	Ninth Deciles	Compliance with objective and subjective KPIs
		Medium Term Variable Component		Compliance with objective KPIs
Long Term Variable Component	Compliance with objective KPIs			
Non-Executive Directors	Fixed	Remuneration	Median	N/A
Statutory Audit Board	Fixed	Remuneration	Median	N/A
Statutory External Auditor	Fixed	Remuneration	Median	N/A

The Company will not assume any contractual responsibilities which are based on and have as effect the enforceability of any payments regarding dismissal or termination of functions of directors, notwithstanding the legal responsibility regime applicable to the dismissal of directors without due cause.

As for the Company's Statutory Governing Bodies, the approved policy establishes the following:

Executive Directors (EDs)

The remuneration and compensation policy for the Executive Directors (EDs) includes, in the way it is structured, control mechanisms, taking into account the connection to personal and collective performance, to prevent behaviours that involves excessive risk-taking. This objective is also reinforced by the fact that each Key Performance Indicator is limited to a maximum value.

The remuneration of EDs normally includes two components: (i) a fixed component, which includes a Base Remuneration paid with reference to one year period (remuneration is paid in 12 months) and an annual responsibility allowance, (ii) a variable component which comprises three elements, (ii.1) a first element of Short Term, awarded in the first half of the year following the year to which it relates (the "Performance Year"), subject to the accomplishment of the objectives fixed for the Performance Year, paid immediately after its award, (ii.2) a second element of Medium Term, awarded in the first half of the year following the year to which it relates, subject to the accomplishment of the objectives and paid after a 3 years deferral period, and (ii.3) a third element of Long Term, awarded in the first half of the year following the year to which it relates, subject to the accomplishment of the objectives fixed in each of the following five years and paid five years after its award.

(i) The fixed component of the remuneration (FR) of the EDs is based on the personal competences and level of responsibility of the function exercised by each ED and is reviewed annually. Each ED is attributed a classification named internally as Management Level ("Grupo Funcional"). EDs are classified under one of the following Management Levels: "Group Leader", "Group Senior Executive" and "Senior Executive". The Management Levels

are structured according to Hay's international model for the classification of corporate functions, thereby facilitating market comparisons as well as helping to promote internal equity.

(ii) The variable component of the remuneration (VR) is designed to motivate and reward the EDs to achieve predetermined objectives and reinforce the alignment of the EDs with the shareholders' interests and increasing their awareness of the importance of their performance in a sustainable manner on the overall success of the organisation. These objectives should be based on indicators of Company performance, of the working teams under their responsibility and of their own personal performance. This variable component will be awarded after the annual accounts are closed and after their performance evaluation has been completed.

a) The Short Term Variable Bonus

The target value of the short term variable bonus equals, the maximum, to 1/3 of the target value of the total variable component.

The amount of the variable bonus of EDs without a specific geographic responsibility is based on the Company consolidated KPI's, resulting 50% from the Operational Cash Flow, 20% from Fixed Costs and 30% of the other performance indicators to be annually defined by the Shareholders' Remuneration Committee. Thereafter, a multiplication factor will be applied. This multiplication factor results from the individual performance assessment and can range between 0 and 150% according with the individual performance classification attributed to the relevant ED.

Regarding EDs with geographic responsibility, the calculation is similar to the previously described but the combine result of the Company's Operational Cash Flow and consolidated Fixed Costs has a weight of 50%, of which 35% for the Operational Cash Flow and 15% for Fixed Costs, the weight of the relevant geography represents the 20%, of which 15% is allocated to the Operational Cash Flow and 5% to Fixed Costs, and the remaining 30% depend on the other performance indicators, namely related to the performance of the working teams under the responsibility of the ED, to be annually defined by the Shareholders' Remuneration Committee. The multiplication factor resultant from the individual performance assessment is applied in the same way.

b) The Medium Term Variable Bonus (Deferred for 3 years)

The Medium Term Variable Bonus (MTVB) is designed to reinforce the alignment of the EDs with the strategic objectives of the company and the interests of the shareholders. The payment of the amount awarded is deferred for 3 years and adjusted proportionally in each one of the three years following the year to which it relates, in the portion of one third in each year. The indicators to be used are: (i) the increase of the theoretical value of the shareholders' funds (calculated using a multiple of Recurrent EBITDA), which will have a weight of 60%, and (ii) the increase of productivity in euros at constant prices by employees, with a weight of 40%.

c) The Long Term Variable Bonus (Deferred for 5 years)

The Long Term Variable Bonus (LTVB) is designed to increase the awareness of the importance of performance in a sustainable manner on the overall success of the organisation. The amount of this bonus in euros is equal to the Short Term Variable Bonus awarded, will be deferred for a 5 years period and will only be due if the company registers consolidated profits in all years during the deferred period and if such profits are, in each year, in an amount equal or higher than 20% of the consolidated Shareholders' Funds registered in the beginning of the year they respect to.

Considering all the elements of short, medium and long term of the variable component, the target values set in advance range between 50% and 70% of the total annual remuneration (fixed remuneration and variable component target value).

In respect to the calculation of the results the total value awarded is limited to the minimum 0% and the maximum of 200% of the total target value set in advance.

The payments may be made by any of the forms of termination of an obligation as set forth in the law and in the Company's articles of association, at the Shareholders' Remuneration Committee criteria, who may, namely, at

its free criteria, fix the receipt of any of the parts of the variable component through the sale of shares of Sonae Indústria, SGPS, S.A. a discount. This discount corresponds to a contribution to the acquisition of shares that will be supported by the persons to whom variable component remuneration was awarded, which shall correspond to a percentage of the trading price of the shares, at the date of the share transmission, up to a maximum percentage of 5% of such value.

The right of receipt of the deferred parts of the variable component remuneration expires if the contractual link between the member and the company ceases before its vesting date.

However, this right will remain valid in case of permanent incapacity or death of the member, in which case the payment is made to the member himself or to his/her heirs on the vesting date.

In case of retirement of the member, the awarded right can be exercised in the respective vesting date.

Non-Executive Directors (NEDs)

The remuneration of the Non-Executive Members of the Board of Directors (NEDs) shall be based on market comparables, and be structured as follows: (1) a Fixed Remuneration (of which approximately 15% depends on attendance at Board of Directors and Board Committee meetings); (2) an Annual Responsibility Allowance. Fixed Remuneration may be increased by up to 5% for those NEDs serving as Chairman of any Board Committee. There is no remuneration as variable bonus.

Statutory Audit Board (“Conselho Fiscal”)

The remuneration of the members of the Company’s Statutory Audit Board shall be based exclusively on fixed amounts, which include an Annual Responsibility Allowance. The levels of remuneration are determined by taking into consideration the Company’s situation and by benchmarking against the market.

Statutory External Auditor

The Company’s Statutory External Auditor shall be remunerated in accordance with normal fee levels for similar services, benchmarked against the market, under the supervision of the Statutory Audit Board and the Board Audit and Finance Committee.

Board of the Shareholders’ General Meeting

The remuneration of the members of the Board of the Shareholders’ General Meeting shall correspond to a fixed amount, based on the Company’s situation and benchmarked against the market.

Persons Discharging Managerial Responsibilities

Under the terms of Paragraph 3 of Article 248.º - B of the Portuguese Securities Code, in addition to the members of the Statutory Governing Bodies mentioned above, Persons Discharging Managerial Responsibilities also includes individuals who have regular access to Privileged Information and are involved in taking management and business strategy decisions at the Company.

The remuneration policy applicable to other individuals who, under the terms of the law, are considered to be Persons Discharging Managerial Responsibilities, shall be equivalent to the one adopted for other managers with the same level of function and responsibility, without awarding of any other additional benefits in addition to those which result from the respective Management Level.

The executive directors of Sonae Indústria’s subsidiary companies are also eligible to be awarded the variable component, as well as, and in accordance with the remuneration policy approved by the Board of Directors, the employees who, through that policy, are entitled to the incentives plan are also eligible for the award of the referred to component.

70. Information on how the remuneration is structured, so that the interests of the members of the management body are aligned with the long-term interests of the company, how it is related to the performance evaluation and how it discourages the excessive assumption of risks

With regard to the non-executive directors, the attribution of only a fixed remuneration, as explained in the previous point, allows the interests of these directors to be matched to the long-term interests of the company.

As for the executive directors, the attribution of remuneration comprising a fixed component and a variable component, the latter calculated in line with a series of specifically weighted performance indicators, ensures that the executive directors' interests are aligned with the long-term interests of the company and discourages risk taking. The result of the performance assessment of each of the executive directors serves as a multiplier factor of the other defined KPIs (for a more detailed explanation of how the different KPIs work, see the previous point).

71. Reference to the existence of a variable component of the remuneration and information regarding the potential impact of the performance evaluation on the variable component

As mentioned in the two previous points, the remuneration of the executive directors comprises a variable component, whereby the performance assessment impacts on this part of the remuneration (for more detailed explanation of the impact of the performance assessment on the variable remuneration component see point 69).

72. Deferred payment of the variable component remuneration, identifying the deferral period

The Medium-Term Variable Bonus is deferred for a 3-year period and the Long-term Variable Bonus is deferred for a 5-year period.

73. Criteria for the attribution of variable remuneration in the form of shares, retention of shares by executive directors, potential agreements over shares, namely hedging or risk transfer agreements, respective limit, and relation to the total annual remuneration

The remuneration policy approved at the General Annual Meeting of 2015 no longer contemplates the remuneration in the form of shares, being still open the share attribution plans mentioned in item 86. To ensure the effectiveness and transparency of the remuneration and compensation policy, the executive directors have not entered and should not enter into agreements with the company or with third parties with the objective of mitigating the risk inherent to the variability of the remuneration that is fixed by the company.

74. Criteria for the attribution of variable remuneration in the form of options and indication of the deferral period

The company does not attribute options.

75. Main parameters and assumptions of any system of annual bonuses and other non-monetary benefits

The parameters and explanation of the annual bonus system are outlined in the remuneration policy in point 69.

76. Main characteristics of the complementary long-term or advanced retirement plans for directors and date of approval at the shareholders' general meeting for each individual

The company has not implemented any supplementary pension or early retirement regime.

IV. DISCLOSURE OF REMUNERATION

77. Indication of the total annual remuneration, both in aggregate and individual terms, of the members of the management bodies, paid by the company, including fixed and variable compensation and, for the latter, describing the different remuneration components involved

2015	Total Fixed Annual Remuneration		Total Short Term Variable Bonus		Total Medium Term Variable Bonus		Total Long Term Variable Bonus	Total	
	2014	2015	2014 (a)	2015 (b)	2014 (c)	2015 (d)	2015 (e)	2014	2015
Belmiro de Azevedo (f)	182,200	44,800						182,200	44,800
Paulo Azevedo	28,300	45,685						28,300	45,685
Javier Veja	31,000	29,565						31,000	29,565
Albrecht Ehlers (g)	41,400	40,860						41,400	40,860
Carlos Moreira da Silva (h)	0	30,900						0	30,900
José Romão de Sousa (i)	0	24,125							24,125
Rui Correia	276,880	276,900	110,000 ⁽¹⁾	123,640 ⁽⁴⁾	165,000 ⁽⁷⁾	165,000 ⁽¹⁰⁾	123,640 ⁽¹³⁾	551,880	689,180
Cristopher Lawrie	222,905	223,220	89,990 ⁽²⁾	121,682 ⁽⁵⁾	89,990 ⁽⁸⁾	108,258 ⁽¹¹⁾	121,682 ⁽¹⁴⁾	402,885	574,842
Jan Bergmann (j)	250,000	250,000	93,264 ⁽³⁾	112,400 ⁽⁶⁾	139,896 ⁽⁹⁾	150,000 ⁽¹²⁾	112,400 ⁽¹⁵⁾	483,160	624,800
Total of Board of Directors	1,032,685	966,055	293,254	357,722	394,886	423,258	357,722	1,720,825	2,104,757

(a) Relative to 2014, amount approved and paid in 2015.

(b) Relative to 2015, estimated value subject to real KPI achievement and to subsequent approval by the Shareholder's Remuneration Committee.

(c) Relative to 2014, approved in 2015, deferred for the three-year vesting period until 2018.

(d) Relative to 2015, the initial amount is deferred for 3 years and adjusted proportionally in each one of the 3 years following the year to which it relates, in the portion of one third in each year. The indicators to be used are: (A) the increase of the theoretical value of the shareholders' funds (calculated using a multiple of Recurrent EBITDA), which will have a weight of 60%, and (B) the increase of productivity in euros by employee with a weight of 40%.

(e) Relative to 2015, the initial amount to be allocated will be deferred for a 5 years period and will only be due if the company registers consolidated profits in all years during the deferred period and if such profits are, in each year, in an amount equal or higher than 20% of the consolidated shareholders' funds registered in the beginning of the year they respect to.

(f) Relative to three months in 2015.

(g) Out of the amount paid in 2014, 29,100 Euros were paid by Sonae Indústria, SGPS, SA and 12,300 by Glunz AG. Out of the amount earned in 2015, 28,560 Euros were paid by Sonae Indústria, SGPS, SA and 12,300 Euros by Glunz AG.

(h) Amount not yet paid.

(i) Relative to nine months in 2015.

(j) Amounts fully paid by Glunz AG.

(1) Fixed from the target value of the year in the amount of 110,000 Euros.

(2) Fixed from the target value of the year in the amount of 108,258 Euros.

(3) Fixed from the target value of the year in the amount of 100,000 Euros.

(4) Fixed as from the target value of the year in the amount of 110,000 Euros.

(5) Fixed from the target value of the year in the amount of 108,258 Euros.

(6) Fixed from the target value of the year in the amount of 100,000 Euros.

(7) Fixed from the target value of the year in the amount of 165,000 Euros.

(8) Fixed from the target value of the year in the amount of 108,258 Euros.

(9) Fixed from the target value of the year in the amount of 150,000 Euros.

(10) Fixed from the target value of the year in the amount of 165,000 Euros.

(11) Fixed from the target value of the year in the amount of 108,258 Euros.

(12) Fixed from the target value of the year in the amount of 150,000 Euros.

(13) Amount equal to the Short Term Variable Bonus granted

(14) Amount equal to the Short Term Variable Bonus granted

(15) Amount equal to the Short Term Variable Bonus granted

78. Compensation of any kind paid by other companies in relation of domain or group, or subject to a common domain

The amounts paid by other companies in the group are shown in the table in point 77.

79. Remuneration paid in the form of participation in the company's results and/or bonuses

The bonuses paid to the executive directors are outlined in the table in point 77.

80. Indemnities paid or due to former executive directors resulting from the termination of their responsibilities during the financial year

No indemnity was paid to the former executive directors upon termination of their functions during the year.

81. Indication of the total annual remuneration, both in aggregate and individual terms, of the Statutory Audit Board

In 2015 the members of the Statutory Audit Board earned the following remuneration:

Statutory Audit Board member	Remuneration/Euros
Manuel Heleno Sismeiro (Chairman)	9,900
António Trábulo*	7,100
Óscar Quinta*	7,100
Armando Magalhães**	1,500
Jorge Morgado**	1,500
TOTAL	27,100
*Appointed at the General Shareholders' Meeting of 31 March 2015	
** Cessed duties at the General Shareholders' Meeting of 31 March 2015	

82. Indication of the remuneration for the reference year of the Chairman of the Board of the General Meeting

In 2015 the Chairman of the Board of the General Meeting, in duty until the Annual General Meeting, earned the total remuneration of 1,250 Euros. The Chairman of the Board of the General Meeting elected in that General Meeting earned the total remuneration of 3,750 Euros.

V. AGREEMENTS WITH IMPACT ON REMUNERATION

83. Contractual restrictions applied to the compensation due by ungrounded dismissal of director and its relation with the variable component of the remuneration

The Remuneration and Compensation Policy approved in the General Meeting maintains its principle of not awarding compensation to the directors upon termination of their mandate, notwithstanding mandatory compliance by the company with the legal stipulations in force concerning this matter.

84. Reference to the existence and description, indicating the amounts involved, of agreements between the company and members of the management bodies and other officers ('dirigentes'), in accordance to the terms of Article 248-B, number 3, of the Securities Code, which foresee compensation in case of resignation, ungrounded dismissal or termination of the work contract subsequent to a change in the company control (Article 245-A, number 1, paragraph I)).

No agreements were signed between the company and the directors that stipulated indemnity in the event of resignation, dismissal without justification or termination of the employment relationship following a change in the control of the company.

VI. SHARE PLANS OR STOCK OPTIONS PLANS

85. Identification of the plan and of the respective recipients

The remuneration policy approved at the Annual Shareholders' General meeting of 2015 does not contemplate any variable remuneration in the form of share attribution plan.

However, and taking into consideration that the previous policies contemplated such remuneration (denominated as Medium-Term Variable Bonus (MTVB)), it is still applicable for the plans that are open the rules established in the Share Attribution Plan that were subject to deliberation of the General Meeting in the year they refer to.

86. Description of the plan

The main characteristics of the Plans that are still open are:

MTVB was one of the components of Sonae Indústria's Remuneration Policy. This component which differed from the others, as it had a restricted and casuistic character, being subject to the eligibility rules set out in the Plan.

MTVB allowed the eligible persons to share with shareholders, the value that is created as a result of their direct influence on the strategy definition and management of the underlying businesses, in the proper measurement of the annual assessment of their performance.

The executive directors of Sonae Indústria and of its subsidiary companies were eligible to be awarded the MTVB.

According with the remuneration policy approved by the Board of Directors, employees who, through that policy, were entitled to the present plan were also eligible for the award of the MTVB.

MTVB was set on an annual basis, for periods of three years. From the beginning of the third consecutive plan it would occur, at each moment, the coexistence of three plans of three years each.

The MTVB was valued at the date of attribution using prices which represent the price of the share, in the Portuguese stock market, considering for this effect the most favourable of the following: closing share price of the first day of trading after the General Meeting of Shareholders or the average closing share price (regarding the thirty-day period of trading prior to the General Meeting of Shareholders).

Members entitled to MTVB have the right to acquire a number of shares corresponding to the division between the amount of MTVB granted and the price of the share at the date of attribution calculated under the terms of the previous paragraph. Such right can be exercised three years after attribution, which may be adjusted, through the deferral period by the completion level of long term KPIs defined by the Shareholders' Remuneration Committee, in order to reinforce the alignment with the long term sustainability business objectives.

In line with the statement of a strengthens policy of the alignment of executive directors with the company's long term interests, the Shareholders' Remuneration Committee could, at its discretion, determine that the executive director contributed to the acquisition of shares up to a percentage that could not exceed 5% of its share price at the date of the share transmission.

If, after the granting date and before its exercise, dividends are distributed, changes in the nominal value of shares or in the share capital of the company occur or any other change in equity with impact in the economic value of the attributed rights, the number of shares attributed will be adjusted to an equivalent figure considering the effect of the mentioned changes.

On the vesting date of the MTVB, the company reserves the right to deliver, instead of shares, cash in the amount the equivalent to its market value at exercise date.

The acquisition right of the shares attributed by the MTVB become due three years after its attribution.

The right to exercise the acquisition right of shares granted under the plan expires if the contractual link between the member and the company ceases before the three year period subsequent to its attribution, notwithstanding situations included in the following paragraphs.

The right will remain valid in case of permanent incapacity or death of the member, in which case the payment is made to the member himself or to his/her heirs on the vesting date.

In case of retirement of the member, the attributed right can be exercised in the respective vesting date.

The current policy is extensive to all active plans regarding which shares have not yet been transmitted.

87. Option rights for the acquisition of shares (stock options), whose beneficiaries are company employees.

The company does not have plans to attribute share purchase options.

88. Internal control tools to be used in a potential participation in the share capital by company employees, so that the voting rights are not directly exercised by them (Article 245-A, number 1, paragraph e))

No control mechanisms are in place regarding an employee participation system in the company's share capital.

E. TRANSACTIONS WITH RELATED PARTIES

I. CONTROL MECHANISMS AND PROCEDURES

89. Mechanisms implemented by the company to monitor transactions with related parties

The mechanisms implemented by the company for the purposes of controlling transactions with related parties are thorough, transparent and in strict compliance with the market's competition rules. Such transactions are subject to specific administrative procedures that are regulated by rules, namely rules governing transfer prices or the voluntary adoption of internal verification and control systems.

Monthly, all transactions and operational balances with related parties are identified and verified by a proper team of the company Shared Services Centre and validated with administrative teams of related entities when it refers to external operations.

The less recurrent transactions are subject to an ad-hoc and detailed analysis by the company's appropriate departments (always with the participation of the Tax Department in order to ensure compliance with the transfer prices policies in force) to support the possible transaction values. In the case of an asset transfer/alienation, these are also subject to an external and independent assessment.

90. Indication of the transactions which were monitored in the reference year

Sonae Indústria did not carry out any transactions with members of the Board of Directors nor with the Statutory Audit Board members.

All transactions with holding or other related companies represent normal operational activity and were made under "open market" conditions and at prices that comply with transfer pricing regulations.

91. Description of the procedures and criteria applicable to the intervention of the supervisory body for the purpose of previous assessment of the transactions to be carried out between the company and the holders of a qualified shareholding, or entities related thereto, in accordance to the terms of Article 20 of the Securities Code.

Any transaction with shareholders or entities with whom they are in any relationship, under Article 20 of the Securities Code (reference shareholders), greater than 10 million Euros, should be subject to prior opinion of the Statutory Audit Board. The request for an opinion must be accompanied by all the elements required to allow a comparative analysis with the market and how potential conflicts of interest will be managed.

Transactions that have been contracted with reference shareholders shall be a result of a competitive process and when lower than 10 million Euros will be exempt from the prior opinion of the Statutory Audit Board but will need to be reported to the Statutory Audit Board under the procedures mentioned below.

The Sonae Indústria CFO is responsible for reporting to the Statutory Audit Board:

- 1) on a quarterly basis, all transactions with reference shareholders that exceed Euro 1 million and any other transactions that are deemed to be particularly “sensitive” by management;
- 2) on a yearly basis transactions with reference shareholders with accumulated annual values that exceed 5 million Euros.

II. INFORMATION CONCERNING TRANSACTIONS

92. Indication of the section in the financial statements documents where the information regarding related parties transactions is made available

The information relative to related parties’ transactions may be found in Note No 36 of the Notes to the Consolidated Financial Statements.

PART II – ASSESSMENT OF THE CORPORATE GOVERNANCE

1. IDENTIFICATION OF THE CORPORATE GOVERNANCE CODE ADOPTED

Sonae Indústria, SGPS, SA adopted the Corporate Governance Code published by CMVM (the Portuguese Securities Market Commission) in 2013, which is posted at www.cmvm.pt.

The decision to select the Corporate Governance Code of the CMVM is justified by the fact that it guarantees a suitable degree of shareholder protection and corporate governance transparency, and is also the Governance Code that the investors are most familiar with.

2. ANALYSIS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE ADOPTED

Sonae Indústria complied with all recommendations of the Corporate Governance Code aforementioned during the 2015 exercise. Besides fulfilling the legal requirements and recommendations of the referred Code, Sonae Indústria, being aware of the importance of good corporate governance for business and for its shareholders, constantly seeks to adopt best practices in all areas in which operates, and as such prepared its own Code of Conduct, which can be found on the company's website www.sonaeindustria.com.

RECOMMENDATION	Degree of compliance	Corporate Governance report
I. VOTING AND CORPORATE CONTROL		
I.1 Companies should encourage their shareholders to attend and vote at general meeting and shall not set an excessively large number of shares required for the entitlement of one vote, and implement the means necessary to exercise the right to vote by mail and electronically.	Comply	12 and 13
I.2 Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that provided for by law.	Comply	14
I.3 Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of long-term interests of shareholders.	Comply	12
I.4 The company's Articles of Association that provide for the restriction of the number of votes that may be held or exercised by a single shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Assembly (five years interval), on whether that statutory provision is to be amended or prevails - without super quorum requirements as to the one legally in force - and that in said	Comply	13

RECOMMENDATION	Degree of compliance	Corporate Governance report
resolution, all votes issued be counted, without applying said restriction.		
I.5 Measures that require payments or assumption of fees by the company in the event of change of control or change in the composition of the Board and that which appear likely to impair the free transfer of shares and the free assessment by shareholders of the performance of Board members, shall not be adopted.	Comply	4
II. SUPERVISION, MANAGEMENT AND AUDITING		
II.1 Supervision and Management		
II.1.1. Within the limits established by Law, and except for the small size of the company, the Board of Directors shall delegate the daily management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance.	Comply	27 and 28
II.1.2. The Board of Directors shall ensure that the Company acts in accordance with its objectives, and shall not delegate its own responsibilities as regards the following: i) definition of the strategy and general policies of the company; ii) definition of the business structure of the Group; iii) decisions considered strategic due to the amount, risk and particular characteristics involved.	Comply	21 and 28
II.1.3 The General and Supervisory Board, in addition to its supervisory duties, shall take full responsibility at corporate governance level, whereby through the statutory provision or by equivalent means, shall enshrine the requirement for this body to decide on the strategy and major policies of the company, the definition of the corporate structure of the group and the decisions that shall be considered strategic due to the amount or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the company.	Not applicable	
II.1.4. Except for small-sized companies, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall create the necessary committees in order to: a) Ensure a competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other committees; b) Reflect on the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies, measures to be implemented with a view to their improvement.	Comply	15 and 27 to 29
II.1.5. The Board of Directors or the General Supervisory Board, depending on the applicable model, should set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.	Comply	50 to 52

RECOMMENDATION	Degree of compliance	Corporate Governance report
<p>II.1.6 The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the Board.</p>	Comply	17 and 18
<p>II.1.7. Non-executive directors shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the respective free float .The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed as per the law in force. The other members of the Board of Directors are considered independent the member is not associated with any group with specific interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to:</p> <ul style="list-style-type: none"> a. Having been an employee at the company or at a company holding a controlling or group relationship, in the past three years; b. Having, in the past three years, provided services or established a commercial relationship with the company or company with which it is in a controlling or group relationship, either directly or as a partner, board member, manager or director of a legal person; c. Being paid by the company or by a company with which it is in a controlling or group relationship other than the remuneration arising from the exercise of the role of a board member; d. Living with a partner or a spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of board members or individuals who are, directly or indirectly, holders of qualifying holdings; e. Being a qualifying shareholder or a representative of a qualifying shareholder. 	Comply	18
<p>II.1.8. When Board members that carry out executive duties are requested by other Board Members shall provide the information requested in a timely and appropriate manner to the request.</p>	Comply	28
<p>II.1.9. The Chairman of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chairman of the Board of the Directors, the Chairman of the Statutory Audit Board, the Chairman of the Audit Committee, the Chairman of the General and Supervisory Board and the Chairman of the Financial Matters Committee, the convening notices and minutes of the respective meetings.</p>	Comply	28
<p>II.1.10 If the Chairman of the Board of Directors has an executive role, said body shall appoint, from amongst its members, an independent member to ensure the coordination of the work of</p>	Not applicable	

RECOMMENDATION	Degree of compliance	Corporate Governance report
other non-executive members and the conditions so that body can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.		
II.2. Auditing		
II.2.1 Depending on the applicable model, the Chairman of Statutory Audit Board, the Chairman of the Audit Committee or the Chairman of the Financial Matters Committee shall be independent in accordance with the applicable legal standard and shall have the necessary skills to carry out the respective duties.	Comply	32 and 33
II.2.2 The Auditing Body shall be the main interface between the external auditor and the first recipient of the relevant reports, and is responsible, inter alia, for proposing the respective remuneration and ensuring that proper conditions for the provision of services are provided within the company.	Comply	45
II.2.3 The Auditing Body shall assess the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract as to the provision of their services when there is a valid basis for said dismissal.	Comply	45
II.2.4. The Auditing Body shall assess the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.	Comply	51
II.2.5. The Audit Committee, the General and Supervisory Board and the Statutory Audit Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and should be recipients of reports made by these services at least in what concerns matters related to accounting, identification or resolution of conflicts of interest and detection of potential improprieties..	Comply	51
II.3 Remuneration Setting		
II.3.1 All members of the Remuneration Committee or alike shall be independent from the executive board members and shall include at least one member with knowledge and experience in matters of remuneration policy.	Comply	67 and 68
II.3.2 Any natural or legal person that provides or has provided services in the past three years to any structure under the Board of Directors, to the Board of Directors itself, or who has a current relationship with the company or a company consultant shall not be hired to assist the Remuneration Committee in the performance of its duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above.	Comply	67
II.3.3 A statement on the remuneration policy of the management and supervisory bodies referred to in Article 2 of Law No. 28/2009 dated 19 June, shall also include the following:	Comply	69

RECOMMENDATION	Degree of compliance	Corporate Governance report
<p>a) Identification and details of the criteria for determining the remuneration paid to the members of the governing bodies;</p> <p>b) Information regarding the maximum potential, in individual terms, and the maximum potential, in aggregate form, to be paid to the members of corporate bodies, and identify the circumstances whereby these maximum amounts may be payable;</p> <p>c) Information regarding the enforceability or unenforceability of payments for the dismissal or termination of appointment of board members.</p>		
<p>II.3.4 The Approval of plans for the allotment of shares and/or options to acquire shares based on share price variation to board members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said plan.</p>	Not applicable	
<p>II.3.5 Approval of any retirement benefit scheme established for members of corporate bodies shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said system.</p>	Not applicable	
III. REMUNERATIONS		
<p>III.1 The remuneration of the executive board members shall be based on actual performance and shall discourage taking on excessive risk.</p>	Comply	69
<p>III.2 The remuneration of non-executive board members and the remuneration of the members of the Auditing Body shall not include any component dependent on the company performance or of its value.</p>	Comply	69
<p>III.3 The variable component of the remuneration shall be reasonable overall in relation to the fixed component of the remuneration and maximum limits shall be set for all components.</p>	Comply	69
<p>III.4 A significant part of the variable remuneration shall be deferred for a period not less than three years and its payment shall depend on the continued positive performance of the company during said period.</p>	Comply	69 and 72
<p>III.5 Members of the Board of Directors shall not enter into contracts with the company or with third parties which intend to mitigate the risk inherent to the remuneration variability set by the company.</p>	Comply	69
<p>III.6 The Executive Directors shall keep the company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of total annual remuneration, except for those shares that must be sold for the payment of taxes on the gains of said shares, until the end of their mandate.</p>	Comply	69

RECOMMENDATION	Degree of compliance	Corporate Governance report
III.7 When the variable remuneration includes stock options, the beginning of the exercise period shall be deferred for a period of not less than three years.	Not applicable	
III.8 When the dismissal of a board member is not due to serious breach of duties nor to the unfitness for the normal exercise of the functions but, yet, is due to an inadequate performance, the company shall be endowed with the adequate and necessary legal instruments so that any damages or compensation beyond that which is legally due, is unenforceable.	Comply	83
IV. AUDIT		
IV.1 The external auditor, within the scope of its duties, shall verify the implementation of remuneration policies and systems of the corporate bodies, as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the company's Supervisory Board.	Comply	51
IV.2 The company or any entity with which it maintains a controlling relationship shall not engage the external auditor or any entity with which it finds itself in a group relationship or that incorporates the same network, for services other than audit services. If there are reasons for hiring such services - which must be approved by the Auditing body and must be explained in the Annual Corporate Governance Report - said services should not exceed 30% of the total value of services rendered to the company.	Comply	46 and 47
IV.3 Companies shall support the rotation of auditors after two or three terms whether these are four or three year mandates, respectively. The continuance beyond this period must be based on a specific opinion of the Supervisory Board that explicitly considers the conditions of auditor independence and the benefits and costs of replacement.	Comply	44
V. CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS		
V.1 The company's business with holders of qualifying holdings or entities with which they are in any type of relationship pursuant to Article 20 of the Portuguese Securities Code shall be conducted during normal market conditions.	Comply	90
V.2 The Supervisory Body or the Auditing Body shall establish procedures and criteria that are required to define the relevant level of significance of business with holders of qualifying holdings - or entities with which they are in any of the relationships described in Article 20/1 of the Portuguese Securities Code - thus significant relevant business is dependent upon prior opinion of that body.	Comply	91
VI. INFORMATION		

RECOMMENDATION	Degree of compliance	Corporate Governance report
VI.1 Companies shall provide, via their websites, in both Portuguese and English languages, access to information on their progress as regards the economic, financial and governance state of play.	Comply	59 to 65
VI.2 Companies shall ensure the existence of an investor support and market liaison office which responds to requests from investors in a timely manner and which keeps record of the submitted requests and their processing.	Comply	56 and 58
